AGRO BUSINESS CONSULTANTS

Professional Update

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INSIDE THIS ISSUE:

POLICY & BUSINESS

ELM Change

Leaked reports suggest that Defra is looking to amend its plans for Environmental Land Management (ELM). This comes following the review of policy instigated by the previous Defra Secretary, Ranil Jayawardena. The results were communicated in confidence to stakeholders under the Future Farming and Countryside Programme, but details have been widely shared.

The largest suggested change is that the Local Nature Recovery (LNR) scheme will not go ahead and, instead, the existing Countryside Stewardship scheme will be retained and amended to meet future policy requirements. There may also be changes to some of the planned Standards included under the Sustainable Farming Incentive (SFI).

As when the review of Defra policy was originally announced, there was a chorus of protest at the (alleged) plans. This often comes from environmental lobby groups who are quick to see any change in policy as evidence as 'backsliding' on the environment. It can also be pointed-out that having something to criticise raises the profile of such lobbying groups. From a farming perspective, this change, if true, probably makes little difference. The direction of policy travel in England is clear – no more direct payments and payments for public goods instead. What a scheme is called is immaterial. The name Local Nature Recovery was set to be dropped anyway as the word 'recovery' was seen as pejorative – suggesting that land managers had broken the environment and it needed to recover. There is an argument that, if a scheme is working reasonably well (as CS generally is), then it is better to amend what is there than start with a blank sheet of paper.

A formal announcement on any changes is expected by the end of the year.

November Budget

The latest Budget was delivered by the fourth Chancellor of 2022, Jeremy Hunt, on the 17th November. It was designed to put the Government's finances on a sounder footing and reassure financial markets after the disastrous 'Mini-Budget' of Liz Truss's premiership. There is a mix of tax increases and spending cuts. The main points are;

- The Office of Budget Responsibility (OBR) predicts that the UK is already in recession. This is defined as two quarters of economic contraction. The initial estimate of ***growth*** in Q3 was -0.2% and the OBR is assuming that growth will also be negative in the current, fourth, quarter of 2022. The forecast for 2023 is that the economy will shrink by 1.4%. It will return to growth of 1.3%, 2.6%, and 2.7% in 2024, 2025 and 2026 respectively. The OBR estimates that inflation will be 9.1% in 2022 and will still be at 7.4% in 2023

- Personal Allowances and Higher Rate Thresholds for ***Income Tax*** will be frozen until 2028. *This increases tax income because, as wages rise, the tax-free element does not rise in tandem*
- Top 45% Additional Rate of ***Income Tax*** will be paid on earnings over £125,140, instead of £150,000
- ***National Insurance*** and ***Inheritance Tax*** thresholds are also frozen until April 2028
- The ***National Living Wage*** for those over 23 will increase from £9.50 to £10.42 an hour from 1st April 2023 (*a 9.7% increase*)
- ***Pensions*** and ***Benefits*** will be increased by September's inflation rate – 10.1%
- The annual exemption for ***Capital Gains Tax*** is to be cut from the current £12,300 to £6,000 from April 2023. It will then fall to £3,000 the following year
- The Household ***Energy Price Cap*** will be extended for a further year after April 2023 but at a higher level (average bills capped at £3,000 a year instead of £2,500). There will be specific help for those on low incomes. *No further details were provided on support for non-domestic energy users after the end of March – a review is meant to report on future proposals by the end of the year*
- Electric vehicles will be subject to ***Road Tax*** from April 2025
- The budget for ***infrastructure*** has largely been protected with the Sizewell C nuclear power plant, HS2, Northern Powerhouse rail and East-West rail projects all going ahead
- Most Departmental ***spending*** has been frozen in nominal terms for two years – meaning significant real-terms decreases with inflation at 10%. Exceptions to the spending squeeze are the armed forces and the NHS.

Slurry Infrastructure Grant

The new Slurry Infrastructure Grant will open for applications in England on 6th December and close on 31st January 2023. The grant will be available to livestock producers whose farming system already produces slurry i.e. dairy, pigs or beef. The grant is for replacing worn-out storage or expanding it so that six months' of slurry capacity is available on the farm (based on existing livestock numbers). It will also fund the fitting of impermeable covers on grant-funded stores – note, it is not possible to use this grant for covers only. The types of slurry stores that are eligible include:

- above-ground steel slurry stores
- precast circular concrete slurry stores
- earth bank lagoons without synthetic liner
- earth bank lagoons with synthetic liner
- stores using precast rectangular concrete panels
- large volume supported slurry bags (over 2,500 cubic metres (m^3))

New or expanded stores must be fitted with an impermeable cover unless a slurry bag is installed or acidification is used. This will prevent rainwater from entering the store and reduce ammonia emissions. Covers can be either fixed flexible covers or floating flexible covers.

Certain accessories will also be eligible for a grant, these include:

- a reception pit
- electric-powered slurry transfer pump
- powered take off (PTO) or hydraulically driven chopper pump
- galvanised steel pipework 100mm or 150mm diameter
- polyethylene (PE) or equivalent pipework 100mm or 150mm diameter
- under-floor transfer channels
- slurry store wall or in-situ mixers
- inspection platform with ladder for above-ground concrete and steel slurry stores
- safety fencing for stores constructed below ground level, earth-bank lagoons and slurry bags

A full list of the items funded, including specification and grant contribution can be found at: https://www.gov.uk/government/publications/slurry-infrastructure-grant/item-specification-and-grant-contribution.

The Slurry Infrastructure Grant is part of the Farming Transformation Fund (FTF) and will have a two-stage application process similar to the previous themes under this grant. Initially, there will be an Online Checker to establish eligibility and the equipment required. It will be able to give prospective applicants an estimate of the amount grant that will be available to them. To complete the Online Checker, applicants will need to know their current and future slurry storage requirements. If successful after this stage, applicants will be invited to make a Full Application. These will be shared with the Environment Agency who will conduct a location and design check. This is to ensure that storage plans meet regulations and will reach at least 6 months storage. If the full application is accepted, RPA will offer the applicant a grant.

The minimum grant per business is £25,000 and the maximum is £250,000. Grants will be paid in arrears and it will be possible to make a maximum of three claims over the lifetime of the project. However, all items must be paid in full before making a claim. The way the grant is calculated differs from other themes previously available under the FTF as Standard Costs will be used (rather than actual costs incurred). Grants will be based on 50% of the current Standard Cost of items. This should make the application process simpler as it will not be necessary to obtain three quotes for each item. In addition, applicants will be able to get an estimate of their potential grant at the Online Checker stage once they have entered their requirements to reach 6 months capacity, including any supporting items.

The grant is expected to be popular. If it is oversubscribed in the first round, the RPA will prioritise projects in areas that require urgent action to reduce nutrient pollution from agriculture and restore natural habitats. To find out more how Defra will prioritise applications see https://www.gov.uk/government/publications/slurry-infrastructure-grant/check-how-applications-will-be-prioritised. For those that aren't successful in the first round, Defra has said there will be future opportunities.

For more information on the Slurry Infrastructure Grant got to https://www.gov.uk/government/publications/slurry-infrastructure-grant.

Countryside Stewardship Facilitation Fund

The latest round of the Countryside Stewardship Facilitation Fund opened for applications on 7th November. The Fund supports facilitators to bring together groups of farmers, foresters and other land managers. Bodies such as farming and nature groups, charities, and farm advisors provide advice, share knowledge and help design schemes. Farmers and land managers in the area then have complimentary CS agreements, with activities taking place across a much larger area than would be the case with a single farm. Under the latest round, £2.5m will be available; applications need to be submitted by 25th January 2023.

This is the 7th round of the fund, already 180 groups with over 4,000 members have benefitted from the funding. A further 40 groups are expected to be successful under this round. Further information can be found via https://www.gov.uk/government/publications/facilitation-fund-2023-countryside-stewardship.

Trade Update

After a relatively quiet few months on the trade policy front, recent weeks have seen a resurrection of previous debates around the future long-term relationship that the UK should have with the EU as well as the impact of new trade deals that the UK is in the process of concluding.

Talk of a Swiss-Style Relationship

Following the Chancellor's Autumn Statement, rumours emerged from Government circles of a change in approach towards the long-term relationship that the UK would have with the EU. This would see it move towards something more akin to Swiss-style relationship. This would mean accepting free movement, contributions to the EU budget, dynamic alignment with EU regulations for goods, and European Court of Justice (ECJ) oversight in return for being part of the Single Market. Whilst some welcomed this, others claimed it was a betrayal of Brexit.

What many failed to acknowledge was that the EU is dissatisfied with how its relationship with Switzerland is structured as it requires more than 100 bilateral deals to replicate Single Market requirements which constantly need to be renegotiated. It is unlikely to want to replicate this with the UK. In any event, the UK Government later denied that it was seeking to move to a Swiss-style relationship.

That said, and from an agri-food perspective, there is merit at looking at elements of the EU-Switzerland relationship and replicating aspects that make sense for both parties. In previous articles, we have advocated a Swiss-style Sanitary and Phytosanitary (SPS) agreement with the EU, whereby the EU would permit frictionless access for UK agri-food goods in return for the UK dynamically aligning with EU regulations. Whilst previous Tory administrations (i.e. under PMs Johnson and Truss) dismissed this approach, it would appear that the Sunak administration is at least considering it.

Such an SPS agreement would greatly assist UK exports to the EU, its biggest trading partner and it would also overcome key hurdles in the ongoing NI Protocol negotiations, which have shown some tentative signs of progress recently. Whilst it would mean the UK mirroring EU laws, it would still leave scope, albeit more limited, for the UK to negotiate separate trade deals and trading arrangements, as the Swiss have done with the US. The UK *could also give notice (e.g. of one year) if it wanted to discontinue this arrangement.*

Overall, the talk of using existing templates in framing the future UK-EU relationship is becoming unhelpful. The sooner a bespoke UK-style relationship emerges the better. This could incorporate key aspects of other templates, but it will need to respect key EU principles, meaning that further negotiation is needed. It will also need to incorporate the closer relationship that NI will have with the EU, as it is de-facto part of the Single Market for goods by virtue of the NI Protocol.

Eustice Attack on Recent Trade Deals

On 14th November, during a House of Commons debate on the Trade (Australia and New Zealand) Bill, the former Defra Secretary George Eustice severely criticised the UK Government's negotiating strategy for both trade deals. He singled out the then Trade Secretary, Liz Truss, for particular criticism, especially for imposing an arbitrary target of concluding negotiations with Australia ahead of the 2021 G7 summit. He thought that this severely weakened the UK's bargaining power. Mr Eustice recalled that there were 'deep arguments and differences in cabinet', which were mirrored by friction between Defra and the Department for International Trade (DIT) during the negotiations. He also claimed that the 'Australia trade deal is not actually a very good deal for the UK' and that he tried his best when Defra Secretary to address its shortcomings. Specifically, he claimed that there was no need to give Australia (and New Zealand) unlimited access over the longer term for sensitive sectors such as beef and lamb.

From a farming perspective, it is all well and good to criticise the deal. But during his time in Government, Mr Eustice defended it – his comments, therefore, offer scant consolation to farmers who perceive these deals to be a significant threat. Both the Australian and New Zealand agreements will increase the competitive pressure on UK agriculture, particularly in grazing livestock. However, recent studies looking at the impact of these trade deals projected that the impact may be lower than some fear. That said, being the first new trade deals that the UK has negotiated from scratch since leaving the EU, they create an important precedent, and the cumulative impact of multiple trade deals can have a more significant impact.

The UK-Australia trade deal was ratified by the Australian Parliament on 22nd November. The Trade (Australia and New Zealand) Bill is making its way through Westminster. It is currently at the Report Stage, where amendments can still be made to the Bill, before a final third reading and subsequent vote on the Bill in the House of Commons – the date of which has yet to be announced. The House of Lords will also have to vote on the final Bill and they could delay it for up to a year before it would receive Royal Assent (assuming it is passed by the House of Commons).

Farm Business Income

Updated English Farm Business Income (FBI) figures for 2021/22 were published by Defra at the beginning of November. These update the previous 'forecasts' that were published earlier in the year and we reported on in the March Bulletin. The data highlight sharp increases for cropping, dairy, and poultry. There were modest increases for grazing livestock, while the pig sector struggles are clearly highlighted.

FBI can be thought of the equivalent of the 'Net profit' measure widely used in accountancy. The latest data covers all year ends from March 2021 to February 2022. Given the events of 24th February 2022, this offers a view of business performance up to the illegal invasion of Ukraine. As with the previous year's results, the new figures highlight some significant revisions from the initial forecasts. The largest revision, more than £100,000 per farm, is for poultry. This is due to far higher than estimated egg and poultry meat prices (during 2021 and early 2022 remember, not in recent months).

The strong FBI figures for the majority of enterprises reflects a period of strong inflation in agricultural outputs relative to 'agflation', the weighted index of inputs. Agflation overtook the outputs index for the first time in 20 months, in September 2021.

The challenges for the pig industry have been well documented and are hard to overstate. Were it not for diversification, the FBI figure for the pig industry would have been negative. And, low or negative profitability has continued into the current year for pig businesses, resulting in an extended period of losses for many.

Looking ahead in other sectors, 2022/23 is likely to have been another positive year for cereal, cropping, and dairy businesses. With the 2022/23 figures, which will not be forecast by Defra until April 2023, reflecting harvest 2022, they will report on another period where inputs were relatively low compared with output prices. For livestock businesses, many of whom will have bought feed and fertiliser, post-Ukraine invasion, profits are likely to be lower than 2021/22. That said, 2022/23 will show a greater range in performance, given the different buying and selling strategies of the various sectors, as well as the businesses within them.

In Brief

Junior Defra Ministers

Following the appointment of Therese Coffey as Defra Secretary of State (see https://abcbooks.co.uk/new-minister/), there hasn't been much change with the other Ministers in the Department. Rebecca Pow has been reinstated as Parliamentary Under Secretary as from 28th October, following her resignation in July under the Johnson administration. The Rt Hon Lord Benyon has been promoted to Minister of State at Defra on 30th October after previously being Parliamentary Under Secretary at the Department. The other Junior Ministers retain their positions from under Liz Truss; Mark Spencer remains Minister of State (Minister of Food – but which also covers farming) and Trudy Harrison Parliamentary Under Secretary (Minister for Environment).

Environmental Targets

The Government has failed to set environmental targets in the areas of air quality, water quality, biodiversity and waste reduction. Under the Environment Act 2021, legally binding targets were meant to be in place by the 31st October 2022. Defra consulted on the issue earlier in the year, but the Department has said that the volume of responses to the consultation has meant it has taken longer than planned to enact the necessary secondary legislation. No timetable for implementing the targets has been set out. The targets, when in place, will drive policy which, in turn, will directly impact on farming over the longer-term. More details can be found at – https://questions-statements.parliament.uk/written-statements/detail/2022-10-28/hcws347.

Interest Rate Rises

The Bank of England increased the UK base rate by 0.75% on the 3rd November – the largest single rise since 1989. This brings the rate up to 3% – the highest level since late-2008. The rise is designed to combat high inflation which is now above 10%. The Bank is also forecasting a long recession in the UK economy with a prediction that it will shrink for eight quarters in a row – starting in Q3 2022, going through 2023 and into 2024. This would be the longest recession in at least a Century. Interest rates are rising in many major economies in response to inflation. The US Federal Reserve Rate, the most important in global financial terms, was also increased by 0.75% to 4% on the 2nd November.

Soil Test Claims

Scottish farmers can now claim for their soil analyses. This is part of the National Test Programme: Preparing for Sustainable Farming (PSF). Claims for carbon audits opened in July and now farmers can also claim the cost of undertaking soil sampling.

Scottish Conditionality

The Scottish Government will enact legislation to allow it to impose 'conditionality' on support payments. The proposed Agriculture Bill, currently the subject of consultation, would provide these powers. However, with the Bill coming before the Parliament until late 2023, it is unlikely to be in place for the 2025 year. The Scottish Government has previously stated that '50% of farm payments should be subject to conditionality by 2025'. Interim legislation will be passed to amend the Agriculture (Retained EU Law and Data) (Scotland) Act 2020 to allow this to happen. *This seems to make it all-but-certain that the new Scottish policy will not be introduced until the 2026 year. The current regime of BPS (and LFASS), albeit with some modifications, will be retained through to 2025.*

ARABLE

Potato Area and Production

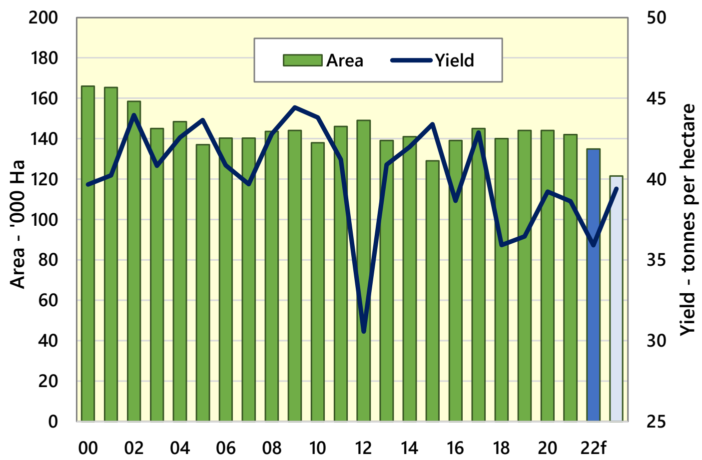
High costs, difficult weather conditions, poor potato prices, and strong cereal markets mean there is great uncertainty about potato plantings for next year. The lack of information about the size of this year's crop is not helping. The disbanding of AHDB Potatoes last year means there is no one collecting national potato planting, yield and production data.

World Potato Markets has estimated that the 2022 area was down 5% on the official Government UK estimate of 134 900 hectares in 2021. That area includes some land associated with potato production that is not actually planted with the crop.

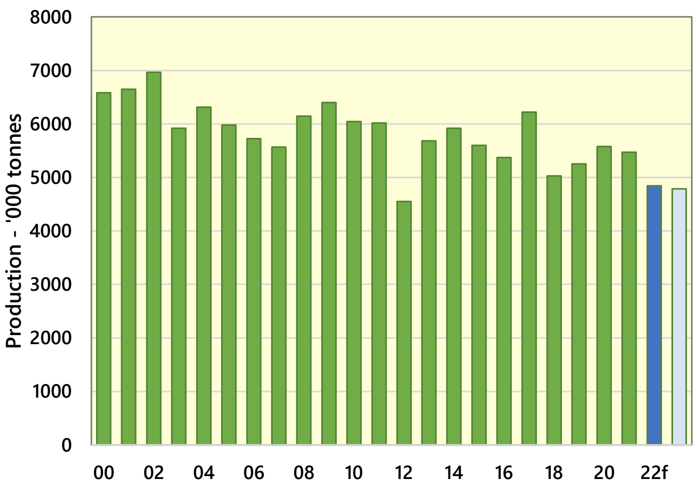
In terms of yield, in 2018, when the UK suffered a similar drought to this year, the average was 35.9 tonnes per hectare (6.8% lower than in 2021). The result is a crop of 4.845 million tonnes – down 11.4% on last year; the smallest since 2012 and only the third time on record that the volume has fallen below 5 million tonnes.

The lack of potatoes has not fed into much higher prices for free-buy potatoes. Newsletter Potato Call reports that good quality Maris Piper for packing is making £255 per tonne; not much more than a year ago. Some of the very best is being secured for pre-Christmas delivery at £300 per tonne. There is some strength for bagged potato prices for fish and chip shops, but growers have reported concerns that some stocks are deteriorating because of high temperatures in stores. Growers will welcome the colder conditions that have arrived recently.

UK Potato Areas & Ave. Yields – Source: World Potato markets



UK Potato Production – Source: World Potato markets



The first processing contracts for 2023 are being offered and are up on last year which has prompted some seed buying. However, there is still an expectation among many that the area of potatoes could be down another 10% on last year as growers react to the lack of demand for their 2022 crops, the high cost of inputs and strong and stable cereal prices which can be secured through the futures market. A 10% reduction in area would mean the smallest area ever at 121 500 hectares, while a 10-year average yield of 39.4t per Ha would deliver a crop of 4.787 million tonnes. As recently as 2017 the UK produced a potato crop of 6.218 million tonnes. It looks like it will struggle to achieve 5 million tonnes in the foreseeable future.

Global Grain and Oilseed Markets

Throughout November the price of grain has fallen considerably. Futures prices were dropping before the announcement of a 120-day extension to the Ukrainian grain export corridor, 17th November. Global grain markets have softened primarily on expectations of a large maize crop. The crop underpins global feed and industrial (ethanol) markets.

There are expectations of record maize production in South America, in response to high prices. Brazilian weather conditions appear well suited to a big crop. Conversely, Argentina is also forecast for a record maize crop despite currently experiencing a severe drought. The drought in Argentina has, however, trimmed production outlooks for wheat. South American weather remains a key watch point for grain markets, particularly with an active La Niña (the third in three years). La Niña brings dry weather to South America.

Despite forecasts for bumper maize production, the balance of global grain supply and demand remains tight. This ought to offer some underlying support. However, concerns about the impact of recession on demand, particularly industrial demand, seem to be outweighing this fundamental tightness.

Demand concerns are also impacting global oilseed prices. China's zero-tolerance approach to Covid is driving expectations of reduced palm oil demand. This, combined with increased palm oil production in Southeast Asia, has depressed prices. This has impacted rapeseed markets with the underlying value of rapeseed oil falling. Additionally, a rebound in Canadian canola (rapeseed) production following last year's disastrous crop is leaving global oilseeds well supplied.

UK Grain Markets

UK grain and oilseed markets have, unsurprisingly, continued to follow global trends. Spot feed wheat was worth £241.50 per tonne in the week ending 18th November 2022; this is £16.70 per tonne lower than at the end of October. On top of the global grain market falling, there are concerns about the impact of Avian Influenza and the smaller pig herd on feed grain demand.

Feed barley was worth £228.60 per tonne on 18th November. This is a fall of £9.60 per tonne from the end of October. The discount of barley to wheat has narrowed over the past month, this is reflective of the first official supply and demand estimates of AHDB, published in November. The figures show opening stocks of barley at a ten-year low. Despite this, the surplus available for export remains greater than last season and animal feed demand remains a key watch point.

While milling wheat prices have fallen, the premium of ex-farm milling wheat over feed has grown. This is driven by reduced availability of high-protein milling wheat (13% protein plus) and the high cost of gluten as an alternative. Milling wheat is at a near £55 per tonne premium over feed, as at 18th November.

UK oilseed rape prices have fallen in line with global oilseed benchmarks. Ex-farm oilseed rape is now worth £518 per tonne, spot. There is less demand in the UK this season with the closure of the Hull crushing facility, announced in June, set to take place in December.

The pulse market continues to suffer from a lack of demand, with the value of peas and beans having fallen to the end of the month.

Dairy & Livestock

Dairy Markets

Production

Favourable weather conditions during October have resulted in record GB production for the month (see Key Farm Facts). The AHDB is estimating production for the month to be 4% above its own monthly forecast, averaging 33.5m litres per day, some 2.5% more than in September and a 3% year-on-year uplift. Warm weather and average rainfall resulted in above-average grass growth. However, with the recent heavy rainfall, most herds will now be housed and moving into the winter months will be more reliant on winter feed at higher costs, meaning yields could fall again if farmgate prices also drop (see below).

Globally, the latest production figures refer to September. However, these also show a year-on-year uplift (+0.3%). September is the first month in 2022 to report an uplift in daily deliveries compared to year-earlier levels. EU production is reported to have grown by 0.8% compared with September 2021, whilst US production was up by 1.5% on the year. Rabobank is forecasting production in the US to now remain above year-earlier levels for the rest of the year and into early 2023. This is partly as it is being compared with last year's low production, but the bank is also reporting herd restocking and an increase in yield per cow. Argentina has experienced a year-on-year growth in production for the second month running, by +0.3%. An uplift in milk prices in August (+5%) is reported to have encouraged an increase in production.

However, challenging weather conditions in Australia and New Zealand have resulted in production for September being down in these countries by 6.2% and 3.2% respectively for the year. Australia has experienced flooding in some parts with cold, wet weather impacting grass growth in New Zealand.

Prices

We have been wondering if farmgate milk prices had peaked for a couple of months now, but they have kept edging up. However, with commodity and futures markets all dropping and production increasing, the outlook for the New Year could see a change, with some forecasting significant declines (including us). The Global Dairy Trade Index, although rising by 2.4% to average $3,623 per tonne at the latest event on 15th November, has shown some big drops since June (see KFFs). With the only other rises since then being in September, the index average has fallen from its high in March 2022 ($5,039 per t) back to January 2021 levels. Spot milk prices were trading above 50ppl in August, but are now back to around 45ppl, due to the increase in production. Bulk cream prices have also declined recently. Most buyers are expected to stand-on for December, but eyes will be on Arla, especially following their surprise (large) increase of 1.33ppl announced for November earlier in the month – see (https://abcbooks.co.uk/arla-milk-price-increase/).

Egg Crisis

There have been many reports in the press that that Avian Influenza (AI) is to blame for a shortage of eggs in the UK, which is angering many producers. Some of the main supermarkets have started rationing how many boxes of eggs customers can buy (which tends to be a self-fulfilling prophecy as any hint of a shortage leads to panic-buying). But whilst the worry of AI is hanging over egg producers, spiralling costs, without matching increases in prices, is the main factor in reducing supply. According to the British Free Range Egg Producers Association (BFREPA) a third of UK farmers have cut the number of hens in their flock because they cannot cover costs of production, with producers having been calling for greater returns since March. According to the Association, the rise in egg prices consumers have seen on the shelves has not being passed back to producers.

The industry has warned egg shortages are now expected to last 'beyond Christmas'. No practical measures of help have been offered by Defra, with Therese Coffey saying she is 'confident' that the industry can get through supply issues in the short term. Meanwhile, NFU poultry board chair James Mottershead has said the Union is having conversations with retailers and also asking Government to look at the supply chain, to ensure it is transparent and that farmers are receiving a fair return.

The **Professional Update** is available by subscription only from Agro Business Consultants, 3rd Floor, The Tower, Pera Office Park, Melton Mowbray. LE13 0PB. Tel. +44 (0)1664 567676 Email. enquiries@abcbooks.co.uk

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Key Farm Facts (November 2022)

Farm Support Payments *(estimates in italics)*

English Basic Payment Scheme Rates				
£ per Ha①	**2020**	**2021②**	**2022②**	**2023②**
Lowland (non-SDA)	233.22	221.64	186.64	*151.8*
SDA	231.57	220.02	185.28	*150.7*
Moorland	63.95	60.8	51.2	*41.7*

Scottish Basic Payment Scheme Rates				
£ per Ha①	**2020**	**2021**	**2022**	**2023**
Region 1	230.92	222.14	223.08	*223*
Region 2	62.77	45.09	45.21	*45*
Region 3	23.21	13.68	13.73	*14*

Coupled Payments are approx £103/beef calf; £146 in the Islands; £61/ewe hogg for farms with >80% Region 3 land. 2019 & 2020 includes Convergence uplift

Welsh Basic Payment Scheme Rates				
£ per Ha①	**2020**	**2021**	**2022**	**2023**
All-Wales Region	122.16	121.23	*121*	*121*
Redistributive Payment	114.89	111.02	*111*	*111*

Redistributive Payment made on first 54 Ha of claim.

Ag Transition England only (BPS deductions) - source Defra				
Payment Band	**2021**	**2022**	**2023**	**2024**
Up to £30,000	5%	20%	35%	50%
£30,000 - £50,000	10%	25%	40%	55%
£50,000 - £150,000	20%	35%	50%	65%
£150,000 or above	25%	40%	55%	70%

① includes Financial Discipline deduction in 2019; includes Greening Payment
② includes lowest payment band Ag. Transition deduction. Larger reductions on bigger claims

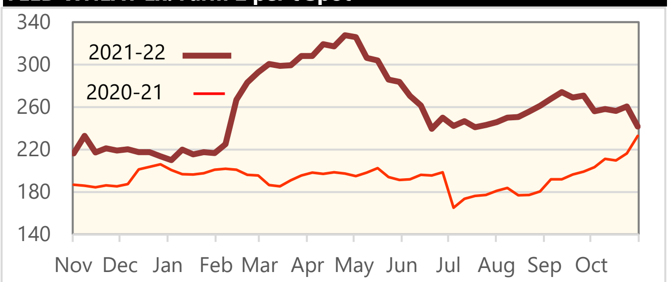
Entitlement Trading Values			
prior to 2022 claim	**Eng**	**Scot**	**Wales**
Multiplier range	0.7-0.9	0.8-0.9	0.6-0.7

Scottish and Welsh multipliers are on Basic element only

Crop Prices

UK Ex-Farm Prices - source: AHDB				
£ per tonne	*Budget*	**Present**	Last	*12 Mths*
spot prices	*Nov 23*		Month	*Ago*
week ending -		18/11/22	21/10/22	26/11/21
Feed Wheat	*230*	**242**	256	*233*
Full Spec. Milling Wheat	*245*	**296**	300	*274*
Feed Barley	*210*	**229**	237	*211*
Malting Barley	*230*	**277**	278	*n/a*
Oilseed Rape	*525*	**518**	521	*572*
Beans	*250*	**268**	287	*241*
Futures contract date -		Nov-23	Nov-24	Nov-25
Wheat Futures *(UK, LIFFE, £)*		241	230	n/a
OSR Futures *(Paris, MATIF, €)*		585	483	n/a

FEED WHEAT Ex. Farm £ per t Spot



Sugar Beet Contract Prices				
£ per adjusted (16%) tonne		Price	Transp't	**Total**
2022 Crop	Contract Tonnage	27.0	*5.50*	*32.50*
	Surplus Beet	27.0	*5.50*	*32.50*
2023 Crop	Contract Tonnage	40.0	*5.50*	*45.50*
	Surplus Beet	*tbc*	*tbc*	*tbc*

Transp't estimated

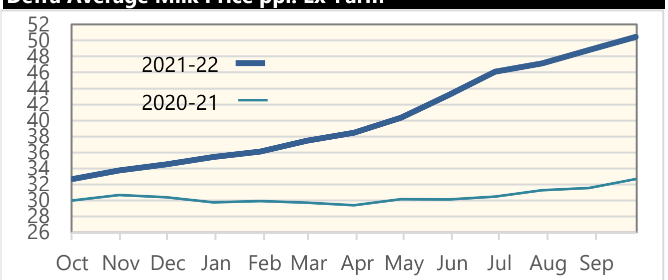
Dairy Prices and Production

Commodity Milk Prices			
	Present	Last Month	*12 Mths Ago*
week ending -	18/11/22	21/10/22	26/11/21
GDT Auction ($ per tonne)	**3,623**	3,723	*4,287*
Intervention Milk Price Equiv. (ppl)	**18.86**	19.06	*18.30*
Actual Milk Price Equiv. (ppl)	**50.14**	56.34	*41.10*

UK Farmgate Milk Prices (DEFRA average)			
	Oct-22	Sep-22	*Oct-21*
Price for the month (ppl)	**50.44**	48.80	*32.66*
Rolling 12-month average (ppl)	**40.95**	39.50	*30.48*

UK Milk Production				
		Oct-22	*Oct-21*	5-year average
Monthly	million litres	**1,222**	*1,196*	1,197
	butterfat	**4.32**	*4.31*	4.24
	% difference - ltrs		*2.2%*	2.1%
Cumulative	million litres	**8,791**	*8,859*	8,785
	butterfat	**4.14**	*4.12*	4.06
	% difference - ltrs		*-0.8%*	0.1%

Defra Average Milk Price ppl. Ex-Farm



Financial Data

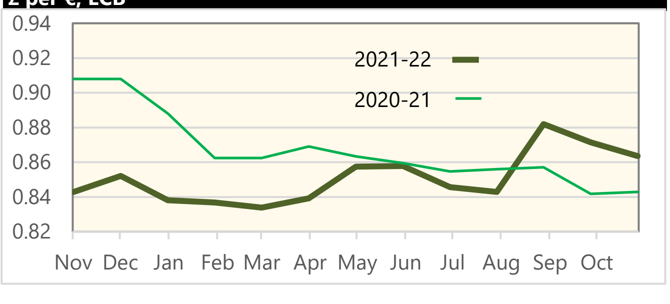
Exchange Rates			
	Present	Last Month	*12 Mths Ago*
effective date -	24/11/22	26/10/22	26/11/21
Euro: €1 = £ *(ECB daily rate)*	**0.864**	0.871	*0.843*
Euro: £1 = € *(ECB daily rate)*	**1.158**	1.148	*1.186*
Annual Average, €1 = £	**0.851**		
Dollar: £1 = $ *(market rate)*	**1.196**	1.132	*1.331*

Base Rates			
United Kingdom	**3.00**	2.25	*0.10*
Eurozone	**2.00**	1.25	*0.00*
United States	**4.00**	3.25	*0.25*

Inflation			
% change on year earlier	**Oct-22**	Sep-22	*Oct-21*
United Kingdom (CPIH)	**9.6**	8.8	*3.8*

Economic Growth			
% change on same quarter, year earlier	**Q3 2022**	Q2 2022	*Q3 2021*
United Kingdom	**2.40**	4.40	*8.50*
Eurozone	**2.40**	4.30	*4.20*
United States	**1.80**	1.80	*5.00*

£ per €, ECB



Livestock Prices

Livestock Prices - source: AHDB (*or ① East Mids markets*)		Present	Last	12 Mths
ppkg deadweight unless		**Present**	Last	*12 Mths*
stated otherwise			Month	*Ago*
	week ending -	18/11/22	21/10/22	26/11/21
Finished Steers	Eng. & Wales	**439.3**	436.4	*413.5*
	Scotland	**459.3**	453.2	*419.3*
Cull Cows	Dairy Bred	**148.6**	146.8	*119.9*
	Beef Bred	**161.7**	174.5	*137.5*
Calves①	Cont. X Bulls (*£ per Hd*)	**199**	134	*192*
Hereford X Bulls (*£ per Hd*)		**125**	77	*105*
Finshed Lambs (SQQ)		**534.5**	524.1	*600.1*
Cull Ewes① (*£ per head*)		**76.3**	67.5	*78.4*
Finished Pigs (SPP - UK)		**200.4**	200.1	*149.9*
Weaners (30kg) (*£ per head*)		**n/a**	n/a	*n/a*

Wages

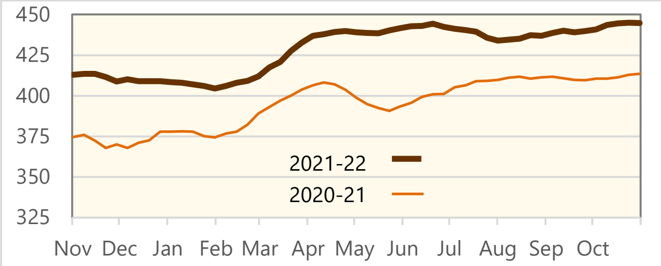
Minimum Wage Rates from April 2022				
£ per Hour age -	16-17	18-20	21+	Appren.
National Minumum Wage	4.81	6.83	9.18	4.81
National Living Wage (25 years+)		9.50		

Agricultural Wages Boards continue to operate in Scotland and Wales, but wage rates now largely aligned with Minimum Wages

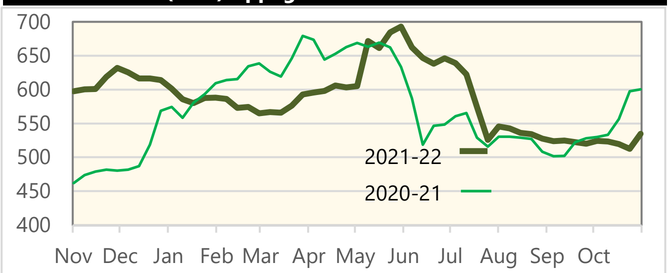
Input Prices

Spray Prices			
On-farm price		**Spot**	*12 Mths*
£ per litre/kg		**Price**	*Ago*
	week ending -	18/11/22	26/11/21
Active Ingredient	Example		
Cereals - Herbicides			
Diflufenican	Hurricane	**25.00**	*22.50*
Flufenacet + diflufenican	Liberator	**44.00**	*39.00*
Flufenacet + pendimeth.	Crystal	**11.43**	*9.50*
Florasulam	Lector	**116.00**	*116.00*
Mesosulfuron iodosulfuron	Atlantis OD	**30.80**	*29.00*
MCPA	Agritox	**4.20**	*4.20*
Pinoxaden + Cloquint.	Axial Pro	**56.33**	*54.00*
Cereals - Fungicides			
Azoxystrobin	Amistar	**22.00**	*22.00*
Folpet	Arizona	**6.60**	*6.60*
Prothioconazole	Proline; Butus	**46.00**	*44.80*
Cereals - Insecticides / Molluscicides			
Metaldehyde (3%)	Gusto	**n/a**	*n/a*
Ferric Phosphate	Sluxx, Ironmax Pro	**2.90**	*2.60*
Lambda-cyhalothrin	Hallamrk Zeon, Generi	**71.00**	*65.00*
OSR - Herbicides			
Propyzamide	Kerb Flowable	**35.00**	*32.00*
Metazachlor	Makaila	**15.00**	*10.60*
Quizulofop-P-tefaryl	Panarex	**11.80**	*11.20*
Clomazone	Backrow; Centium	**81.00**	*78.00*
OSR - Fungicides			
Metconazole	Caramba,Metal	**25.20**	*25.20*
Tebuconazole	Deacon, Agate	**9.60**	*7.30*
Arylex	Belkar	**116.7**	*108.30*
Potatoes - Herbicides			
Carfentrazone	Spotlight	**40.20**	*39.00*
Potatoes - Fungicides			
Cyazofamid	Ranman Top	**40.84**	*39.20*
General Sprays			
Glyphosate	Roundup,Gallup XL	**6.40**	*7.00*

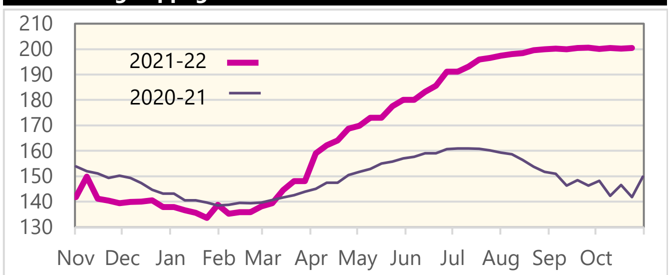
Finished Steers (GB) - ppkg dw



Finished Lambs (SQQ) - ppkg dw



Finished Pigs - ppkg dw



Input Prices *(£ per tonne unless stated otherwise)*

Fertiliser Prices			
600kg bags delivered,	**Spot**	Last	*12 Mths*
granular	**Price**	Month	*Ago*
week ending -	18/11/22	21/10/22	26/11/21
Nitrogen: 34.5% An (home)	**695**	870	*615*
20-10-10	**695**	748	*585*
0-24-24	**665**	670	*590*
Urea (46% N)	**765**	830	*740*
Triple Super Phosphate: 0-46-0	**715**	740	*530*
Muriate of Potash: 0-0-60	**635**	675	*520*
Ammonium Sulphate: 21%N-24%S	**595**	630	*565*
Fuel Prices			
Oil Price① ($ per barrel)	**77.6**	85.0	*78.3*
Gas Oil② (ppl)	**92.4**	111.0	*69.4*
① West Texas Intermediate ② > 2,000 ltrs, Midlands (price variable)			
Straight Feed Prices			
Hipro Soya	**492**	518	*393*
Rape Meal	**362**	367	*316*
Maize Gluten	**368**	378	*279*
Compound Feed Prices (bulk delivery unless stated otherwise)			
Dairy Feed (18% CP)	**360**	337	*280*
Calf Starter Cudlets (bags)	**467**	*459*	*352*
Beef Nuts (16% CP)	**333**	*316*	*247*
Premium Ewe Nuts	**347**	*328*	*265*