

A Monthly Briefing for UK Farmers – June 2022

- English farmers will get a **50% BPS advanced payment** this year. Defra has emailed all BPS applicants to inform them that they will receive an advanced payment from the end of July with the remaining balance when the usual payment window opens in December. Defra also confirmed that this two-part payment structure will be a permanent change for the remaining years of the BPS. The advanced payment will be half of the estimated value of a businesses' BPS payment and will be made to those who have made an eligible application by 16th May. Payments are expected to be made from the end of July and throughout August. Defra has said advanced payments are being made in recognition of the increased pressure on producers' cash flows due to the spike in input costs.
- The latest figures for **Total Income from Farming** (TIFF) released by Defra, show that UK farm profits improved by 14% between 2020 and 2021 to £5,998m – the third highest in the last 20 years. This data is a 'provisional estimate'. There are often quite large revisions in the figures, we would not be surprised to see the figure go higher. However, we are forecasting a sharp drop next year due to the increase in costs. *Although the title refers to 'income' TIFF is the profit of 'UK Agriculture Plc'.* The full Defra TIFF data can be found at – <https://www.gov.uk/government/statistics/total-income-from-farming-in-the-uk>.
- CF Fertilisers issued its new season price for **nitrogen fertiliser** this month. The starting price for Nitram (34.5% ammonia nitrate) was between £630-£640 per tonne on-farm. This was for bulk bag delivery from May to July. This initial tranche was quickly sold out. Prices for September delivery are now around £710-£720 per tonne on farm. *Unless there is a sudden shift in the political situation in Ukraine, then a quick fall in gas prices back to past levels looks unlikely next winter. Those that 'hang on' to wait for cheaper fertiliser later may be disappointed. Buying this early does generate its own working capital and storage issues however.*
- A number of grants will be available over the next 3-years to assist **Welsh farmers** during the transition to the new Sustainable Farming Scheme. These are now starting to become available; the 'Small Grants – Efficiency' and 'Small Grants – Environment' opened for applications on the 18th and 23rd May and will close on the 29th June and 1st July respectively. Further scheme details can be found at <https://gov.wales/small-grants-efficiency> and <https://gov.wales/small-grants-environment>. There will also be support for yard coverings, nutrient management, organic, woodland and horticulture; a full list of application dates can be found at <https://gov.wales/rural-schemes-application-dates>.
- The guidance manuals for the next round of the **Farming Transformation Fund – Adding Value** are now available on the Defra website, before the scheme opens for EoI in June. Under this theme, £30 million will be available to support farmers and growers to process, diversify and add-value to their products. It will offer grants of between £25,000 and £300,000 for up to 40% of eligible project costs. The manual for the grant can be found at <https://www.gov.uk/government/publications/addin-g-value-grant-for-farmers-to-improve-crops-or-livestock/about-the-adding-value-grant-who-can-apply-and-what-the-grant-can-pay-for>
- There has been a (further) postponement to the introduction of the remaining **border controls** for imports into the UK from the EU. Additional checks, notably on agri-food products were due to be implemented in July. This latest announcement is different to previous delays in that a more fundamental review of import controls on all UK trade (EU and non-EU) is taking place. This means the un-level playing-field for UK producers is extended – UK exports to the EU are subject to the full range of regulatory checks, whilst UK imports from the EU continue to need far fewer checks. This puts UK Farming Plc at a disadvantage.
- Glyphosate** is likely to remain available to British farmers until at least 2026 as a result of a decision by EU regulators. The EU approval for the herbicide was due to expire on 15th December 2022. However, due to the plethora of responses to public consultations, it has been decided to delay any decision on an extension until 'mid 2023'. The UK Government had previously announced an automatic three-year extension for any active substance with an EU licence expiring between 1st January 2021 and 31st December 2023. Even if glyphosate was banned in the EU from mid-2023 therefore, farmers here could continue to use it to at least mid-2026.
- Sugar beet** growers will be offered a 25% advance payment on their 2022 crop. Based on the 2022 contract price of £27, it will be worth £6.75/t. The tonnage will be based on the growers Contract Tonnage Entitlement (CTE).

Spotlight on Andersons' Meadow Farm Model

Due to rising input costs, budgets for our Meadow Farm model have been revisited and updated. *Meadow Farm is a mixed lowland farm, typical of many livestock holdings in England, it is a notional 154 hectare (380 acre) beef and sheep farm in the Midlands. It consists of grassland, with wheat and barley for livestock feed. There are 60 spring-calving suckler cows with all progeny finished, a dairy bull beef enterprise and a 500 breeding ewe flock.* The table below shows the final results for the last three years and a forecast for 2022/23. It can be seen how the current 'agflation' is impacting, even when livestock and crop prices are buoyant.

For the year ending April 2022 (2021/2022) livestock prices reached record levels, resulting in the highest livestock gross margin figure for Meadow Farm ever seen. Arable margins were also strong. The purchase of a new piece of machinery has seen overheads increased but even so, the margin from production is positive – for the first time in many years. The BPS has fallen due to the first BPS deduction under the Agricultural Transition, but the addition of this still leaves a good profit for the business relative to other years.

Meadow Farm Model – source The Andersons Centre					
£/Ha	Year -	2019/20 (final)	2020/21 (final)	2021/22 (final)	2022/23 (forecast)
	Livestock Gross Margin	617	741	894	567
	Arable Gross Margin	662	702	926	980
	Total Gross Margin	626	732	900	653
	Overheads	510	492	541	608
	Rent & Finance	85	84	82	82
	Drawings	240	243	246	249
	Margin from Production	(209)	(87)	31	(286)
	BPS & CSS	251	255	241	207
	Business Surplus	43	168	273	(80)

The final column is a forecast for 2022/23 and it clearly shows the impact of increased, fuel, fertiliser and feed costs for this type of farm. Currently, the UK beef price is running ahead of last year's levels and prices have been 'tweaked-up' in the current budget. However, some caution has been exercised. *Meadow Farm markets its beef cattle from August to October and an increase in supplies, particularly from Ireland could lower prices by then and this has been accounted for in the budget. In addition, as the energy crisis hits home and consumer spending power is affected, this could see consumers switch to cheaper proteins. However, in lock-down, when consumers were forced to eat at home, the UK beef and lamb market did well. So, if hard pressed consumers reduce their out-of-home consumption, this may not impact as much as might be feared.* Overheads rise due to increased fuel prices. A planned investment in a new cattle shed, to replace

old ones, means the depreciation increases. The result is the margin from production plummets and not even the BPS, (which is reduced by 20% this year) can bring the Business Surplus back into the black.

The proprietors of Meadow Farm are keeping an eye on the new Sustainable Farming Incentive, to see if some of the 'lost' BPS can be recouped from this scheme and if there could be any assistance with equipment and the building of the new cattle housing via the Animal Health and Welfare grants expected to be available later this year. *But ultimately this business is subsidy-dependent, and with direct payments being phased out it will need to adapt; maybe through restructuring to reduce its overheads, which are fundamentally too high, or perhaps by taking advantage of the new ELM scheme, or likely to be a combination of both.*

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