

A Monthly Briefing for UK Farmers – September 2022

- Due to the hot, dry, weather Defra has announced 'temporary requirement adjustments' to some Countryside Stewardship (CS) and Environmental Stewardship (ES) options. These allow **grazing and cutting of grass earlier than normal**. A list of the options, with the current requirements, possible use, and the temporary requirement adjustment (what you can now do) is at <https://www.gov.uk/government/publications/hot-and-dry-weather-temporary-support-for-farmers-in-2022/options-with-temporary-adjustments>. The adjustments apply straight away and run until 31st December 2022. The relaxation to the rules should be 'mainly for your own use or the wider community'; i.e. they should not be used for profit. Those making use of the adjustment to their CS or ES agreements need to complete a Minor and Temporary Adjustment Form (see <https://www.gov.uk/government/publications/minor-and-temporary-adjustment-mta-form-countryside-stewardship>) but apparently there is no need to send it to Defra; it should be kept for users' records along with any field operations and stock records to show grazing activity on parcels. Defra may request to see this information.
- The Bank of England has increased **interest rates** (again) by 0.5% to 1.75% in a bid to reduce inflation. This follows rises by the European Central Bank and the US Federal Reserve by 0.5% and 0.75% respectively. It is unusual for banks to raise rates while the economy is facing a high risk of recession. However, if high inflation becomes embedded in the economy, it will also cause significant long-term economic damage in terms of eroding consumers' purchasing power. In the UK, consumer spending is facing its worst squeeze for over 20-years. With the Russia-Ukraine conflict exacerbating energy costs, The Resolution Foundation is forecasting CPI to move above 15% in 2023 if there are no policy measures to reduce it.
- Defra has announced support for a **Nutrient Mitigation Scheme**. The Government will provide funding to Natural England (NE) to establish 'strategic mitigation schemes', such as areas of wetlands and woodlands. NE will then be responsible for accrediting the schemes and 'Nutrient Credits' will be available for developers to purchase to offset any increase in nutrients and to allow development to take place which otherwise would not be given permission. *Along with the introduction of statutory Biodiversity Net Gain, the Nutrient Mitigation Scheme could be another income stream for those with areas of land they wish to change their land management on.* Further details are available at <https://www.gov.uk/government/news/government-sets-out-plan-to-reduce-water-pollution>.
- Defra has opened a 'Call for Evidence' to help it understand more about **Methane-suppressing feed products**. The Call for Evidence is UK-wide and will close on 15th November 2022. Defra would like to know more about the awareness and perception of feed additives, their current role within our farming systems, and the potential barriers that could prevent the introduction of methane-suppressing feed products in both the near and long-term future. It is also seeking views on whether uptake could best be driven by government interventions, industry or voluntary-led solutions and what these interventions might entail? *Agriculture is responsible for about 10% of UK greenhouse gas emissions; of that livestock is responsible for about 2/3rds with ruminant livestock accounting for roughly 1/2 of all agricultural emissions.* Further information on the Call for Evidence and how to reply can be found via <https://consult.defra.gov.uk/agriclimate/methane-suppressing-feed-products/>.
- The Republic of Ireland has set a 25% reduction target for **greenhouse gas (GHG) emissions** from its farming sector. This target forms part of Ireland's commitment under its Climate Action Plan to reduce its emissions by 51% by the end of the decade and to reaching its legally binding target of being net-zero by 2050. Previously, the Climate Action Plan, published in November 2021, had mentioned a reduction target range of 22-30% versus 2018 emissions, with a number to be finalised later. Farming organisations were seeking a reduction target of 22% whilst environmental organisations were seeking the maximum 30% reduction. *Whilst the Irish Government is at pains to point out that it believes that the 25% reduction across agriculture is attainable without necessitating declines in farming activity, others believe it is unachievable without cuts – especially in livestock numbers.*

Fertiliser and CO₂

The fertiliser market has entered another period of turmoil after a quieter few months. The price of natural gas has surged during August as Russia has restricted supplies through the major NordStream 1 pipeline and has announced plans to shut it down completely for a number of days in September for 'maintenance'. This has seen an increase in gas prices on the EU market with values now back to the levels seen in early March, just after the Russian invasion of Ukraine. World prices have also increased as customers look for alternative supplies. Natural gas is the main feedstock for nitrogen fertiliser production. At current gas prices the production of fertiliser is uneconomic and there have been plant shut-downs across Europe.

The largest nitrogen fertiliser producer in Poland, Grupa Azoty, announced it has halted production, whilst the second-largest manufacturer in the country, Anwil, is doing the same. The major Lithuanian producer, Achema will shut its plants from 1st September. All of these companies are major suppliers of imported ammonium nitrate (AN) to the UK. Availability is likely to dwindle over the next few weeks as stocks are used up.

Here in the UK, CF Fertilisers announced on the 24th August that it was going to cease ammonia production at its Billingham plant (the Ince plant in Cheshire has been closed for some time). The company has stated that it will use imported ammonia to produce AN to fulfill existing contracts over the coming months. *Although AN production is not ceasing, it seems likely that production will be at a low level just to meet orders already placed. There may be little new tonnage placed on the market. This may not appear a huge issue for UK farmers as nitrogen is not a key requirement during the autumn/winter period. However, fertiliser plants run year-round – with much being stored until it is needed in the spring. If factories are not running, orders not being placed and deliveries not being made then this creates significant problems for next year.* With all these closures, it seems that (imported) urea will be increasingly important in meeting UK crop nutrition needs.

More of an immediate concern than fertiliser is probably CO₂ availability. This is a by-product of ammonium production and has a variety of uses in the food chain – including stunning pigs and poultry prior to slaughter, expelling air in food packaging and carbonating drinks. Readers may recall that, when the CF plants were previously closed last Autumn the shortage of the CO₂ caused major problems. So much so, that the Government stepped in and offered financial support for the Billingham plant to re-start. Defra is confident that, compared to previous CO₂ shortages, there is now a more resilient system with greater domestic production (including access to CO₂ from AD plants), increased levels of stocks, and more secure access to imports. We hope this is the case, but the UK's second-largest source of CO₂, the Ensus biofuel plant, is due to be closed for maintenance for some of September.

Some countries that are more focused on food security, notably China, have a fertiliser security policy, and maintain strategic stocks to deal with supply shocks. Nothing similar seems likely in the UK in the near future, so UK farmers are likely to have to deal with volatile markets for the foreseeable future.

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