UK200Group news

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Agriculture

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New biodiversity rules on land developments

Farmers and land managers in England could earn revenue by selling 'biodiversity units' as a result of new rules applying to land development projects.

Under the rules, land and property developers must ensure that their projects have a measurably positive biodiversity net gain (BNG) and that habitats for wildlife are left in a measurably better state than they were before the development.

BNG is measured in standardised biodiversity units. Habitats will contain a number of these units depending on size, quality, location and type. Biodiversity units can be lost through development or generated through work to create and enhance habitats.

From April 2024, all planning applications for development projects must specify how BNG will be achieved. The rules will also apply to all nationally significant infrastructure projects from November 2025.

Planning applications must specify how development projects will achieve a BNG of at least 10%. If developers cannot deliver all of their BNG on-site, they must deliver it through a mixture of on-site and off-site BNG.

Off-site BNG will involve developers entering into 30-year legal agreements with farmers or other land managers to generate biodiversity improvement. Under the agreements, developers will buy biodiversity units, either directly from land managers or via a broker.

Farmers and land managers selling biodiversity units receive either an upfront or annual payment (or a combination of both), in return for creating or enhancing habitats, and managing them for at least 30 years to generate the number of units specified in the agreement.

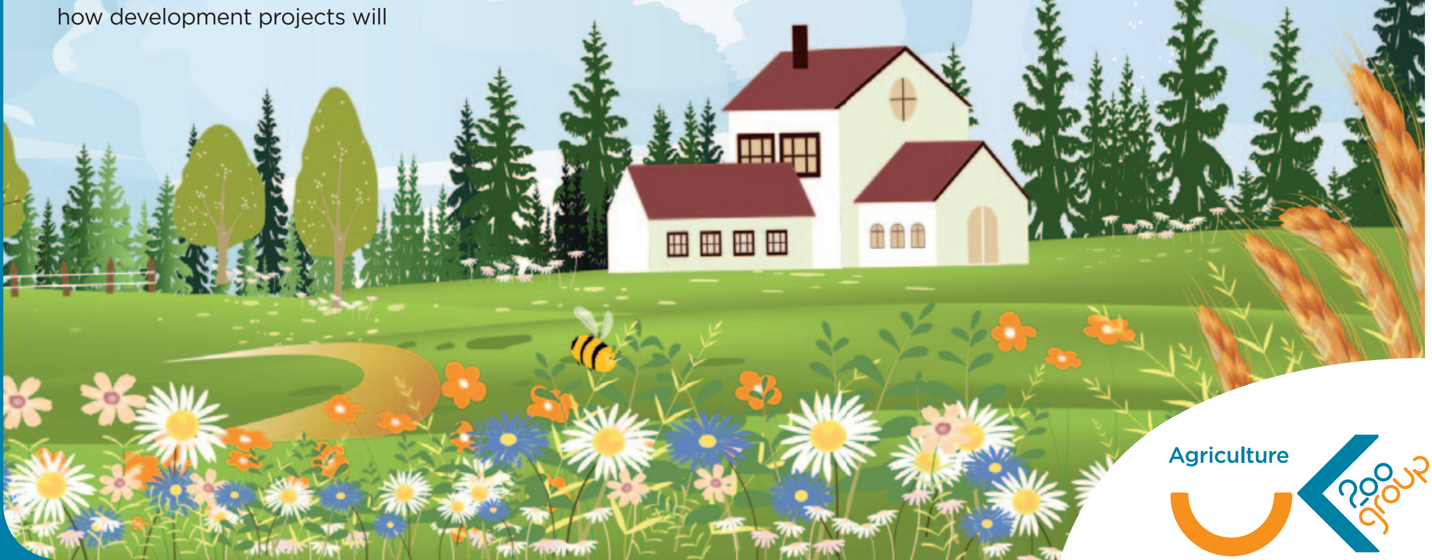
To sell biodiversity units, farmers must register their land as a biodiversity gain site on a national register operated by Natural England.

Biodiversity units are potentially a valuable source of additional revenue for farmers, with some agreements paying considerably more than the Country Stewardship scheme and the Sustainable Farming Incentive.

However, it is not yet clear how large the market will become, with many developers looking to achieve BNG on-site.

There is also uncertainty about the tax treatment of payments for biodiversity units. For example, it has not yet been decided whether land that is managed under the terms of a BNG agreement will qualify for the 100% relief from inheritance tax that applies to agricultural land. It is also unclear whether upfront payments associated with a 30-year agreement will be taxed immediately or spread over the life of the agreement.

Read more about the new rules at: https://bit.ly/43lujq8 and https://bit.ly/4chbh8z



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Government announces support for farmers

The Prime Minister has announced several measures to support farmers and boost food security. The NFU welcomed the measures as 'effectively a new business plan for agriculture', but also pointed out the lack of new money. However, farming campaign groups, including Save British Farming and Get Fair About Farming, believe that more needs to be done to protect UK farmers from cheap imports.

Speaking at the NFU Conference in February, the Prime Minister promised that "every penny" of the £2.4 billion farming budget will be spent on agriculture. This will include the largest ever grant offer, expected to total £427 million, which will open in the 2024/25 financial year.

In April 2024, farmers with existing Sustainable Farming Incentive agreements will receive up to an extra £1,000, as the management payment is doubled. This increase will be extended to the mid-tier of Countryside Stewardship for the first year of agreements that start by March 2025.

Funding for future-focused technology and productivity schemes has been more than doubled, from £91 million in 2023/24 to £220 million in 2024/25. The increase is to keep up with demand and help farmers invest in automation and reduce their reliance on overseas workers.

Regulations to ensure fair dealing between supermarkets and pork and egg producers will also be laid before Parliament. This follows the presentation of the Fair Dealing Obligations (Milk) Regulations 2024 to MPs earlier this year. The low prices paid by supermarkets, coupled with cheaper imports from countries with lower welfare standards, are viewed by campaign groups as key crisis points for farming.

Planned relaxations to permitted development rules will make it easier for farmers to diversify, for example by opening farm shops and renting out land for commercial or sporting use. A new £15 million fund will also be launched to help tackle food waste from the farm gate. This will be complemented by an annual UK-wide Food Security Index to monitor levels of food security.

Read more about the measures at: https://bit.ly/3vc8IE5

Farmers pay £1.45 billion extra on fertiliser

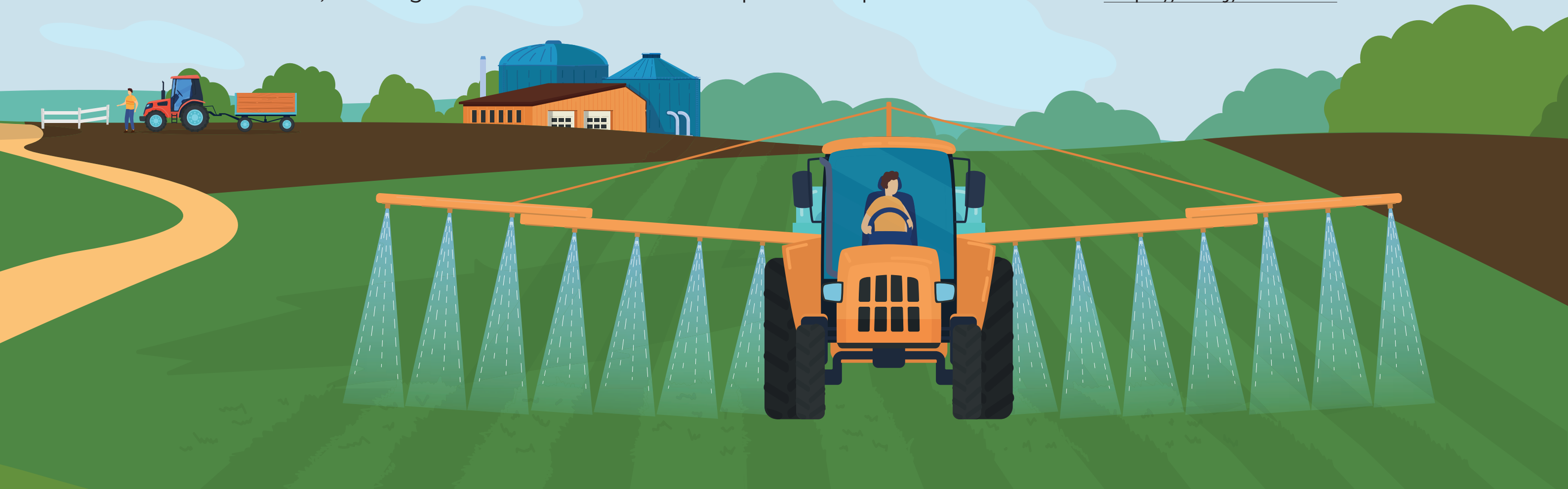
Fertiliser prices in the UK have spiralled in the last two years and are expected to remain high. Analysis by the Energy and Climate Intelligence Unit (ECIU) estimated that British farmers have faced additional fertiliser costs of £1.45 billion since the Russian invasion of Ukraine in February 2022.

This resulted in soaring gas prices, which in turn impacted the production of fertiliser, which is heavily reliant on gas. Prices reached an unprecedented high in summer 2022, with the cost of ammonium nitrate, the main fertiliser used by farmers in the UK, reaching £870 per tonne in September 2022, up from an average price of £217 per tonne in 2020.

The analysis found that farmers spent around £1.42 billion on fertiliser in 2022. Although fertiliser prices have fallen from the peak of 2022, prices have plateaued since May 2023 at 50% above pre-2020 levels. Farmers spent £964 million on fertiliser in 2023, compared to £470 million in 2020. This equates to farmers having spent £1.45 billion more than if prices had remained at pre-crisis levels. If prices remain high, with gas prices showing no sign of falling, farmers are expected to spend £755 million on fertiliser in 2024, up 60% from 2020. This is also having an impact on UK production, with high gas prices the main reason for the closure of the UK's largest ammonia plant in Teesside in 2023.

The ECIU claims that green farming schemes aimed at boosting soil health could reduce the use of chemical fertilisers and the need for imports. The schemes could also improve food security and help farmers protect themselves against the impact of climate change.

Read more about the ECIU analysis here: https://bit.ly/3IGOe9x



In brief...

Toolkit to help farmers take on their first apprentice

Lantra has launched a guide to help small farm businesses employ their first apprentice. The Employer Toolkit covers a range of practical topics, including how apprenticeships work, the benefits for farmers, associated costs, and where to find apprentices and training providers. It also includes a step-by-step guide to taking on an apprentice, as well as case studies and signposting to further support. The toolkit was launched after research revealed that while farmers see the value in employing apprentices, many struggle to find practical information on this training route.
Read more about the toolkit at: https://bit.ly/3PqfZab

Just four in ten farmers positive about their future

The October 2023 Farming Opinion Tracker from Defra has revealed that just 41% of farmers in England feel positive about their future in farming. The biannual tracker surveys farmers on their opinion of Defra's vision for farming. According to the tracker, 65% of farmers are not confident that Defra's changes to support schemes and regulations will lead to a successful future for farming. However, farmer confidence in Defra's ability to deliver environmental schemes is increasing, while 83% said that Defra paying for environmental outcomes will be important to their business going forward.
Read more about the tracker findings at: https://bit.ly/3TEq7OX

First tender tests developer demand for biodiversity units

Landowners across England have sold biodiversity units as part of a tender process set up to test the market for developers who need to meet new biodiversity net gain (BNG) obligations. The tender, which was the first sale of its kind, covered 74 lots of varying sizes stretching from Northumberland to Cornwall. A range of different habitat types were also available. The BNG units were valued at between £25,000 and £200,000 per unit, depending on habitat type.
Read more about the tender at: https://bit.ly/3wUZNr3

First sunflower marketing pool launched in the UK

Farming co-operative United Oilseeds has launched the UK's first sunflower marketing pool in response to growing interest in the crop. Over the past year, the sunflower area grown has increased by 25% to reach 400 hectares, while seed supplier Grainseed believes that demand could support 40,000 hectares across the UK. The marketing pool will provide sunflower growers with an additional break crop option for 2024 spring planting. Sunflowers are also classed as an arable crop under the new Sustainable Farming Incentive, meaning growers could see additional returns of £45 per hectare.
Read more about the marketing pool at: https://bit.ly/3ve5wb4

Campaign to raise awareness of poor mental health

The Farm Safety Foundation has launched its annual Mind Your Head campaign to raise awareness of the importance of mental health in the farming industry. The campaign connects rural workers with help to manage and protect their mental wellbeing. It follows a Farm Safety Foundation survey of 450 farmers aged under 40, which revealed that almost 95% believe poor mental health is the biggest hidden problem facing the industry, up from 82% four years ago. Price inflation, the cost of living and an increase in the number of extreme weather events have contributed to the stressors facing farmers.
Read more about the campaign at: https://bit.ly/3Vh5hXj

British poultry producers face significant challenges

An NFU survey of 253 British poultry farmers has revealed that a significant proportion are unsure whether they will still be in business in two years' time. Overall, 24% of egg and 15% of chicken meat producers are either unlikely or unsure if they will still be producing poultry beyond November 2025. According to the survey, insufficient returns is the main reason why poultry producers have been unprofitable. Unfair supply chain practices, high energy prices, avian influenza outbreaks, and being undercut by imports are also key challenges for British poultry farmers. In response to the findings, the NFU has called for the Government to introduce measures to address pressures facing the sector.
Read more about the survey at: https://bit.ly/3vhM4dy

Employers scramble to meet immigration deadline

Farmers are scrambling to recruit overseas workers ahead of a new immigration wage threshold that many see as unworkable. Businesses that specialise in overseas recruitment for farms have reported a surge of inquiries as employers seek to beat the deadline for the government-stipulated overseas worker pay increase.

The new minimum earning threshold for overseas workers arriving via the skilled worker route is £38,700 from April 2024, a 48% increase from the previous £26,200. Many farmers have said they rely heavily on overseas workers and the increase is not sustainable. According to Farmers Weekly, a number of farmers have tried to recruit, train and retain domestic workers, but a local lack of skills and experience has made this impossible.

One farmer said the change would push salaries to £16 per hour in what is already a low-margin industry. This would be untenable as it would necessitate across-the-board pay rises in order to avoid some workers being paid more than others for the same jobs.

Farmers also denied that it was simply a case of wanting 'cheap foreign labour', pointing out that overseas workers were reliable and often more experienced. Overseas workers also represented a significant investment on behalf of the farm, with one farmer quoting an investment of £10,000 per worker. Many predicted the new rules would result in a vast labour shortage, with calamitous knock-on effects. The rush to beat the salary threshold deadline has also created a backlog in the recruiting process, with one farmer reporting that they could not secure an appointment with the notary needed to sign the relevant documentation due to the surge in inquiries.

Read more about the immigration rule change here: https://bit.ly/3VmMObP

Non-farmers buy over half of English farms sold in 2023

Among farms sold on the open market in England in 2023, just 44% were bought by farmers, the lowest percentage on record. The remaining 56% were bought by private and institutional investors and by 'lifestyle' buyers. This is according to figures published by property consultants Strutt & Parker, who attributed the low number of farmer buyers to higher interest rates, reductions in support payments, cost pressures and poor weather conditions.

In 2023, the number of institutional investors buying farmland increased by 10% compared to the previous year, to reach 13% of all open-market transactions. However, because the amount of farmland bought and sold each year is less than 1% of the total agricultural land area, the vast majority of land continues to be owned by farmers. In addition, many of the farms bought by non-farmers continue to be used for food production, often with an emphasis on regenerative farming techniques, improved biodiversity and tree planting.

Strutt & Parker's Farmland Database also revealed that demand for farmland in England was slightly lower in 2023 than in 2022, with the result that fewer farms reached their guide price. However, the average price per acre of arable land rose by 4%, to £11,300, and more than 70% of arable land sold for at least £10,000 per acre. Pasture prices ranged from £4,000 to £16,100 per acre, with an average of £8,700. There were 75,500 acres of land available on the open market in 2023, which was lower than in 2022, but it was the second highest total in five years. Factoring in off-market sales brought the total amount of land available to over 100,000 acres.

Read more about the figures at: https://bit.ly/3Tg1Tcy

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

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