Executive Summary

This intelligence was collected over a six-month period (October 2022-March 2023).

Across **all regions**, the forage harvest for 2022 of **hay, silage** and **maize,** was impacted by the summer drought, resulting in a reduction in **fodder** available for the winter.

Milk price was strong (50p/litre+) in the lead up to peak volume season; however, this has been offset by costs of inputs, including feed, fertiliser, electricity, fuel and borrowing costs.

Beef prices including cull cows are extremely strong despite high cereal prices. **Bovine TB (bTB)** remains a constant challenge.

The **store** and **fat** lamb trade returned to lower prices in late autumn, however, cull **ewe** prices remained strong. The extremely dry summer of 2022 negatively impacted on ewe quality and adversely affected fertility at tupping resulting in reduced scanning and lambing rates.

Pig producers have recorded their worst year on record, and despite the recent slight recovery in price, businesses remain loss making predominantly due to high feed costs and electricity prices.

The **poultry** sector remains challenging due to high input and structural costs and avian flu. There are reports of producers reducing flock sizes and not restocking.

Cultivations in the autumn were aided by good, dry conditions. In contrast, the cold wet spring has hampered spring drilling, with those who drilled early having benefitted. Winter oilseed rape (OSR), wheat and beans are all well-established, but **Cabbage Stem Flea Beatle** (CSFB) attacks are impacting on winter OSR crops.

As a result of the adverse weather conditions on the **sugar beet** yield for the 2022 crop, **British Sugar** may have to look to imports to meet demand for its products. For the 2023 crop, sugar beet producers have been offered payments of £3,000 per hectare regardless of volume, to supply beet into British Sugar's Bury factory in early September; these contract agreements have been welcomed by growers.

Family farm scale **potato**, **cabbage** and **cauliflower** growers are decreasing their areas planted and expressing concern on their future viability.

Labour availability and **energy** prices are causing a crisis in the **horticultural** sector. The **cider** apple industry seems to be stable, with all apples accepted from last year's crop. **Top fruit** yields were surprisingly reasonable considering the dry summer but there is concern that the spring wet and windy weather has delayed important spray applications potentially impacting the 2023 harvest. 2022 was a good harvest year for **vineyards**, with grapes benefitting from the long hot summer resulting in high sugar content and an early harvest. In the Southeast, the **hop crop** for 2022 was reported as one of the worst in living memory due to the drought and high temperatures. Despite a reduction in supply, prices have not increased since the impact of covid lockdowns resulted in consumers finding alternative ways to socialise and this has been compounded by the cost-of-living crisis impacting on pubs, hospitality sector and events.

There is dissatisfaction with the slow release of details and complexity of the **Environmental Land Management Schemes (ELMS)** and **Sustainable Farming Initiative (SFI)** schemes making planning for the short and mid-term future challenging. The consensus is that the new schemes do not offer incentive for carrying out the tasks and are not a sufficient replacement for the **Basic Payment Scheme** (BPS). There are limited options and in some cases nothing yet available for grassland farms depending on their systems.

More farms are converting their year-end to 31st March to comply with HMRC rules for **Making Tax Digital (MTD)** increasing workflow pressure on accountants and farm secretaries and potentially causing delays in finalising accounts.

Farmers are facing high levels of **stress** within the current climate, including financial issues, working hours, relative isolation, price volatility and uncertainty.

Livestock; Dairy, Beef and Sheep

Across **all regions**, the forage harvest for 2022 was impacted by the extremely dry summer, resulting in relatively low levels of **fodder** available for the winter, compounded by many livestock farmers feeding conserved grass in the summer thus further reducing winter stocks. In the **Southwest**, an increasing use of herbal leys have been reported and combined with a flush of grass in the late autumn the grazing season was extended, with some farmers taking extra cuts in October. Forage supply problems have been compounded by the high price of concentrates, increasing the volumes of forage fed over the winter months, resulting in a shortage being reported in the spring. **Maize** crops were variable with the higher yields off wetter fields and reduced yields in dry conditions, however, harvest was straightforward due to the dry autumn.

Milk prices have been strong across the regions, particularly for farmers supplying **Arla**. Depending on contract arrangements and quality bonuses, some farmers have been selling milk for 50-55ppl through autumn and winter (compared to 38ppl a year ago) which will ease the pressure of escalating input costs. One **Yorkshire** farmer commented that even with rising costs it was leaving a small amount for reinvestment which had not been feasible in recent years. However, prices have begun to fall into the spring, with many milk processors introducing measures to disincentivise spring milk due to oversupply. Arla announced a 5p/litre milk price reduction for April 2023 which follows previous reductions for January and February. A farmer who produces 2 million litres annually calculated the latest drop would cost them approximately £8,800/month and with the current cost of feed, fertiliser and electricity he would return to only breaking even.

Trade for **newly calved heifers** remains strong, buoyed by the good milk prices. **Dairy calf** rearing costs have escalated, resulting in only quality calves achieving reasonable returns, whilst March saw record prices for **cull cows**.

Some **organic milk producers** have actively switched to conventional production because of a static organic milk price and ever-increasing costs of organic feed, forage and overheads. Some producers have also reported that organic milk is being sold into the conventional market.

Concern in **Devon** and **Cornwall** has been expressed that milk contracts for new entrants appear to be getting harder to obtain.

The bad weather in mid-March caused some farmers in the **North** issues, with milk being lost due to tankers not being able to collect and plans for turning cows out delayed due to the cold and snow.

Beef prices including **cull cows** are extremely strong. **Store** cattle prices reduced in the autumn largely due to concerns regarding price of **feed** through the winter and low forage stocks. However, both **store** and **finished** prices have increased rapidly since the end of January. Feed costs are at an all-time high, with one beef producer in the **Midlands** reporting his annual concentrate bill to have almost doubled in the last 12 months, causing a squeeze on overall margins despite the high prices.

Bovine TB (bTB) continues to be a persistent problem, compounded by the stress of testing and issues with the marketing of livestock.

Despite a predicted fall in **breeding sheep prices**, many hill bred sheep saw prices hold steady with notably strong **cull ewe** prices, however **store** and **fat lambs** have returned to average prices seen before last year's price rise. Upland farms producing mule ewe lambs saw prices fall slightly, a consequence of forage shortages in the south which is where many buyers of mule breeding stock are located. Some northern auction marts were advertising for grass keep ahead of the autumn breeding sales, to retain buyers from the south by offering winter grazing in the north where purchased stock could be kept until grass growth recovered in the south. Sourcing **winter grazing** is reportedly more difficult especially on dairy farms, partly as they do not want more livestock on their farm as this raises their carbon production.

High concentrate costs combined with the lower sale prices, other high inputs and drop in the BPS, are resulting in sheep margins being significantly reduced. In addition, the deal struck following **Brexit** has resulted in Australian and New Zealand lamb on supermarket shelves which producers believe has impacted on market price.

The extremely dry summer of 2022 negatively impacted on **ewe** quality and adversely affected **fertility** at **tupping**. Some sheep farmers in drier eastern regions have reported lower than expected scanning and lambing rates which is predicted to be reflected across the regions. Early lambers in the **South** have reported an increase in abortions, lamb mortality and lack of milk from the ewes. Lambing is early in the **Southeast**; gestation would usually be 145 days but is less than 140 days which vets believe could be due to drought conditions at tupping. The withdrawal of the use of **Spectam** (a broad-spectrum antibiotic) does not yet appear to have affected lambs in the first few weeks of birth but the long-term effect is yet to be seen.

Pigs and poultry

Pig producers have recorded their worst year on record, and despite the recent slight recovery in price it does not offset the damage done to the sector, which remains loss making mainly due to high feed costs and electricity prices. A pig farm with 150 sows is looking to get out of pigs when their debts have been repaid; the farmer does not know what he will do as he has no other enterprise or land but believes that his size of pig farm is no longer financially viable. One pig producer explained that he is assessing when to retire, leave the industry and minimise the loss. He is in a lot of debt and will have to sell the farm and his home too due to cost of production not being met by pig prices. He believes that government support is required for the sector before it ceases to exist entirely.

The **poultry sector** remains challenging due to high input and structural costs and avian flu. There are reports of **egg producers** reducing flocks and not restocking due to the low wholesale price of eggs, increase in feed prices, cash flow issues and the impact of **avian flu**. Egg production is at an all-time low, leading to supermarkets in the **Midlands** restricting sales of eggs to customers to keep shelves stocked. There is also a reduction in demand for **organic broilers** related to the cost-of-living crisis and consumers seeking to reduce spending. Some **turkey** producers report achieving very low prices for birds sold at Christmas auctions, with many consumers purchasing early over fears of shortages of turkeys at Christmas. Cost of steel, concrete and infrastructure is making new units substantially more expensive and unviable, compounded by banks being less open to funding.

Arable

Cultivations in the autumn were aided by good, dry conditions. In contrast, the cold wet spring has hampered spring drilling, with those who drilled early having benefitted. **Spring applications** of **fertilisers** and **sprays** are being delayed due to the wet weather in March, triggering concern that pre-emergence sprays will not be applied as crops are now starting to race through growth stages.

In the **Southeast** and the **Midlands**, **winter oilseed rape (OSR)**, **wheat** and **beans** are all looking well, but possibly too advanced for this time of year, with positive reports for the crops in the **northern** regions too. OSR is in flower in the Midlands but has been attacked by **Cabbage Stem Flea Beatle** (CSFB) and therefore yields will be impacted, with similar concerning CSFB attacks being reported in the **Northeast** too.

A huge variation in crop sale price received through the winter across all the regions has been reported. Some farmers received good prices for wheat and barley as their hectolitre weights were raised; the 2022 harvest has produced a quality crop. Farms that have stored their grain rather than selling it in the autumn are now regretting that decision, as feed wheat has fallen below £200/T; a new 60-day extension to the Black Sea grain corridor could be contributing to the price drop. There is concern that low prices will return while input costs remain high. Several farms have changed from using **Nitram** to **Urea** this year due to it being a lower price.

Sugar Beet and vegetables

Initial **sugar beet** yields have been reported at 80t/ha (adjusted) and therefore despite having a severe loss of rainfall during the summer, it appears that some crops have compensated for this setback. However, in January 2023, **sugar beet growers** in the **Horncastle** area of **Lincolnshire** reported severe frost damage that has ruined crops in the ground, with one farmer losing up to 50% of their produce. Those affected will have to make a difficult decision of potentially not lifting the crop so as not to incur further charges. Some sugar beet that has already been lifted has been rejected by **British Sugar** and is destined for animal feed. However, due to lack of livestock and demand in the area, growers have had to resort to giving it away or have it applied back on to the land.

As a result of the adverse weather conditions on the yield for the 2022 crop, British Sugar may have to look to imports to meet demand for its products. For the 2023 crop, sugar beet producers have been offered payments of £3,000 per hectare regardless of volume, with an additional £40/tonne above 72.5t/ha on 5ha to 50ha per individual contract to supply beet into British Sugar's Bury factory in early September. It was open to all growers and interest was reportedly high and thus British Sugar has announced the offer has closed to avoid any delay in drilling alternative crops.

A large grower owned **potato co-operative** in the **East** have seen a 9% fall in the area grown in 2022 and predict it may be as much as 25% in 2023 with large numbers of growers having left the industry on the back of the high costs of production and reduced crop yields last year.

Family farm scale **potato**, **cabbage** and **cauliflower** growers are decreasing their areas planted and expressing concern on their future viability. The **pea** planting program for **Birds Eye** is starting slightly later this year than planned due to the wet weather in mid-March.

Horticulture

The **cider apple** industry seems to be stable, with all apples accepted from last year's crop; prices increased by £5-10 per tonne and some contracts have been extended. **Top fruit** yields were surprisingly reasonable considering the dry summer but there is concern that the spring wet and windy weather has delayed important spray applications being undertaken. Some fruit growers have confirmed that they are grubbing and mothballing orchards and are not looking to put them back into production. Vast tracts of orchards in the **Southeast** are being grubbed in favour of arable planting; the costs of planting are too high and are compounded by a shortage of labour. Growers are calling for horticulture to be added to the **Energy Business Relief Scheme** vulnerable list. Cold storage is relied upon as fruit needs to be stored for longer and is no longer economic.

A **fruit** producer in the **East** is cutting back on his **flower** production even though it is a lucrative market that fits well with his apple harvest in terms of workload purely due to the shortage of labour. A **bulb** producer is also cutting back partly due to the UK failure to get on top of basal root rot and again concerns over getting the number and quantity of workers needed for flowers and bulbs.

Growers are being encouraged to join schemes to allow them to calculate their **carbon footprint** to enable them to prove that locally grown UK fruit is far better for the environment than imported fruit.

2022 was a good harvest year for **vineyards,** with **grapes** benefitting from the long hot summer resulting in high sugar content and an early harvest. Good quality harvesting labour stands at the top of the list of worries for the coming season**,** whilst trade is buoyant for English wine and growers are looking to expand vineyards in the Southeast.

In the **Southeast**, the **hop crop** for 2022 was reported as one of the worst in living memory due to the drought and high temperatures. Despite a reduction in supply, prices have not increased since the impact of covid lockdowns resulted in consumers finding alternative ways to socialise and this has been compounded by the cost-of-living crisis impacting further on pubs, hospitality sector and events; which has had a devastating effect on the brewing industry, resulting in many brewery closures over this past 6 months. The hop industry has declined significantly and will do further, with very few contracts being made available for this coming year, let alone beyond the 2023 crop. Costs of inputs for the coming season are now being quoted, and whilst generally there is stabilisation in the costs of fertiliser, string, fuel and gas, some costs, such as sprays, do continue to rise. The long-term outlook is very precarious for growers of traditional English varieties and as consequence producers are minimising production but are keeping with the industry in the hope that it will pick up in the future.

Labour availability, **irrigation water** and **energy** prices are causing a crisis in the horticultural sector. Growers confirm there is very little, if any, interest from the local labour force. There is too much competition from other commercial enterprises who are also struggling to fill positions. Growers see the **Seasonal Agricultural Worker Scheme (SAWS)** as too limited and not fit for purpose.

Basic Payment Scheme (BPS) and Environmental Schemes

Many farmers are interested in getting involved in new schemes but are still unsure as to what is available. Some hill and upland farms are currently 'rolling-over' **Uplands Entry Level Scheme** and **Higher Level Schemes** as the offering from **Countryside Stewardship (CSS)** and **Sustainable Farming Incentive (SFI)** based schemes fail to make these a viable option in the uplands. A farmer in the **Peak District** felt that the options to upland livestock farmers were extremely limited with new schemes mainly targeted to arable farmers. Similarly, there is limited and in some cases nothing yet available for lowland grassland farms depending on their systems. Nearly all CSS/SFI options available have cost implications which includes the need to employ a professional to advise on option selection, support application submissions and to implement options. An example is the Integrated Pest Management option, which requires an assessment report from a FACTS qualified advisor, so payment received for an option is paid back out. Without any financial benefit and rigid rules, farmers have explained that there is no actual gain to them in joining the schemes. One upland dairy farm with permanent pasture in an HLS scheme was annoyed that they could not apply for anything on the SFI and believe this may encourage farmers to revert to more intensive systems to make up BPS shortfalls.

It has been highlighted that the old **Entry Level Scheme (ELS)** allowed farmers to grow food hand in hand with protecting the environment. The new schemes seem to encourage farmers to go over entirely to supporting the environment and come away from food production, or to ignore the environmental measures completely and just produce food.

BPS balance payments & environmental scheme payments have arrived in a timely manner to most farmers during this period, a marked improvement on previous years and aiding cashflow.

There is a feeling of a change in perception of **Natural England** by **Dartmoor** farmers as Natural England is concerned that peat bogs and heather are being overgrazed on Dartmoor and are wishing to take sheep off the moor completely for months at a time. Together with a significant decrease in stocking rates at other times, this has led many graziers to question whether they will continue to keep hill sheep at all, as they will no longer be a low input low-cost option and often have no alternative land or sheds available.

Inputs

Input costs have adversely affected all sectors, especially high input systems, due to the high feed, fertiliser, labour, contracting, fuel, and heating costs. **Fertiliser** prices have been high through autumn and winter with many arable and dairy farmers again having to pay higher prices to ensure delivery in time for early applications (£600-700/t). Prices in general are lower than this period last year, with predictions that prices will begin to fall as we move into spring and summer because of falling wholesale gas prices. Many farmers are holding off buying in anticipation of a further price drop, however prices remain notably higher than a year ago.

Gas oil prices have continued to fall which was welcomed by farmers and it is hoped that the lower fuel prices will see wrap and plastic also fall.

Topical issues

Shortages of reliable and experienced **staff** continue to plague the agricultural industry resulting in some farmers working unsustainably long hours. Pressure on wages and rises in other sectors has resulted in problems trying to retain existing staff and encourage new entrants.

Dog worrying continues to be on the rise.

Organic produce demand has decreased, likely due to the cost-of-living crisis. Some producers, especially dairy, are questioning reverting back to conventional.

Large **landowners** continue to put extra requirements on **tenants** – including rewilding and Natural Capital Audits. There are also reports of private landlords requesting financial viability assessments of their existing tenants on FBT's before they will renew agreements, and private landlords decreasing the area of utilisable land with a requirement for rewilding some areas. There appears to be a conflict over the price of rents against the reduction in BPS, and the lack of current options available to tenants to increase their income with the current support schemes.

The price of land for rent or purchase is being heavily distorted by growers with **anaerobic** digesters. Some believe the subsidy/grant/FIT payments are too high and are creating an unbalanced market to grow crops such as maize and the issues surrounding soil erosion and run-off are being overlooked.

Stress and **anxiety** amongst the farming community is evident with financial concerns and future viability of enterprises compounded with market volatility being highlighted.

Accountants are exceptionally busy and running behind as more farmers year ends are changed with the anticipated BASIS periods due to be brought in, which affects businesses with a year-end date different to 31 March or 5 April and thus increasing paperwork and administration.

There is concern regarding **inheritance tax** modifications if there is a change in government and how this will impact the industry. **High interest rates** and stricter lending criteria are impacting on investment.

Diversification

On-farm holiday accommodation appears to be saturated in the **Southeast** with farmers reporting vacancies for the 2023 holiday season. A large demand for **commercial lets** has led to farmers using permitted development rights to convert disused buildings to be let out. A resurgence of interest in **solar panel** installations has been reported and an increase in **dog walking fields** taking advantage of the boom in dog ownership and proliferation of paid dog walkers.

Farms continue to consider alternative income streams by utilising the farm's assets, as the reduction in BPS is now becoming a reality and maintaining income via environmental scheme options are limited. One farm has decided to reduce cattle numbers and convert cattle buildings into **storage rentals** and **workshops**. Another is currently converting redundant cattle sheds into **tourist accommodation**, whilst another is converting old buildings into **long term lets**.

Many farmers are being approached by land agents to sign agreements for potential planning opportunities in the **Southeast** as there continues to be high demand for farmland for **development**.