Executive Summary

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

Forage stocks are at a high level as farmers enter the winter period due to summer grass growth, although the changeable weather conditions resulted in varying quality and resulted in less **hay** made.

Milk prices have fallen significantly from a high of 51ppl early in the year to an average of 37ppl in September. High **feed**, **energy** and **fertiliser** costs combined with a lack of skilled **labour** are concerning dairy farmers with many businesses now receiving less than the cost of production.

Beef producers are concerned about high input prices as market prices have stabilised, putting pressure on margins.

Lambing 2023 saw a reduction in lamb numbers following the dry summer of 2022 which impacted on conception rates and the wet spring which coincided with the lambing period and as a result prices are generally strong although margins remain under pressure due to high input costs.

Pig and **poultry** producers continue to leave the sector due to the cost of inputs, low returns, and threat of **Avian Flu**. Despite a price rise in both pig and poultry products, many in the industry are unable to make a profit, in part due to large capital investment and associated borrowing costs.

The relatively wet summer resulted in lodged crops which impeded combines and resulted in losses, poor quality **grain**, high moisture levels increasing crop drying costs and less straw was baled in sharp contrast to the exceptional dry harvest of 2022. Crop prices are reported as insufficient relative to input costs, notably the high fertiliser and sprays costs. **Volatility** and living with risk are now the norm.

The dry and warm early October weather aided **cultivations** and **drilling**, but this was short lived; the rain later in October and **Storm Babet** added to the already saturated ground, impeding drilling of later crops and hampering harvest of **maize** and **sugar beet**.

Vineyards have reported very good yields with exceptionally high sugar contents in the grapes. There is increasing mechanisation in this sector which appears to have the financial backing and capability to adopt new tools to enable a reduction in labour requirements.

Whilst most **horticultural** sectors have reported a good harvest, record high input prices remain a great concern including storage, sprays, labour and fuel. The current **Seasonal Agricultural Worker Scheme** (**SAWS)** ends in 2024 raising concerns over the lack of a long-term strategy for managing the labour force requirements for the sector.

There appears to be increased interest in the **Sustainable Farming Incentive schemes (SFIs)** however, farmers feel that many schemes are complicated and onerous. Tenants are finding SFIs difficult to access, with areas of land being on short-term agreements. SFI is regarded as targeted to soils and cereals, with limited options available for grazing livestock producers. Many farmers have either kept the **Higher Level Scheme (HLS)** rolling or not agreed new schemes due to lack of knowledge and/or direction. The choice is so vast and is continuously changing.

Heavily capitalised businesses and those with high borrowings are concerned by **high interest rates**, putting pressure on cash flow as loans and overdrafts are called in.

Diversification continues to be an area of interest particularly with the BPS withdrawal. Many farms are looking to develop redundant farm **buildings for letting** purposes.

The general message from all sectors is that market **uncertainty**, increased **volatility** of commodity prices, input costs, labour issues and extreme weather events are making planning near impossible.

Livestock; Dairy, Beef and Sheep

Across **all the regions**, farmers are entering winter with good stocks of **forage** due to summer grass growth, although the **changeable weather** conditions resulted in varying quality. **Haymaking** was difficult and delayed with the prolonged unsettled weather in July and August. **Upland** farmers were frustrated as many did not have enough grass to mow during June whilst others could not mow until July 1st due to environmental scheme restrictions. One farmer commented that due to the low feed value of the hay, he would have to buy concentrates to supplement it.

The unsettled weather in October resulted in a variable **maize** harvest whilst some harvested the crop in suitable conditions with good yields, other crops were impacted by the extended dry period after planting coupled with the impact of **Storm Babet** resulting in damage to the land at harvest. One farmer on heavy land who had undersown the crop with grass explained that tractors were making a mess but were not getting stuck due to the cover of grass. Furthermore, he had one person on a road brush all day, something he had not had to do in recent years.

Straw availability, quality and price are a concern for the winter with more straw than usual being chopped due to the wet harvest. Some of the baled straw is of poor quality and not suitable for bedding.

Milk prices have fallen significantly from a high of 51ppl early in the year to an average of 37ppl in September. In the financial year ending March 2023 dairy farm incomes increased dramatically with many facing a large tax bill on the back of a relatively short-lived high milk price. One **Arla** farmer predicted the profit for the coming year would be over £100,000 less than the previous year. Soaring energy costs, high feed and fertiliser costs combined with a lack of skilled labour are adding to the woes of dairy farmers, with many businesses now receiving less than the cost of production.

Organic dairy producers did not see the same milk price increase compared to conventional farms, with recessionary behaviours by consumers causing some farmers to question their future in organics.

Planning issues are causing stress, expense and uncertainty for dairy farmers who have accessed the slurry infrastructure grant but are unable to pass the **Simple Calculation of Atmospheric Impact Limits (SCAIL)** assessment required by Natural England to gain planning permission.

Beef producers are concerned about feed and other input prices as although market prices for **store** and **finished cattle** remain strong, they have stabilised and not increased in line with costs, putting pressure on margins. It has been reported that strong store cattle are seeing good returns, however, calves and lighter stores have made less money, because they will incur higher costs to finish.

Cull cow prices remain high, bolstered by the cost-of-living crisis, with many families reaching for the cheaper cuts of meat such as mince and stewing beef, as opposed to the more expensive prime cuts.

Processors continue to experience notably high costs for labour, electricity, fuel, and transport.

New **Bovine TB (bTB)** rules which come into force in December 2023, requiring post movement testing for cattle purchased from high risk bTB areas, are putting a further squeeze on cattle producers' margins.

Farmers reported reduced **lamb** numbers at autumn sales due to the drought in 2022 reducing conception and resulting lambing rates, the withdrawal of certain vaccines causing elevated levels of mortality and health issues combined with the impact of the cold, wet spring at lambing.

Store lamb sales in the **northern** regions achieved prices higher than the previous year due to the stronger fat trade, reduction in number of lambs and forage availability. One **Dales** farmer commented that his store lambs were £14/head higher than the previous year. However, in the **West Midlands**, fat lambs have become cheaper to buy than store lambs. This is due to the weather being ideal for grass growth meaning farmers are looking to purchase store lambs to keep their grass down.

The annual **Hawes** gimmer lamb sale reported prices of £4/head higher than the previous year and shearling prices in the **North** and **Midlands** were also strong, with one farmer reporting ewes were £20-30/head more expensive than the previous year. However, margins remain under pressure further highlighted by the value for **wool** being less than the cost of shearing.

The warm wet weather in October resulted in grass continuing to grow, conditioning **ewes** pre-tupping which will positively impact on lambing percentages in Spring 2024.

Reports of an outbreak of **Blue Tongue** in sheep in the Netherlands and Belgium have been causing concern for livestock farmers in **Kent**, whose livestock are vulnerable to insects carrying the disease blowing into the county from the Continent or being brought into the county in lorries through the ports.

Pigs and poultry

The continued high feed and energy costs saw more **pig** producers leave the sector with breeding **sows** sold as cull which has caused severe distress and mental anguish. During 2023, there has been an increase in **finished pig** prices from £130/head to £160/head. This income will be mainly used to fund the increase in input prices and repay capital investment. However, the **fat pig** price fell towards the end of September back to 216p/kg deadweight; fortunately, the feed price has also begun to fall which will help to offset the reduction.

Avian flu remains a serious threat to the **poultry** industry, with outbreaks reported across the regions including an outbreak in **Staffordshire** in September; combined with high feed, poult and energy costs, many producers including **free-range** are ceasing production or reducing their flocks due to pressure on margins, leading to egg shortages. Furthermore, Avian Flu threatens farmers with the inability to sell their produce as free-range and / or organic and subsequently they must sell the eggs as 'barn reared' and accept a lower price. It not only results in an economic loss, but farmers are suffering with sheds and farms empty for the 12-month quarantine period. One farmer described the farm being 'dead' and was contemplating not restocking and selling the site. Avian flu **premiums** for insurance are reported as unaffordable.

Due to the high economic losses, it has been reported that scientists from the University of Edinburgh, Imperial College London and the Pirbright Institute have used **gene-editing** techniques to identify and change parts of chicken DNA that could limit the spread of the avian flu virus within the flock.

The **free-range egg** price increased towards the end of the period with some receiving £1.47/dozen. Whilst welcomed, it may not be enough for some producers to return a profit. One farmer calculated he needed over £1.50/dozen to make a profit.

Butchers and **poultry dressers** have been excluded from the **Shortage Occupation List (SOL).** This means butchers and poultry dressers will not be able to come to Britain to work via a special visa for workers in industries with a labour shortage. The occupations were excluded from the SOL list as it was felt they needed to attract workers from the local community.

Arable

The extended dry period after spring planting impacted on the development of the late drilled **spring crops**. The higher than average and frequent rainfall throughout the growing season has caused challenges for applying **crop protection** programmes and the need for stronger chemistry and higher rates to protect yield has resulted in higher costs. Furthermore, it is a strong year for **Black Grass**.

Crop prices are reported as insufficient relative to input costs, notably the high fertiliser and sprays costs. There has been a move to using Liquid Nitrogen, due to it being cheaper and allows for more targeted foliar application.

A drawn-out **harvest** due to the wet weather resulted in lodged crops which impeded combines and resulted in losses, poor quality grain and high moisture levels increasing crop drying costs, which is in sharp contrast to the exceptional dry harvest of 2022. The **Southeast** was initially very wet at the start of harvest with many farmers cutting wheat at 20% moisture content. However, the drier August allowed the main harvesting to be carried out in improved, dry conditions. High yields are reported in the **Southeast** for **wheat**, **beans,** and **barley** on good quality arable ground. Wheat quality is an issue in the Southeast and many crops destined for milling will not meet the requirements due to several factors including the high price of nitrogen limiting nitrogen applied; the dry June meant that the uptake of nitrogen was reduced and the initial wet weather at harvest led to quality deteriorating as the optimum time for harvesting passed.

Winter oilseed rape (WOSR) has generally established well this autumn, benefiting from good moisture availability in the autumn. However, the soil is very moist below the surface, causing concern about high levels of slug damage. Furthermore, **Cabbage Stem Flea Beatle** has decimated some early sown **WOSR** crops in the **East Midlands.** The **oil premium** is anticipated to be higher due to the current crisis in the Middle East.

Early **sugar beet** yields were disappointing, but the per hectare payments from **British Sugar** for September crops compensated for this. Crops harvested later have reported reasonable yields in the region of 90t/ha.

In early October the dry warm weather aided cultivations and drilling, but this was short lived; the rain later in October and **Storm Babet** added to the already saturated ground, impeding drilling of later crops.

Horticulture

The current **Seasonal Agricultural Worker Scheme** (**SAWS)** comes to an end in 2024. Producers have continued to raise concerns over the lack of a long-term strategy for managing the labour force requirements of the horticultural industry. Experience has confirmed that there is no appetite for the local labour force to be actively engaged in this type of employment. It is now costing more to keep and attract labour on fruit farms, however there is no increase in returns from the supermarkets.

Worcestershire cider apple harvest has started well. Apples are not large or ripe this year due to weather conditions over the summer however they have a reasonable sugar content. Dry picking conditions in September and early October have increased yield due to less wastage and the price is stable, although costs continue to rise.

Top fruits have produced good yields following optimal weather conditions over the growing season in the **Southeast**. Some large-scale producers are pulling out of the high intensity fruit growing market, with a move towards downscaling and into a type of regenerative farming approach with reduced outputs and reduced reliance on labour and inputs.

Vineyards have reported very good yields with exceptionally high sugar contents in the grapes. There is increasing mechanisation in this sector with new grape harvesters being purchased. The sector appears to have the financial backing and capability to adopt new tools to enable a reduction in labour requirements. It is difficult to source **winery** equipment other than from Europe and thus there is a need to encourage more winery equipment suppliers in the UK as this is a growing sector in agriculture.

Christmas Tree producers are concerned about the loss of Gazelle insecticide and growers are questioning if the sustainable use of pesticide National Action Plan will ever be published.

The **Worcestershire hop** harvest has had perfect picking conditions for the best quality crops - not too wet or dry and good yields are reported. There is still a large stock overhanging the market because of the low usage during the covid period. Forward contracts for hops are very limited which has resulted in a reduction in area of about 1000 acres (40%) from pre-covid times. This puts the hop industry in a very precarious position; as the area becomes smaller, investment in new pesticides, varieties and technology reduces and the aid from Defra in the form of a grant for the breeding programme may be withdrawn too.

Basic Payment Scheme (BPS) and Environmental Schemes

Some farms are noting that the high value of certain **stewardship** options have resulted in a price floor for **rent** tenders with tenants having to compete with schemes.

Tenants are finding **Sustainable Farming Incentive schemes (SFIs)** difficult to access, with areas of land being on short-term 1-year agreements.

Farmers feel that both the **schemes** and the **paperwork** are complicated and onerous and are using agents who themselves are overwhelmed and are making mistakes, which ultimately have financial consequences for the farmer.

There appears to be increased enthusiasm amongst farmers not yet in schemes who feel that the SFI may be more suitable for them as it is perceived as being more flexible than **Countryside Stewardship Scheme (CSS).** Whilst there has been a lot of interest in applying for **SFI 2023**, there is frustration that it has been delayed alongside a reduction in **BPS** which impacts on cash flow.

SFI is regarded as targeted to soils and cereals, with limited options available for **grazing livestock** producers. It does not appear that SFI options available will make up for the loss of BPS without further impacting the productivity of the livestock enterprises, as many of the payment options require reduced stocking densities, restrictions on grazing and prohibiting the cutting of grass at certain times of year; thus, some are moving away from such schemes and are using every available piece of land and becoming more intensive. Conversely, large **arable** farms can see the benefit of taking marginal land out of production, when prices are so volatile.

Farmers are increasingly interested in putting more land into **SFI wild bird seed** and **clover leys** as opposed to growing spring crops. Many of the options are expensive to implement and if the options are poorly managed this can have a detrimental effect such as an increase in weeds. There is also an understanding that putting a land into schemes can reduce the labour and machinery requirement.

Many farmers have either kept **HLS** rolling or have had schemes end and not agreed new schemes due to lack of knowledge and/or direction of what they should be entering or are delaying making a decision; the choice is so vast and is continuously changing. Many know they need to do something to replace the BPS but are hesitant. Do they look at SFI, CSS, **Biodiversity Net Gain (BNG), Nutrient Neutrality, Woodland Planting schemes, Carbon Sequestration**? The long-term commitment to each scheme often requires huge changes to business structures thus needs careful consideration.

Several farmers have turned all their land into stewardship schemes and have ceased food production. If this becomes common practice there are concerns that there will not be enough food produced in this country.

Agricultural consultants and agents are organising meetings and events throughout the autumn and winter to discuss the current schemes and the various options available.

Input Prices

Key costs for labour, fuel, fertiliser, electricity, machinery, and building are remaining high resulting in increased **contracting costs**.

Fertiliser costs peaked for the harvest of 2023, with many reducing fertiliser applications, resulting in a significant reduction in yields. High prices caused some to replace ammonium nitrate with urea, seen as more cost effective. Although still relatively high, fertiliser prices have reduced compared to the spring of 2022, although with the fall in grain prices, arable margins for 2023 are extremely tight.

Topical issues

Heavily capitalised, overborrowed businesses are struggling with **high interest rates**, putting pressure on cash flow as loans and overdrafts are called in and institutions are less willing to lend.

New **veterinary inspection rules** come into force at the end of the year, requiring livestock produced for slaughter to have an annual veterinary inspection due to changes in EU export requirements. However, this does not apply to farmers taking part in schemes such as the **Red Tractor farm assurance**, and therefore it could feel like a 'push' towards these schemes. Some farmers are opting out of farm assurance due to the stress and costs and lack of premium achieved. In addition, there is frustration at proposals by Red Tractor to include a voluntary environmental audit; the presumption being that it will become mandatory in the future. Farmers believe the additional environmental costs should be shared with the supermarkets.

Farms which held off **MTD** and were allowed to use bridging software are finding it is working well.

There is a requirement for farmers in the **Poole Harbour** catchment area to make large reductions to nitrogen usage and changes to their systems, with feelings of discontent regarding the perception of fairness in how the required interventions are being addressed across sectors.

Following the cancellation of phase 2 of **HS2**, it is uncertain how the land will be managed. It is thought that compulsory purchased land through **Staffordshire** and **Cheshire** will be given first refusal to the farmer to buy back. Where a farmer has not been compensated for the purchase, this should be straightforward. However, where a landowner has received payment, this may be trickier. Farmers have also commented that the land has been left in varying states. There is hope that the cancellation of HS2 will reduce the cost and aid supply of products such as concrete linked to the HS2 development.

The **trade deal** with Australia has generally not been viewed positively by the farmers who believe it has been rushed through to justify Brexit pledges; UK farmers will be the ones to suffer with cheap imports flooding the markets.

Rural infrastructure, namely water, internet and roads remain an issue in many areas.

Many farmers were unaware of the **Future Farming Resilience Fund**. Some of those that did receive the advice said it was a 1–2-hour conversation with no report and were dissatisfied with the service.

Red tape burden continues for farmers as they now must produce photo ID to purchase any type of fertiliser. Some have struggled to do this as they have neither a passport nor a photo driving licence.

Free health checks at the local mart on livestock sale days have been well supported by farmers in **Kent**, as well as an invaluable service for the rural community. Farmers often struggle to make time to look after their health and seeing others using this service has encouraged them to use the services.

Concerns have started to be raised about the possibility of large-scale **compulsory purchases of land** for building in the **Southeast**, especially if there is a change in the current political situation.

Auctioneers in the **Southwest** are reporting **dispersal sales** booked through to August 2024, highlighting the vast numbers of those leaving the industry.

With the loss of BPS income, **diversification** continues to be an area of interest for businesses. Many farms are looking to develop redundant farm **buildings for letting** purposes, whether that be residential, office space, workshops, or storage.

There is concern over **cash flow** on farms and imminent **tax liabilities** created from last years inflated crop prices and the short-lived high milk price.

Extreme **stress** levels reported with BPS reductions, interest rate rises, labour challenges, legislation increases, volatility, market uncertainty and weather events creating a perfect storm for the industry.