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Agriculture

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Costs rising for farm businesses

The latest Agri-Market Outlook published by the Agriculture and Horticulture Development Board (AHDB) has predicted that the ongoing impact of Brexit, the economic impact of Covid and higher energy prices will put pressure on farm business incomes in the first half of 2022. Fertiliser, animal feed, fuel, gas and electricity are among the costs that are forecast to remain high, presenting a challenge to business planning.

According to AHDB the decline of the foodservice market and labour shortages in abattoirs and food processing plants will also affect farm business incomes. Permanent changes in supply chain management and consumer behaviour will also require farm businesses to 'recalibrate' their plans to adapt to a new operating environment.

The bi-annual Agri-Market Outlook features market forecasts for meat, dairy, cereals and oilseeds, including information about production levels, consumer demand, international trade and farming costs.
Forecasts include a 2% fall in pork production and UK demand for pork towards the second half of 2022. Despite an expected 9% increase in pork exports, the export market will be difficult due to slowing demand in China and a weak EU market.

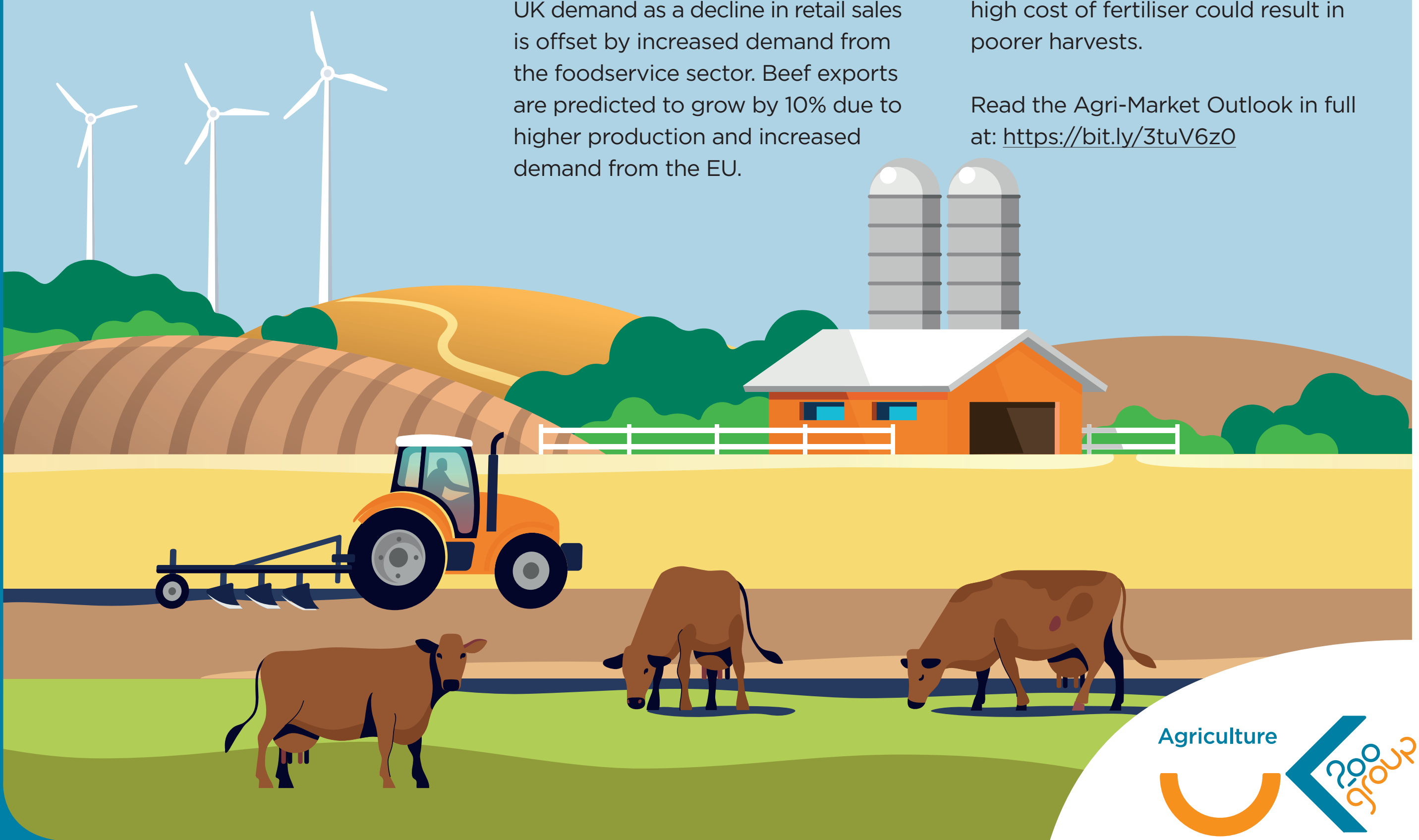
UK demand for lamb is forecast to fall by 3% due to environmental concerns and less lamb appearing on restaurant menus. Lamb imports are also likely to fall by 6%, partly as a result of high shipping costs, but exports are predicted to increase by up to 5%.

Forecasts for beef include a 1% increase in production and a 1% fall in UK demand as a decline in retail sales is offset by increased demand from the foodservice sector. Beef exports are predicted to grow by 10% due to higher production and increased demand from the EU.

Milk production will grow only slightly in 2022, as high input costs impact yields. Milk imports are likely to increase as a result of recovering demand from the foodservice sector.
The market for cereals is currently supported by high demand for animal feed. However, this demand, which is due to the backlog of livestock awaiting slaughter, is likely to fall from summer 2022 onwards as herd sizes reduce. Demand for wheat is likely to be supported by increasing biofuel production, and the market for cereals may also be supported by growth from brewers, maltsters and distillers following the end of Covid-19 restrictions.

High prices for oilseed rape on the UK and global markets are forecast to lead to a 17% increase in the area of farmland given over to this crop. However, this may not lead to an increase in production because the high cost of fertiliser could result in poorer harvests.

Read the Agri-Market Outlook in full at: https://bit.ly/3tuV6z0



Agriculture UK 200 group

Defra responds to pig industry crisis

Defra has announced changes to the Slaughter Incentive Payment Scheme (SIPS) following a crisis summit held in February 2022. The summit, which was attended by the National Pig Association (NPA) and other representatives of pig producers, processors and retailers, was called to address the backlog of 200,000 pigs awaiting slaughter as a result of the shortage of skilled butchers.

SIPS was first introduced in November 2021 to deal with the backlog of pigs by contributing towards the costs involved in operating additional shifts in abattoirs. However, according to the NPA, it was of limited value because of scheme rules that required pigs slaughtered during a SIPS shift to be exported or placed into the Private Storage Aid Scheme.

The Defra announcement means that from 18 February 2022 this requirement has been removed, so that pigs slaughtered under the scheme can be sold on the domestic market. The revised SIPS means that the payment rate has increased from £3 to £10 for eligible pigs. In addition to the backlog of animals awaiting slaughter, the pig industry faces a number of challenges, including falling prices, a loss of some exports to China and issues with CO2 supplies. Responding to fears of a possible collapse of the pig sector, Defra has also announced an immediate review of supply chain fairness.

However, other requests made by the NPA at the crisis summit have not been met. These include a call for the Government to tackle the labour shortage in abattoirs by removing unnecessary requirements in the skilled worker immigration route and by adding butchers to the shortage occupation list. The NPA has also called for the Government to introduce a compensation package for pig producers.

Read more about SIPS at: https://bit.ly/3IGtUU8

Farmers urged to apply to improved 2023 Countryside Stewardship scheme

Defra is urging farmers in England to apply for the 2023 Countryside Stewardship (CS) scheme, which is now open for applications. Payment rates under the scheme have increased by around 30% and Defra has made changes to broaden the scheme and to make it easier to apply. Online applications are now possible for the Mid Tier scheme to make the process simpler and allow farmers to apply for CS capital grants throughout the year.

The Government sees the scheme as an ideal bridge to the upcoming environmental land management (ELM) schemes. According to Defra, farmers and land managers in the CS scheme will be well placed to enter the new Local Nature Recovery scheme, which will be introduced by 2024. According to the Rural Payments Agency the 2023 CS scheme is a “key mechanism” to support farmers and land managers through the transition period before the new schemes are introduced.

The CS scheme includes Higher Tier agreements, which are five or ten year agreements to manage complex land in environmentally significant sites, commons or woodlands that require support from Natural England or the Forestry Commission.

The scheme also includes Mid Tier agreements, which are five year agreements for continued land management or specific environmental work and Wildlife Offers to protect and preserve the natural environment. Capital Grants are also available for specific environmental works on land, such as fencing installation and tree planting as well as support to help manage and protect woodland.

According to the Soil Association, the increased payment rates in the 2023 CS scheme offer significant opportunities for farmers who want to convert to organic, with payments for some conversions to organic double those under previous CS schemes. However, the Soil Association is concerned that rates for management of organic improved permanent grassland were frozen for 2022 and will be halved for 2023 agreements.

Read more about the 2023 scheme here: https://bit.ly/3K9cRdF

In brief...

Business planning guide to support young farmers

The National Federation of Young Farmers' Clubs has published an online guide to help young farmers with business planning during the transition to new agricultural arrangements and policies. The Fit for Business Guide includes advice about conservation agriculture, the role of integrated pest management, and agroforestry. It also provides resources and support to help farmers develop the skills they need to ensure the long term viability of their business. The guide is part of a three-part project funded by Defra, which will also provide training for Young Farmers' Clubs.
Read more about the guide at:
https://bit.ly/3vFhZCa

Growth in farmland values

Research from Savills has indicated that while farmland values are forecast to increase between 2022 and 2026 due to supply constraints, growth rates will vary depending on land type and quality. Poorer quality livestock land values are forecast to grow by 6% per year, compared with a growth rate of 2.5% per year for prime arable land. The research has also revealed that farmland supply levels are expected to remain constrained in the short to medium term. Growing demand from environmentally and socially driven investors, along with continued interest from traditional buyers, is expected to contribute to supply challenges.
Read more about the forecasts at:
https://bit.ly/3K6OxJu

Diversification activities boost farming income

Defra has revised its figure for total income from farming for 2020 in England to £3.55 billion, which is almost 37% higher than the first estimate, published in September 2021. The figure was revised upwards due to an increase in income from farm diversification activities in 2020, which were more resilient to the impact of Covid-19 restrictions than initially forecast. Despite the increased estimate, total income from farming is still predicted to be 5% lower than in 2019, due to a fall in the value of crop output.
Read more about the figures at:
https://bit.ly/3t03Fma

New environmental management schemes announced

Defra has announced two new environmental land management (ELM) schemes that will reward farmers in England who undertake projects that help achieve net zero emissions and support sustainable food production. The Local Nature Recovery scheme will pay farmers for activities such as the creation of wildlife habitats, planting trees or restoring wetland areas. The scheme will be trialled in 2023 before being rolled out from 2024. The Landscape Recovery scheme will encourage more substantial changes to land use and habitat restoration, such as creating new nature reserves, woodlands and wetlands, or restoring floodplains.
Read more about the schemes at:
https://bit.ly/3huzYTK

Silage wrap exempt from plastic tax

HMRC has confirmed that silage wrap will be exempt from the plastic packaging tax that comes into force on 1 April 2022. The announcement follows lobbying by farm groups warning that proposals to introduce a £200 per tonne plastic tax on silage wrap would be damaging for the agriculture industry, particularly as farmers are already facing rising costs. Farm groups have also claimed the tax would be unfair as silage wrap is a highly specialised product and there are no appropriate alternatives to plastic wraps.
Read more about the announcement at:
https://bit.ly/3K9sWAe

Farmers urged to prepare for higher water bills

The NFU has urged farmers to prepare for an increase to their water bills from April 2022 due to a rise in wholesale prices. Overall, wholesale prices are expected to increase by between 3% and 4%, while an additional levy will also be introduced on water bills to protect suppliers against bad debts and losses as a result of Covid-19. While the NFU claims it is difficult to estimate how much bills will increase, farmers should speak to their supplier or look at comparison sites to try and secure a better deal if they are concerned.
Read more about the warning at:
https://bit.ly/3sypnh0

Lump sum payment to help farmers who wish to leave the industry

The Government has committed to help farmers who wish to leave the industry. Under the Lump Sum Exit Scheme, which is due to open in April 2022, farmers will receive a payment to help them leave the farming sector or retire, enabling them to exit in a managed way.

The scheme follows a consultation carried out in 2021, when the majority of respondents supported the initiative. It is part of reforms set out in the post-Brexit Agricultural Transition Plan, which marks the biggest changes to farming and land management in 50 years now that the country is outside the Common Agricultural Policy.

Farmers will be expected to surrender their entitlements and either rent or sell their land or surrender their tenancy in return for the lump sum payment. This should free up land for new entrants to the sector, as well as helping farmers wishing to expand their businesses. The Government has also been working to design a New Entrants scheme to create opportunities for new farmers.

Payments will be based on the average direct payments made to the farmer for the 2019 to 2021 Basic Payment Scheme years, with farmers able to receive a total of up to around £100,000. The application period will run until the end of September 2022.

This is one of a number of schemes announced over the past year, which will support farmers in boosting food production as well as benefit the environment. Defra is working in partnership with farmers to design these schemes, with more than 3,000 farmers testing and trialling the new approach.

Read more about the scheme here: https://bit.ly/3IxDDvU

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If you would like further information on any articles in this newsletter, please contact Kevin Powell or Nick Rawson on the telephone number or email address above.

Defra launches working group to support tenant farmers

Defra has launched a working group to support England's tenanted farming sector. The Tenancy Working Group will look at ways to ensure that tenant farmers have fair access to new Environmental Land Management (ELM) schemes. The group will also work towards ensuring that tenanted farming is sustainable in the long term.

The Tenant Farmers Association (TFA) has campaigned at length about barriers to ELM schemes. These include tenancies that last for a short period of time and restrictive clauses in lease agreements. The TFA has also raised concerns about landlords reclaiming land so they can apply to ELM schemes directly.

The Tenancy Working Group will engage with tenant farmers and associated stakeholders to develop ELM schemes that work within agricultural tenancies. Defra will receive advice about designing schemes to ensure that tenant farmers can participate and that they benefit from doing so. The group will also suggest ways to minimise the impact of land lost from the tenanted sector, taking into account the TFA's concerns. The TFA believes it is of high importance that the group's recommendations are published in time to be considered in scheme designs.

To secure the long term sustainability of tenanted farming, the Tenancy Working Group will advise Defra on how to foster lasting relationships between tenants and landlords. The group will consider whether policy initiatives are needed to secure the sustainability of tenant farming and whether it may be necessary for Defra to have further regulatory or legislative powers over the sector.

Read more about the Tenancy Working Group at: https://bit.ly/35I6yic