AGRO BUSINESS CONSULTANTS

Professional Update

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INSIDE THIS ISSUE:

POLICY & BUSINESS

Environmental Land Management

Defra has published further details of Environmental Land Management (ELM). It includes new SFI Standards, changes to the Countryside Stewardship (CS) scheme and details of a further round of the Landscape Recovery (LR) scheme.

The details were announced in a comprehensive 'Policy Paper' – *Environmental Land Management Update: how Government will pay for land-based environment and climate goods and services.* This can be found at https://www.gov.uk/government/publications/environmental-land-management-update-how-government-will-pay-for-land-based-environment-and-climate-goods-and-services/environmental-land-management-elm-update-how-government-will-pay-for-land-based-environment-and-climate-goods-and-services

Sustainable Farming Incentive (SFI)

Six new Standards will be available under SFI this year. These will be in *addition* to the existing three made available in 2022. The new Standards are no longer structured by Levels (Introductory, Intermediate etc.) – the thought being this gives land managers more flexibility to pick and choose. Those already participating in SFI can add these Standards and also more land (*it is not yet clear whether this also applies to those in the SFI Pilot*). No specific date has been given for when they will be available but it is stated to be from 'this summer'. The table below includes a summary of the required actions and payment rates for each Standard.

Sustainable Farming Incentive (SFI) 2023 – source Defra as at Jan 2023

Payment	Actions
Hedgerows	
£3 per 100m – one side	Assess and record hedgerow condition
£10 per 100m – one side	Manage hedgerows so there's a range of different heights and widths
£10 per 100m - both sides	Maintain existing hedgerow trees, or establish new, to ensure an average of at least 1 hedgerow tree per 100m
Integrated Pest Management	
£989 per year	Complete an integrated pest management (IPM) assessment and produce an IPM plan
£673 per Ha	Establish and maintain flower-rich grass margins, blocks, or in-field strips
£55 per Ha	Establish a companion crop
£45 per Ha	No use of insecticide
Nutrient Management	
£589 per year	Complete a nutrient management (NM) assessment and produce an NM review report
£102 per Ha	Establish and maintain legumes
£593 per Ha	Establish and maintain legume fallow

Arable and Horticultural Land	
£614 per Ha	Establish and maintain blocks or strips of pollen and nectar flower mix
£732 per Ha	Establish and maintain blocks or strips of winter bird food
£590 per Ha	Establish and maintain grassy field corners and blocks
£451 per Ha	Establish and maintain a 4m-12m buffer strip on arable and horticultural land
Improved Grassland	
£333 per Ha	Take grassland field corners and blocks out of management
£474 per Ha	Maintain improved grassland to provide winter bird food
£235 per ha	Establish and maintain a 4m-12m buffer strip on grassland
Low Input Grassland	
£151 per Ha (indicative)	Manage grassland with very low nutrient inputs (outside SDAs)
£98 per Ha (indicative)	Manage grassland with very low nutrient inputs (SDAs)

The six new Standards will be offered alongside the two existing Soil Standards and the Moorland Standard already available. There does not appear to be any change to these Standards which look like they will continue with a 'package' of actions within different Levels (Introductory and Intermediate).

Announced earlier in the month was the ***SFI Management Payment***. This will be £20 per hectare for up to 50 hectares of land entered into the scheme per annum i.e. agreement holders will receive up to a maximum of £1,000 per year via this payment. The payment has been introduced following feedback from those already in the scheme who have said the current payments do not fully account for the administration costs of entering and implementing an agreement. Defra acknowledges the new Management Payment will benefit small farms in particular, but it notes these are currently half as likely as the average farm to be in an environmental land management scheme. *It has been fairly well documented that uptake of the SFI has been poor and that payments are considered to be too low. An increase in uptake is required if Defra is to meet its environmental targets.*

The SFI Management Payment will apply to new agreements and also those already participating. It will not apply to those in the SFI Pilot who already receive £5,000 per year for taking part in 'learning activities'. *Defra states that this Pilot payment will be reviewed for the 3rd year, but it is unclear what this actually means.* The Management Payment will only be available for agreements that include changing land management activities, meaning planning or preparation activities such as the current Moorland Standard are not eligible.

As SFI expands each year, Defra will be introducing more Standards and actions incrementally, with the full set planned to be in place by the start of 2025. This means that each year there will be more that land managers can choose to do and get paid more as a result. It will be possible for farmers who already have an SFI agreement to:

- add more actions/Standards
- increase levels within Standards already in the SFI Standards agreement
- add more land

The schemes are being designed so that they are accessible to Tenant farmers. This includes those on tenancies that are rolling-on from year-to-year if the Tenant expects to have 'management control' of it for the 3-year duration of their SFI Standards agreement.

Countryside Stewardship Plus (CS Plus)

An enhanced version of Countryside Stewardship will now form the second tier of ELM, replacing the previously planned Local Nature Recovery. It will reward farmers for working with their neighbours to support 'climate and nature aims' – i.e. reducing carbon emissions and increasing biodiversity. Under CS Plus, a further 30 actions will be available by the end of 2024 in addition to the 250 plus already available. The aim is to improve the existing actions where possible as the scheme evolves, by making them more 'outcome focused', less prescriptive and more flexible about how to achieve the intended outcomes. Defra has said there will be greater flexibility over when farmers can apply (could this mean all-year round ?) and how they manage their agreements. It has also said payments will be quarterly rather than annually – *there is no indication if this will apply to existing agreements*. It is also replacing the current 'burdensome' annual revenue claim with an annual declaration, this will apply to all CS agreements.

CS Plus will be available from 2024, further details along with payment rates are expected to be published later this year. In the meantime the next round of Countryside Stewardship Higher-Tier will open in February, with Mid-Tier following in March for agreements starting on 1st January 2024.

As SFI and CS Plus evolve over the next two years, Defra aims to offer them in a single 'integrated service'. Applicants will be able to select a combination of actions from both schemes. The intention is for England Woodland Creation Offer (EWCO) to also be available via CS Plus once the scheme has been transitioned over. *It appears there will be a lot more flexibility around the schemes allowing applicants to 'mix and match' between schemes and be flexible on adding land to an agreement. However, this aspiration will need to be matched by efficient systems to handle applications.*

Countryside Stewardship Payment Rates

Defra has announced an update to both revenue and capital payments under the CS. The new revenue rates will be introduced for all new and existing Mid-Tier and Higher Tier agreements as from 1st January 2023. The majority of payment rates have increased, none have been reduced, with about 20 remaining unchanged. The new rates can be found at https://www.gov.uk/government/publications/revenue-payment-rates-from-january-2023-countryside-stewardship. Defra has said it will continue to review payment rates, in addition, later this year it will publish how it will 'routinely review' rates from 2024.

CS Capital Payments

Originally, the higher payment rates for capital works were only going to be on agreements starting after the 4th January (when they were announced at the Oxford Farming Conference). However, industry lobbying was vociferous that this was unfair to the many applicants who applied for CS Mid-tier agreements last year which included capital works and were starting on the 1st January. Defra subsequently relented and the new capital rates also now apply to all agreements starting from 1st January 2023.

Some changes in the payment rates are significant. For example, hedgerow planting (BN11) is now £22.97 per m (previously £11.60 per m) and Hedgerow laying is £5.33 per m (£4.00 per m). There are, however, a few which have declined and some have remained the same. Defra say, on average, the rates have increased by 48%. The new rates can be found at https://www.gov.uk/government/publications/capital-payment-rates-from-january-2023-countryside-stewardship

Applications to the ***stand-alone CS Capital Grants*** scheme have now re-opened after a brief closure. Aside from the increase in payment rates, some other changes have been made to try and provide further flexibility to applicants. The full guidance can be found at https://www.gov.uk/government/publications/capital-grants-2023-countryside-stewardship/applicants-guide-capital-grants-2023. The main changes include;

- ***Agreements increased to 3-years*** – all agreements starting after January 2023 will have 3-years (previously 2-years) to complete the agreed works
- ***New CS Higher-tier Capital Grants*** – to be used in the most environmentally significant sites and woodlands without the need for a CS Higher Tier agreement. 20 capital items are available under this new tier. For further information go to https://www.gov.uk/government/publications/higher-tier-capital-grants-2023-countryside-stewardship/applicants-guide-higher-tier-capital-grants-2023
- ***New Natural Flood Management theme*** – this offers three capital items and increases the maximum limit for a single application to £80,000, with a limit of £20,000 for each group (Boundaries, trees & orchards; water quality; air quality; and flood management)
- ***Land in an SSSI now Eligible*** – previously not eligible, but land located in an SSSI is now eligible for capital works if the land is already in and existing CS or ES agreement
- ***Proportionate Reductions on Late Claims*** – reductions will be scaled back depending on how late a claim is. Currently if a claim is one day late, 100% reduction is applied.
- ***Catchment Sensitive Farming (CSF)*** – capital items which require support from CSF are now available in High, Medium or Low Priority Areas for Water and Air quality
- ***Public Access and Educational Visits*** – the eligibility of some items has been expanded to encourage public access and enhanced educational visits to woodland.

A reminder that applications to CS Capital Grants and CS Higher Tier Capital Grants can be made all year round.

CS and SFI Pilot agreements starting in 2022 or earlier will receive the rates within their agreement. It is possible for these applicants to withdraw individual capital works from CS agreements or even whole agreements and re-apply, but only where capital works have not commenced and materials have not already been ordered. New applications would also require any endorsements, such as Catchment Sensitive Officer approval to be renewed.

Another point which has been mentioned is the £20,000 per group ceiling in CS Capital Standalone agreements. This has remained unchanged even though rates have increased and in the case of new hedges, doubled. Defra has said this is under 'consideration' along with how the new rates interact with Farming in Protected Landscapes (FiPL) agreements as these use CS payment rates. An announcement on these is expected shortly.

Landscape Recovery

This is the third element of ELM. It supports 'ambitious' large-scale nature recovery projects focusing on net-zero, protected sites and habitat creation. A pilot opened last year (see Bulletin article https://abcbooks.co.uk/landscape-recovery-2) and following high demand Defra has confirmed a second round will open in the spring of 2023 and a further round in spring 2024. The second round will take up to 25 projects and will focus on net zero, protected sites and habitat creation. Further details are expected soon.

Although we are still awaiting some of the practical details, this announcement does provide land managers with more clarity on what and how much the ELM schemes are going to offer. By 2028 the BPS will have completely disappeared in England. We have known for a while now that future support will not be as 'profitable' as the BPS for the average claimant – something will have to be done to receive money under ELM. But this latest announcement should help with planning and it will now be down to land managers (and their advisors) to decide what will be the best way forward for each business. It does appear from this announcement, and those made earlier in the year on CS payment rates, that Defra is listening to the industry. It does have environmental targets to hit and, to this end, needs as many farmers as it can to sign up to these schemes. On the other hand it also has to provide value for money to the tax payer.

Environmental Standards

The legally binding environmental targets, as required under the 2021 Environment Act, have finally been published. We wrote in the November Bulletin that Defra had missed the statutory deadline of 31st October as set out in the Act. A Ministerial Statement to the House of Lords on the 16th December set out thirteen targets in a number of areas. The targets are largely the same as was set out in earlier Defra consultations, so contain few surprises. Details can be found at www.gov.uk/government/news/new-legally-binding-environment-targets-set-out .

The targets are;

Biodiversity and Woodland

- To halt the decline in species abundance by 2030
- To ensure that species abundance in 2042 is greater than in 2022, and at least 10% greater than 2030
- Improve the Red List Index for England for species extinction risk by 2042, compared to 2022 levels
- To restore or create in excess of 500,000 hectares of a range of wildlife-rich habitat outside protected sites by 2042, compared to 2022 levels
- 70% of the designated features in the Marine Protected Areas network to be in favourable condition by 2042, with the remainder in recovering condition
- Increase total tree and woodland cover from 14.5% of land area now to 16.5% by 2050 (*the original target in the consultation had been 17.5%*)

Water Quality and Availability

- Abandoned metal mines target: Halve the length of rivers polluted by harmful metals from abandoned mines by 2038, against a baseline of around 1,500 km
- Agriculture target: Reduce nitrogen (N), phosphorus (P) and sediment pollution from agriculture into the water environment by at least 40% by 2038, compared to a 2018 baseline
- Wastewater target: Reduce phosphorus loadings from treated wastewater by 80% by 2038 against a 2020 baseline
- Water Demand Target: Reduce the use of public water supply in England per head of population by 20% from the 2019/20 baseline reporting year figures, by 2037/38

Waste & Air Quality

- Reduce residual waste (excluding major mineral wastes) kg per capita by 50% by 2042 from 2019 levels
- For air quality, an Annual Mean Concentration Target for PM2.5 levels in England to be 10 µg m-3 or below by 2040
- A Population Exposure Reduction Target for a reduction in PM2.5 population exposure of 35% compared to 2018 to be achieved by 2040.

Although not all are directly relevant to agriculture, it can clearly be seen that some of these targets will affect farming. Now these legal targets are in place the Government has a duty to enact policies to achieve them. The roadmap for how this is to be done will be the Environmental Improvement Plan (EIP). This is due to be published in January and will be updated every five years. It is the successor to the 25-Year Environment Plan.

Welsh Grants Update

Woodlands

The 2nd Round of the Woodland Restoration Scheme (WRS) opened for Expressions of Interest on 16th December and will close on 2nd February 2023. The WRS provides capital works for restocking, fencing and associated operations on sites where there is Larch and up to 50% non-Larch species. Further information can be found via https://www.gov.wales/woodland-restoration-scheme-round-2-rules-booklet-html.

The next window for applications to the Woodland Creation grants is from 13th February to 24th March 2023. This is for the Small Grants – Woodland Creation scheme, which covers small areas of tree planting under 2 hectares and also for the Woodland Creation Grant, covering larger schemes in excess of 2 hectares. For further information go to https://www.gov.wales/small-grants-woodland-creation and https://www.gov.wales/woodland-creation-grants-booklet.

Winter Update

The Welsh Government has also published its Winter Update, which can be found online at https://www.gov.wales/sites/default/files/publications/2022-11/agriculture-winter-update-2022.pdf. This is a document updating land managers on a variety of rural topics including scheme opening dates (see table below), the Sustainable Farming Scheme, agricultural minimum wage, EIDCymru, Farming Connect, animal health and welfare and more.

Welsh Rural Development Support 2022-2024 – source Welsh Government		
Scheme	**EOI Opening Date**	**EOI Closing Date**
Small Grants:		
Environment – New hedges	9th Jan 2023	17th Feb 2023
Environment - Carbon	22nd May 2023	30th June 2023
Efficiency	16th Jan 2023	24th Feb 2023
Yard Coverings	26th June 2023	4th August 2023
Woodlands:		
Creation	13th Feb 2023	24th March 2023
Restoration	16th Dec 2022	2nd Feb 2023
Horticulture:		
Development	5th Dec 2022	10th March 2023
Start-up	11th April 2023	20th May 2023

Farming Connect Boot Camp

The Farming Connect Boot Camp is a fully-funded residential course designed to give new entrants into agriculture the skills to be able to develop efficient businesses. The first session is on 18th and 19th January with the second session running from 8th - 10th February 2023. More information can be found at https://businesswales.gov.wales/farmingconnect/business/business-bootcamp.

Agri Environment Scheme: Scotland

The Agri-Environment Climate Scheme (AECS) will open in Scotland for another round from 30th January. A summary of application dates and scheme changes are outlined below. Full scheme details are available via https://www.ruralpayments.org/topics/all-schemes/agri-environment-climate-scheme/

- ***Slurry Storage*** – applications for Slurry Storage must be made by 24th March 2023. Under this round, slurry storage will be available nationally, with the exception of areas designated as Nitrate Vulnerable Zones. Those businesses that currently house livestock on slurry-based systems with less than six months storage capacity are eligible to apply. Contracts will be issued by the end of April 2023; all work must be completed and claimed for by 29th February 2024. It will not be possible to defer the works to another year. *The Scottish Government has announced that this year's £5m Agriculture Transformation Fund will be made available to support slurry storage through the AECS, allowing funding to be available to all areas **other** than Nitrate Vulnerable Zones.*
- ***Organic Conversion or Maintenance*** – applications must be made by 7th June 2023. From this year the area caps have been removed, this will also apply to those with existing contracts. *The Scottish Government has announced the forthcoming round of AECS will target and support its ambition to double the amount of land under organic management by 2026.*
- ***Agri-environment*** – applications must be made by 7th June 2023. However, due to 'budgetary pressures' some options have either been capped or suspended for this round meaning the following agri-environment capital items will *not* be available:
  - Restoring Drystone or Flagstone Dykes
  - Pond Creation and Restoration for Wildlife
  - Muirburn and Heather Cutting
  - Primary Treatment of Bracken – Mechanised or Chemical
  - Follow up Treatment of Bracken – Mechanised or Chemical

  In addition the Creation of Hedgerows option will be restricted to just 500 linear metres per application for 2023 and the following items/options remain suspended for the 2023 round.
  - Creation of Species Rich Grassland
  - Heather Restoration
  - Heather Restoration – Follow – up Molinia control
- ***Improving Public Access (IPA)*** – this element will not be available this year

Business Energy Scheme

The Government has announced a new business energy scheme to replace the existing one when it ends. The current Energy Bill Relief Scheme (EBRS) is scheduled to finish on 31st March (see our article of 25th September https://abcbooks.co.uk/energy-price-cap/). The new

Energy Bills Discount Scheme (EBDS) will be available for all non-domestic consumers in Great Britain and Northern Ireland and will run from 1st April to 31st March 2024 – i.e. a further year. However, the current EBRS is worth £18bn, whereas the new EBDS will have a cap set at £5.5bn – based on estimated volumes. *The Government says it has always been clear that the current levels of support were 'time-limited' and intended as a 'bridge' to allow businesses to adapt. It refers to wholesale gas prices having fallen to levels seen just before the invasion of Ukraine and having halved since the current scheme was announced. It states the new scheme 'strikes a balance' between limiting taxpayers' exposure to volatile markets and supporting businesses over the next 12 months.*

In terms of what support will be available, under the EBDS, non-domestic users will receive a unit discount of up to £6.97 per MWh to their gas bill and a unit discount of up to £19.61 per MWh to their electricity bill for the period April 2023 to March 2024, above a threshold of £107 per MWh for gas and £302 per MWh of electricity.

As under the previous scheme, customers should not have to do anything, the support should automatically be applied to bills by the energy supplier. The discount will be available to those;

- on existing fixed price contracts that were agreed on or after 1st December 2021
- signing new fixed price contracts
- on deemed / out of contract or standard variable tariffs
- on flexible purchase or similar contracts
- on contracts paying energy costs above a price threshold
- on variable 'Day Ahead Index' (DAI) tariffs (Northern Ireland scheme only)

There is further support for those in energy and trade intensive industries (ETIIs). These are mainly manufacturing industries and it does not include agriculture. However, many associated sectors in the food chain *are* covered such as the processing & preserving of meat, operation of dairies & cheese making, and manufacturing of beer, wine & cider. The full list can be found via https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1128021/230104_ETII_List_for_gov.uk.pdf . This discount will apply to 70% of energy volumes and will be subject to a maximum discount of £40 per MWh for gas and £89.10 per MWh for electricity with a threshold of £99 and £185 per MWh for gas and electricity respectively. Businesses may need to register to be eligible for this additional support; details on how to apply will be released in due course.

Rents: England

The latest agricultural rents data once again shows a mixed picture. Following a rise in the overall average rent in 2020, the All Farms rent in 2021 came back down to 2019 levels. Some sectors have experienced a rise in 'full' Agricultural Holdings Act (AHA) rents whilst at the same time seeing a fall in FBT rents; for other sectors it is vice versa. The table below shows a summary of the last three years. Defra's Farm Rents publication uses data from the Farm Business Survey. Due to the time taken to collect the data, it is somewhat historic. The figures just published are for the 2021/22 year, March to February, (shown as '2021' in the table below). The full statistical notice can be found at https://www.gov.uk/government/statistics/farm-rents/farm-rents-england-2020

Cereals farms on AHA Tenancies recorded an 8% decline (although this is following a 10% increase in 2020) whilst FBT Cereal rents declined marginally. Although only a small decrease this year, this is the third year in a row that Cereal FBT rents have fallen; they do however, remain 24% higher than AHA rents. Full AHA rents for General Cropping declined further in 2021 and after a 'sizable' increase in the 2020 FBT rent, these agreements have also seen a rental reduction in 2021; although not quite back to 2019 levels. Rents for Dairy land are strong, particularly FBT rents but have remained fairly stable over the last three years. LFA Grazing rents show a steady increase for both AHA and FBT agreements and this is the same for Lowland AHA Grazing farms. FBT Lowland Grazing rents continue to fluctuate, falling by 19% in 2021 following a 30% increase in 2020. The livestock sector has seen better prices recently, but is also, in the main, more dependent on the BPS and as this declines, will see margins squeezed.

Farm Rents in England – source DEFRA

£ per Ha	Full Agric. Tenancy			Farm Bus. Tenancy		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
Cereals	204	225	207	263	261	257
General Cropping	224	215	184	298	367	313
Dairy	205	197	199	271	283	281
Cattle & Sheep (LFA)	63	61	71	79	81	87
Cattle & Sheep (L/L)	181	193	198	128	166	134
All Farms	**177**	**185**	**177**	**222**	**239**	**225**

As written previously, data on rents can fluctuate annually and one year's information should not really be taken in isolation. In general, rents have been on an upward trend, but looking to the future it would be expected that, as the BPS is phased-out, then overall rents will fall.

NI Protocol Negotiations

Negotiations between the UK and the EU on making amendments to the Northern Ireland (NI) Protocol have dominated the trade agenda in recent weeks. There have been promising signs of progress, although significant hurdles need to be overcome if an agreement is to be reached by April (to coincide with the 25th anniversary of the Belfast Good Friday Agreement).

The announcement, on 9th January, of a data sharing agreement between the UK and the EU is key development as it permits the EU to gain real-time access to data on goods movements between Great Britain and NI. The EU sees this as a critical pre-requisite towards rebuilding trust in UK-EU relations and in permitting the EU to consider introducing greater flexibility in how regulatory checks on goods coming from GB into NI are undertaken. However, this data-sharing agreement is only a first step and there are serious differences to reconcile in other areas.

Most notably, an agreement on the levels of Sanitary and Phytosanitary (SPS) and Customs checks on goods remains unresolved. This is especially important for agri-food trade. Previously, the UK had proposed a 'green channel' at ports which would permit goods destined to stay in Northern Ireland to be waved through without customs paperwork. A 'red channel' would be set-up for shipments destined for the Republic of Ireland. This set-up would be complemented by a Trusted Trader scheme and fines to minimise non-compliance. Such proposals were dismissed by the EU as being insufficient to protect the integrity of its Single Market.

In October 2021, the EU proposed an 'express lane' for goods destined to stay in NI, although Customs paperwork would still be required. At the time, these proposals were dismissed by both the UK Government and the DUP as being unacceptable because of the border it would create on the Irish Sea which would undermine the integrity of the UK.

The current negotiations are focusing on finding a landing zone between the green channel and express lane approaches. If this conundrum could be resolved, a pathway towards an agreement between the UK Government and the EU should emerge. However, concerns persist as to whether the DUP would accept this. So, whilst the mood music has changed and progress is being made, it remains premature to expect an agreement yet. Talks are likely to continue until April and beyond. What might yet emerge is a 'fudge' based on more temporary arrangements similar to the extension of the grace period for checks on veterinary medicines traded between GB and NI agreed last month.

In Brief

Cross Compliance 2023

Defra has published the cross-compliance rules for 2023. There are no changes to the existing rules. Full details can be found at – www.gov.uk/government/publications/cross-compliance-2023/cross-compliance-2023. *This should be the last year of cross-compliance in its current form. In 2024 the residual BPS payments in England are to be 'de-linked' – with the link between payments and land being removed. At this point the cross-compliance system no longer works. A replacement system for ensuring farming standards is likely to be drawn up during 2023.*

BPS Applications

The RPA has announced that the window for 2023 BPS applications in England will open on Tuesday 14th March. As usual, the closing date will be the 15th May (a Monday this year). *Delinking also means that the 2023 claim will be the last 'classic' BPS application. The delinked payment will be based on average BPS claims for the three years 2020, 2021 and 2022. Those that have given up land since then will still be eligible for the delinked BPS through to 2027. However, a minimum claim (5 Ha) must be made this year*

Budget Date & Digital Tax

The Spring Budget will be delivered on 15th March 2023. In a further Treasury announcement, it has been confirmed that the requirement for all self-employed individuals and landlords to submit their Income Tax self-assessment forms through Making Tax Digital (MTD) portal will be delayed two more years until April 2026. MTD for Self-Assessment returns was due to take effect from April 2024 and would have required those with income over £10,000 to report earnings quarterly through the MTD for ITSA system. However, it will now only be phased-in from April 2026. Businesses, self-employed individuals and landlords with income over £50,000 will be required to comply from that date. Then, from April 2027, those with income over £30,000 will be included. *Many farms are already in the MTD system as a result of VAT requirements. However, there will be some relief that the move to quarterly reporting and calculation of Income Tax has been delayed. This relief will also be felt by other self-employed people in farming and rural businesses.*

Grain Market Update

Grain and oilseed markets have continued their decline through January. Any uncertainty or risk premium associated with Russia's invasion of Ukraine, almost a year ago, is priced in.

Combinable crop pricing is now very much centred on the balance of supply and demand at a global level. Whilst grain markets are tighter year-on-year, expectations of large maize production in Brazil are pushing prices lower. There may be some support going forwards, although this will depend on the extent to which dry weather impacts Argentinian maize and soyabean production.

Crops in the Northern Hemisphere are developing well. A generally mild winter across Europe and the Black Sea has aided crop development. That said, close attention will be paid to Ukrainian output, particularly of maize. North America had been an area of concern with drought in key production regions, but recent rainfall has contributed to the decline in prices.

UK markets have, unsurprisingly, followed the trends of global combinable crop markets. Ex-farm UK feed wheat was quoted at £213 per tonne on 27th January 2023, down more than £15 per tonne on December levels. Milling wheat prices have shown more resistance to the decline in global grain prices. Ex-farm milling wheat premiums are approaching £57 per tonne. With expensive nitrogen, and a lack of recommended Group 1 milling wheat varieties, there is a challenge for 2023 milling wheat supply.

Feed barley prices have also declined by less than feed wheat, down more than £8 per tonne from December levels, at £201 per tonne on 20th January 2023. For domestic grains there will be demand concerns; poultry placings in November and December were noticeably down on year-earlier levels. Additionally, the breeding pig herd is reduced following the last two years of challenging margins.

In the UK, ex-farm oilseed rape was quoted at £434 per tonne in January, around £134 per tonne behind January 2022 levels. The decline has been driven by larger oilseed crops globally and reduced crude oil prices. Soyabean production is forecast to be up almost 30 million tonnes year-on-year; largely driven by South America. Argentinian dry weather may offer some support. Additionally, large biodiesel mandates in Brazil and Asia could offer long term support, if unmatched by oilseed production increase.

Other protein prices have been stable. Feed bean prices have fallen by £7 per tonne month-on-month, to £248 per tonne. Feed pea values increased by £3 per tonne, to £248.

In Brief

Neonicotinoid Sugar Beet Seed Treatment

Defra has approved an emergency authorisation for the use of a nicotinoid seed treatment on the 2023/24 sugar beet crop. However, Syngenta's Cruiser SB, which is used to protect crops from virus yellows, will only be allowed under strict conditions. This includes independent modelling predicting a virus incidence of 63% or above; this will be known on 1st March. If the threshold is reached, further conditions will be applied to the use of the seed treatment to minimise the risk to the environment. This includes a maximum number of seeds planted per hectare and restrictions on farmers planting flowering crops in subsequent years in any field where treated seed has been used - allowing time for the chemical to break down.

Defra has confirmed the overall ban on the use of neonicotinoids remains in place, but recognises the potential danger of an outbreak of beet yellow virus poses on the production of UK sugar. In 2020, 25% of the national sugar beet crop was lost, according to Defra this cost the industry £67m of total economic loss across the whole industry that creates nearly 10,000 jobs. *This is the third year the emergency authorisation has been approved. Last year the threshold was triggered, although it was only 19% compared to this year's 63%. However, modelling predicted the virus incidence to be 68% on 1st March in 2022.*

Sugar Beet

Due to the cold snap in December, NFU Sugar and British Sugar have confirmed the 2022 Frost Insurance Policy has been triggered, although growers do not have to do anything to claim it. All those eligible have had a claimed lodged by NFU Sugar. All growers of sugar beet for British Sugar are covered (British Sugar pays the insurance premium) provided a crop declaration was submitted before September 2022 and unless a growers' entire crop had been delivered by 15th December.

All calculations for compensation will be carried out at the end of this year's campaign as compensation is based on the Adjusted Tonnes delivered by a grower at the end of harvest. Growers are insured based on their anticipated production, which equals Area multiplied by 5-year average yield, less 7% this year to take account of the state crops were in at the end of the summer due to drought (or CTE if that is lower). Compensation payment is calculated as follows:

- first 15% loss – no payment – effectively the policy 'excess'
- losses between 15% and 30% – paid at full contract rate – £27 per tonne
- losses over 30% – Paid at half contract rate – £13.50 per tonne

The policy is triggered if the average minimum temperature is recorded at -4°C or lower for a rolling 10-day period up to and including 30th January. The frosts in December have damaged crops, loads are being rejected by the processing factories and those that are accepted are likely to have reduced sugar content. This is the first time the industry insurance has been triggered since it was set-up after the 2010/11 crop was hit by early frosts. The frost damage follows a difficult year for growers who have seen their crops affected by drought and virus yellows.

DAIRY & LIVESTOCK

Pig Market

2022 was an incredibly difficult year for pig producers, but there are some positive signals as we start 2023. The EU-Spec SPP ended the year on a record high of 201.24p per kg in the final week of 2022. Whilst the APP recorded a marginal decline over December compared with November, prices ended the year over 60p per kg more than at the same point in 2021. In the run up to Christmas there were signs of pigs being pulled forward to slaughter and this has resulted in reports of tightening domestic supplies which should help to support prices. AHDB estimated slaughter numbers show an increase in pigs coming forward in the first two weeks of December, with declines in weeks 3 and 4 as the festive holidays impacted processing days. Furthermore, carcase weights continue to fall. Average weights at the end of December were 87.42kg, down 1.35kg compared to the previous 4 weeks. This is 8kg below their peak at the beginning of 2022 and further corroborating the fact finishers are selling pigs earlier. Further price support should be available from the continent as the EU reference price continues its upwards movement. For the five weeks ending 1st January, it increased by 3.1% (5.3ppkg) compared with November's average price, to 177.54p per kg.

However, the SPP fell by 1.04p per kg to 200.2p per kg in the week ending 7th January, eroding most of the gains made in December. This is made more disappointing due to the points made above which should be supporting prices. However, the post-Christmas market is always a difficult one; the next few weeks will be important, pork is competitively priced compared to beef and lamb which should help sales. Furthermore, the cost-of-living crisis could see an increase in at-home dining, which, as seen during Covid, tends to favour domestic production as long as the supermarkets stay loyal to British product. But even at current prices margins remain squeezed. The AHDB estimates costs of production in November at 232p per kg, cereal prices have fallen since then, but with the SPP at around 200p per kg, producers are still operating well below the cost of production.

Dairy Markets

After reaching records highs, the farmgate milk price is starting to experience some hefty declines. According to Defra the UK average farmgate milk price for December 2022 reached 51.51p per litre (see Key Farm Facts). But a number of price reductions have been announced for February and March (see below). The tight supply which resulted in significant price rises has started to ease. In the UK, milk output had begun to increase on a year-on-year basis back in in the autumn and wholesale prices eased. The downward trend in wholesale prices has continued into the New Year, with cream, butter, SMP and mild cheddar all recording month-on-month declines. Furthermore, buyers now expect milk supplies to build into the spring and are staying out of the market, reducing demand and adding further downward pressure. The most significant drop so far seems to be from Parkham Farms who have warned their suppliers of a 3ppl reduction from 1st February and a further 7ppl drop from 1st March resulting in a 1st March Standard litre of 40.9p per litre for Tesco aligned farmers and 38.9p per litre for non-Tesco farmers. Other announcements include:

- 2ppl reduction from 1st February for suppliers to Graham Dairies
- Suppliers to Meadow Foods will receive 1.5ppl reduction from 1st February
- There will be a 1ppl reduction for Muller/Lidl farmers who signed up for the 3-year fixed deal, this will reduce it to 47ppl from 1st February, originally this was supposed to be fixed at 29ppl until the end of June 2024
- Suppliers to Paynes Dairies and to Sainsburys (SDDG) will both receive a 1ppl reduction from 1st February

As the farmgate milk price falls, producers will need to keep an eye on cash-flow. With recent high prices, most dairy businesses will have had another profitable year, despite the rise in costs. However, large profits will result in high tax bills for many over the next 12 months and will need budgeting for as the milk price drops.

Beef & Sheep Update

Beef

The cattle trade remains buoyant, both for prime and cull animals. Often trade eases after Christmas but this has not been the case so far this year. Strong demand for cheaper, processing meat which is usual in the New Year has seen the cull cow trade hit some exceptional prices. For the week ending the 22nd January the liveweight cull cow price reached 175.28p per kg, over 42p per kg higher than for the same week in 2022. The liveweight prime steer price, after a 'blip' in the second week of January, has recovered and in the week ending 22nd January was at 259.22 p per kg; compared to 232.21p per kg in the same week a year earlier. In the deadweight market, prices have risen week-on-week for the first three weeks of the year, starting the year at 449.4p per kg and rising to 455.1 p per kg for the week ending 21st January 2023; some 47.1p per kg above last year's level.

Encouragingly, the strong prices are being achieved even with increased production for the year. According to the AHDB, total beef and veal production for 2022 was estimated to be 906,400 tonnes; up 1.9% (17,000t) on 2021 and just 0.2% below the 5-year average. Prime cattle slaughter numbers were 1.99m head for the year, up 1.5% compared with 2021 (although below both 2020 and 2021 which were just over the 2m head mark). Annual average carcase weights eased by 0.3% to 345.2kg; just under the 5-year average. *With high input costs, finishers will have been marketing animals as soon as possible.* The cull cow trade has been strong throughout most of 2022, encouraging producers to cull anything old or inefficient. Estimated throughputs for the year totaled 673,700, a year-on-year increase of 5.1% and 1.9% (12,800 head) up on the 5-year average.

Sheep

In contrast to the beef price, prime lamb values seem a little lacklustre, with vendors disappointed with prices. Markets fell back below year-earlier levels in the autumn. They did experience a rise in December, but never reached the highs of 2021, with GB SQQ liveweight price topping the month at 251.3p per kg in the week ending 24th December, compared with 285.5p per kg for the year earlier. Although this may seem disappointing, the lamb price has been increasing for a few years now and although 2022 prices were lower than 2021, it still remains 33p per kg above the five-year average. The problem is that it has fallen at a time when costs have increased. What happens over the next few weeks will be telling. As is often the case, prices have fallen post-Christmas with the liveweight SQQ for the week ending 21st January at 236.74p per kg compared with 263.89p per kg in 2022.

In terms of production for 2022, it is estimated to have been 275,800 tonnes. This is a 3% increase on 2021, however this compares to 296,100 tonnes and 307,500t in 2020 and 2019 respectively and is 6% below the 5-year average. Carcase weights have remained stable at an average of 20.2kg, meaning throughputs have increased on the year. The number of clean sheep slaughtered is reported to have been 12.1 million head, up 3% on the year, although down 6% compared with the 5-year average. Cull sheep slaughter numbers are also up on the year by 1.2m head (4%) but down by 19% on the five year average.

With the main lambing season coming-up anecdotal evidence is suggesting that the drought last summer may have taken its toll on some ewes and shearlings. Results from scanning indicate lambing numbers may be lower than usual.

In Brief

Health & Welfare Review

Defra has announced the SFI Annual Health & Welfare Review should now be opened up more widely from 'early' February. Initially it was expected to open in the autumn (see https://abcbooks.co.uk/annual-health-and-wefare-review/) and then January, but the latest communication from Defra is February. Testing began on the first Annual Health and Welfare Reviews back in September 2022 and Defra has been steadily increasing the number of reviews by invitation, before it opens the review to all eligible farmers in early February 2023. Further information is available via https://www.gov.uk/guidance/sfi-annual-health-and-welfare-review?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=23438de7-cbf7-4720-9e06-f8b3fc121f39&utm_content=daily

Egg Labelling

As from the 1st February all free-range eggs will have to be re-branded as 'barn eggs'. There is a 16-week derogation allowing eggs from birds that have been housed due to avian influenza (AI) restrictions to continue to be marketed as free-range. The first AI housing orders were imposed in East Anglia on the 12th October 2022 so the grace period is coming to an end. Even though an all-

England order was not implemented until 7th November (and later in Wales and Northern Ireland) the egg industry has decided that it will be simpler to switch all eggs to the 'barn' labelling at the same time. It is not expected that this change will have any effect on producer prices.

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

Professional Update is compiled by The Andersons Centre's Research Team. The Editing team gratefully acknowledge the input provided by Cedric Porter of World Potato Markets (www.worldpotatomarkets.com).

Key Farm Facts (January 2023)

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

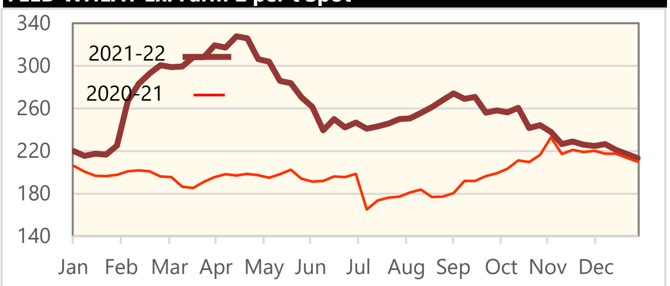
Entitlement Trading Values			
prior to 2022 claim	**Eng**	**Scot**	**Wales**
Multiplier range	0.7-0.9	0.8-0.9	0.6-0.7

Scottish and Welsh multipliers are on Basic element only

Crop Prices

UK Ex-Farm Prices - source: AHDB				
£ per tonne spot prices	*Budget Nov 23*	**Present**	Last Month	*12 Mths Ago*
week ending -		27/01/23	16/12/22	21/01/22
Feed Wheat	*230*	**213**	229	*210*
Full Spec. Milling Wheat	*250*	**270**	281	*249*
Feed Barley	*210*	**201**	210	*203*
Malting Barley	*230*	**0**	n/a	*n/a*
Oilseed Rape	*500*	**434**	463	*582*
Beans	*250*	**248**	255	*246*
Futures contract date -		Nov-23	Nov-24	Nov-25
Wheat Futures *(UK, LIFFE, £)*		224	222	-
OSR Futures *(Paris, MATIF, €)*		542	472	-

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

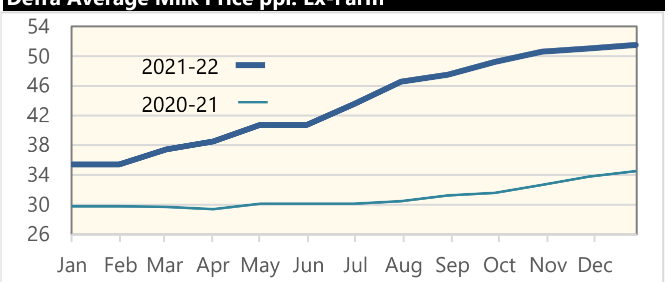
Dairy Prices and Production

Commodity Milk Prices			
	Present	Last Month	*12 Mths Ago*
week ending -	27/01/23	16/12/22	21/01/22
GDT Auction ($ per tonne)	**3,393**	3,610	*4,463*
Intervention Milk Price Equiv. (ppl)	**19.26**	19.05	*18.17*
Actual Milk Price Equiv. (ppl)	**44.18**	45.80	*44.16*

UK Farmgate Milk Prices (DEFRA average)			
	Dec-22	Nov-22	*Dec-21*
Price for the month (ppl)	**51.51**	51.06	*34.51*
Rolling 12-month average (ppl)	**43.92**	42.52	*31.05*

UK Milk Production				
		Dec-22	*Dec-21*	5-year average
Monthly	million litres	**1,239**	*1,218*	1,232
	butterfat	**4.38**	*4.33*	4.25
	% difference - ltrs		*1.7%*	0.6%
Cumulative	million litres	**11,230**	*11,239*	11,189
	butterfat	**4.18**	*4.17*	4.10
	% difference - ltrs		*-0.1%*	0.4%

Defra Average Milk Price ppl. Ex-Farm



Financial Data

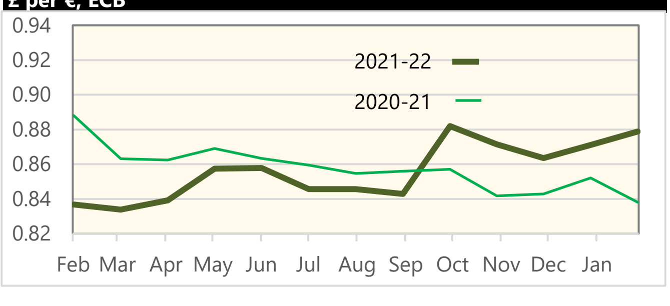
Exchange Rates			
	Present	Last Month	*12 Mths Ago*
effective date -	30/01/23	20/12/22	25/01/22
Euro: €1 = £ *(ECB daily rate)*	**0.879**	0.871	*0.838*
Euro: £1 = € *(ECB daily rate)*	**1.138**	1.148	*1.193*
Annual Average, €1 = £	**0.883**		
Dollar: £1 = $ *(market rate)*	**1.236**	1.217	*1.349*

Base Rates			
United Kingdom	**3.50**	3.50	*0.25*
Eurozone	**2.50**	2.50	*0.00*
United States	**4.50**	4.50	*0.25*

Inflation			
% change on year earlier	**Dec-22**	Nov-22	*Dec-21*
United Kingdom (CPIH)	**9.2**	9.3	*4.8*

Economic Growth			
% change on same quarter, year earlier	**Q3 2022**	Q2 2022	*Q3 2021*
United Kingdom	**2.40**	4.40	*8.50*
Eurozone	**2.50**	4.30	*4.20*
United States	**1.90**	1.80	*5.00*

£ per €, ECB



Livestock Prices

Livestock Prices - source: AHDB *(or ① East Mids markets)*

ppkg deadweight unless stated otherwise		**Present**	Last Month	*12 Mths Ago*
	week ending -	27/01/23	16/12/22	21/01/22
Finished Steers	Eng. & Wales	**452.7**	438.9	*408.4*
	Scotland	**460.9**	451.2	*411.1*
Cull Cows	Dairy Bred	**172.1**	154.8	*125.7*
	Beef Bred	**191.6**	179.5	*141.0*
Calves①	Cont. X Bulls *(£ per Hd)*	**251**	138	*200*
Hereford X Bulls *(£ per Hd)*		**148**	79	*119*
Finshed Lambs (SQQ)		**502.5**	556.7	*601.1*
Cull Ewes① *(£ per head)*		**81.0**	76.4	*94.0*
Finished Pigs (SPP - UK)		**202.5**	200.1	*137.8*
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		

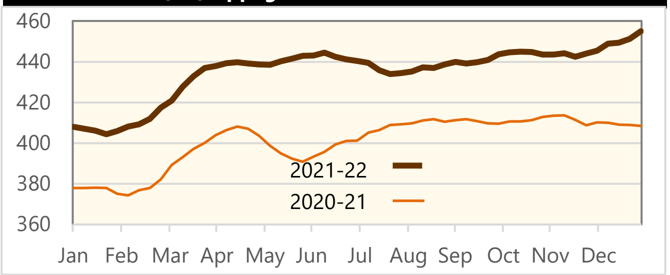
Agricultural Wages Boards continue to operate in Scotland and Wales, but wage rates now largely aligned with Minimum Wages

Input Prices

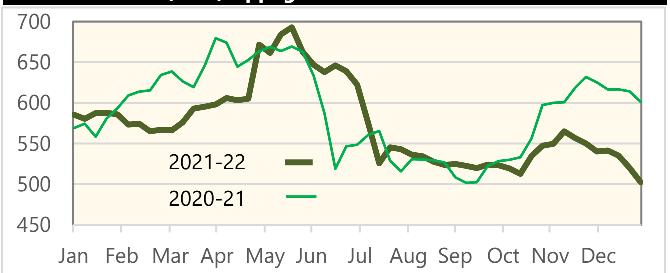
Spray Prices

On-farm price £ per litre/kg		**Spot Price**	*12 Mths Ago*
	week ending -	27/01/23	21/01/22
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	**31.60**	*29.00*
MCPA	Agritox	**4.20**	*4.20*
Pinoxaden + Cloquint.	Axial Pro	**57.00**	*54.00*
Cereals - Fungicides			
Azoxystrobin	Amistar	**22.00**	*22.00*
Folpet	Arizona	**7.60**	*6.60*
Prothioconazole	Proline; Butus	**50.20**	*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	**22.30**	*32.00*
Metazachlor	Makaila	**15.00**	*10.60*
Quizulofop-P-tefaryl	Panarex	**11.80**	*11.20*
Clomazone	Backrow; Centium	**81.00**	*81.00*
OSR - Fungicides			
Metconazole	Caramba,Metal	**25.20**	*25.20*
Tebuconazole	Deacon, Agate	**9.60**	*9.60*
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	**6.15**	*8.25*

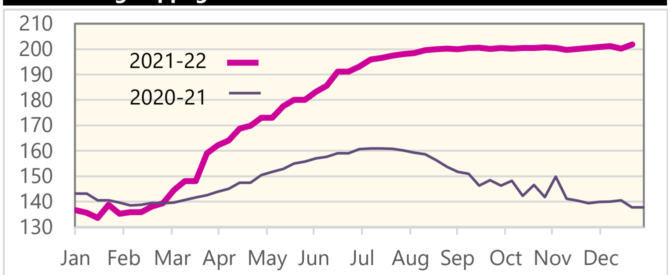
Finished Steers (GB) - ppkg dw



Finished Lambs (SQQ) - ppkg dw



Finished Pigs - ppkg dw



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

Fertiliser Prices

600kg bags delivered, granular		**Spot Price**	Last Month	*12 Mths Ago*
	week ending -	27/01/23	16/12/22	21/01/22
Nitrogen: 34.5% An (home)		**700**	695	*645*
20-10-10		**660**	674	*605*
0-24-24		**625**	650	*483*
Urea (46% N)		**575**	725	*755*
Triple Super Phosphate: 0-46-0		**635**	705	*520*
Muriate of Potash: 0-0-60		**635**	635	*535*
Ammonium Sulphate: 21%N-24%S		**550**	595	*565*
Fuel Prices				
Oil Price① ($ per barrel)		**79.7**	75.2	*84.0*
Gas Oil② (ppl)		**88.8**	97.0	*72.8*
① West Texas Intermediate ② > 2,000 ltrs, Midlands (price variable)				
Straight Feed Prices				
Hipro Soya		**549**	522	*432*
Rape Meal		**385**	372	*336*
Maize Gluten		**362**	354	*284*
Compound Feed Prices (bulk delivery unless stated otherwise)				
Dairy Feed (18% CP)		**360**	360	*280*
Calf Starter Cudlets (bags)		**467**	*467*	*352*
Beef Nuts (16% CP)		**333**	*333*	*247*
Premium Ewe Nuts		**347**	*347*	*265*