Professional Update

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Policy & Business

Farm Business Income

Farm profits show a mixed picture for the year just ended. This is the finding of the first estimates from Defra's Farm Business Income (FBI) for the year 2022/2023 (March to February). These include the 2022 harvest and the 2022 Basic Payment. The figures are derived from information available in early February 2023. The actual Farm Business Survey results for this period will be published in November 2023. Although titled 'income' what the series shows is average profit at the farm level for a typical farm in each sector. A summary of the results is shown in the table below. All figures are in real terms (at 202/23 year prices).

Only Cereal and Dairy farms are estimated to have made a year-on-year increase in profits. On Cereal farms this is expected to be an increase of 6% (in real terms) to average £134,000. An increase in output due to higher crop prices and better yields is expected to more than offset the increase in input costs. The Basic Payment is predicted to have fallen by about a quarter on the year to average £29,000; roughly 22% of the total income on cereal farms.

The profit on an average Dairy farm is estimated to have been a substantial 69% higher for the 2022/23 year (in real terms). This is almost entirely driven by an increase in milk price. The Defra average farmgate milk price rose from 37.45p per litre in March to 51.51p per litre in December 2022 (see Key Farm Facts). However, for the future, we are now seeing some significant falls in milk price.

Farm Business Income (England) – source Farm Business Survey

Real terms, 22/23 Prices - £'000	2019/20	2020/21	2021/22	***2022/23 (1st est)***	Change 22 to 23
Cereals	£69.9	£75.1	£126.1	***£134.0***	6%
General Cropping	£93.9	£70.1	£152.7	***£125.0***	-18%
Dairy	£94.3	£96.9	£147.2	***£249.0***	69%
Lowl'nd Cattle & Sheep	£10.4	£19.3	£35.7	***£17.0***	-53%
LFA Cattle & Sheep	£25.4	£35.0	£45.0	***£16.0***	-65%
Mixed	£32.1	£42.1	£77.7	***£63.0***	-19%

For Grazing Livestock farms the picture is less rosy. Profits on both Lowland and LFA Grazing Livestock farms are forecast to have declined for the year just ended. Lowland profits are thought to have halved compared with year-earlier levels. Inputs are expected to have risen by 15%, primarily due to an increase in costs for fertiliser, feed and machinery. In addition, output is forecast to have declined by 1%. Whilst finished cattle prices have risen, the output from store cattle and sheep is estimated to have fallen. The Basic Payment reduces by 21% on this type of farm, but significantly it still equates to over 80% of the total Farm Business Income. *Many Grazing Livestock farms remain reliant on the Basic Payment*. Profits on LFA Grazing Livestock farms are estimated to have declined by 65% in real terms. The sheep enterprise tends to make up the biggest output on LFA farms and, as we have been reporting in other articles, prices have been lacklustre this year. Both finished and store lamb prices are down, which will be reflected in lower closing values for trading stock, compared with opening.

Profit from General Cropping farms is 18% lower on the year, although still high compared to the recent past; in 2021/22 average profit more than doubled. The recent declines are as a result of higher input costs, primarily fertiliser and machinery related costs (rental, repairs, depreciation, fuel and oil). Output is expected to have risen, but not by enough to offset the rise in input costs. Higher output from cereals and OSR is partially offset by a decline from potatoes, peas and beans. A reduction in the planted area of potatoes and the drought is expected to take its toll on output. The weather has also had an impact on sugar beet yields for the 2022/23 year.

No income calculations have been produced for specialist Pig, Poultry or Horticulture farms. There is only a relatively small sample of these farms in the Farm Business Survey and together with market uncertainties and extreme volatility, Defra has said it has not be possible to produce robust figures. The full statistical release can be found at https://www.gov.uk/government/statistics/farm-business-income/farm-business-income-in-england-202223-forecast

Budget 2023

The Chancellor, Jeremy Hunt, delivered what he described as a 'Budget for Growth' on the 15th March. The main points are;

- the Office of Budget Responsibility (OBR) predicts that the UK will (narrowly) avoid a recession in 2023. This is defined as two successive quarters of negative ***growth***. However, the economy is still forecast to shrink by 0.2% during 2023. In 2024 growth is forecast to rebound to 1.8%, with 2.5% in 2025 and 2.1% in 2026
- ***inflation*** (CPI) is predicted by the OBR to fall to 2.9% by the end of this year
- as previously set out in the November Budget, 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.* In addition, the top 45% Additional Rate of Income Tax will be paid on earnings over £125,140, instead of £150,000
- one of the headline measures in the Budget was reform to tax relief on ***Pension*** contributions. The annual tax-free allowance is raised from £40,000 to £60,000 and the Lifetime Allowance is completely scrapped. *This is designed to encourage older workers (especially doctors) to remain in, or return to, the workforce. Labour has pledge to reverse this change if they come to power*
- There were no changes to ***Inheritance*** or ***Capital Gains Tax,*** beyond that announced in November (the annual CGT exemption being cut to £6,000 from April)
- It was confirmed that the main rate of ***Corporation Tax*** on profits over £250,000 will increase from 19% to 25%.
- The 'Super-deduction' under which companies could claim 130% ***tax allowance for investment*** in certain assets will end in April. A 100% first-year allowance ('full expensing') will replace it – this will have no expenditure limit. The standard 100% Annual Investment Allowance (AIA) for sole traders, partnerships etc. will remain at £1m
- The Household ***Energy Price Cap*** will be extended for a further three months to June, but at a lower subsidy rate so that the average bill is capped at £2,500 per year rather than £3,000. There is no change to business energy support
- ***Fuel duty*** is frozen. The duties on ***alcohol*** will go up in line with inflation from August, but there will be a reduction in duty on beer and cider sold in pubs
- There were a number of measures introduced to get more people into the ***workforce*** including additional free childcare and extra programmes to get the over-50s back to work
- One specific point for agriculture was the launch of a consultation on the ***taxation of the ecosystems market*** (see https://www.gov.uk/government/consultations/taxation-of-environmental-land-management-and-ecosystem-service-markets). *Ecosystems markets are things like Biodiversity Net Gain (BNG), or carbon sequestration.* The consultation has two parts. The first is a call for evidence on the taxation of ecosystems services. The second part looks at APR under IHT and whether the rules need to be changed to encourage ecosystem services. *This part is also being used to consult on a recommendation in the recent Rock Review of tenancies that APR on tenanted land should be restricted to situations where leases are for 8 years or more.*

BPS 2023

The 2023 Basic Payment Scheme (BPS) application window is now open. The last day to submit a claim (without penalty), including Young and New Farmer applications and to transfer entitlements is 15th May. Certain changes can still be made, to a previously submitted claim, until 9th June as long as the claim has been submitted by 15th May. Claims can also be made up until 9th June, but will attract penalties. All scheme rules and details on how to claim can be found via https://www.gov.uk/government/publications/basic-payment-scheme-2023

The 2023 BPS application will be the last under the present system, it is also important that a claim is made this year. From 2024 Defra plans to De-link payments. To be eligible for De-linked payments from 2024-2027 an eligible claim must have been made in 2023. De-linked payments are based on a business's average BPS payment, including any Young Farmer Payment and Greening, for the years 2020, 2021 and 2022 – the reference payment. *When payments are De-linked, entitlements will not be required and it will not make a difference if a claimant increases or decreases their land area or even stops farming, the reference payment will be made annually, subject to the % deductions under the Agricultural Transition, until 2027*.

If a claimant has applied and received the Lump Sum Exit Scheme payment they will not receive a De-linked payment. For those who have applied for the Lump Sum, but have not yet completed their exit it would be prudent to claim for the 2023 BPS, to safeguard their position in case they find they are not eligible for the Lump Sum or cannot complete the land transfer by 31st May 2024. If a BPS claim is made in 2023 and they subsequently meet the Lump Sum rules, the 2023 Basic Payment will simply be taken off the payment due under the Lump Sum.

As was the case last year, the BPS payment will be made in two instalments. An advanced payment of 50% of the estimated total will be paid from 1st August 2023 with balance payment made from 1st December.

The revenue claim window for Countryside Stewardship and Environmental Stewardship is also now open and closes on 15th May.

CS Capital Grants

Defra has lifted the grant limits for the Countryside Stewardship (CS) standalone Capital Grants scheme. This means there are ***no*** limits on either the maximum amount for any application or the amount that can be applied for in each of the four groups (boundaries, trees & orchards; water quality; air quality; and natural flood management). Previously, there was a limit of £20,000 per group (£80,000 total). Going forward, Defra says each application will just be assessed for value for money. The full (amended) guidance can be found at https://www.gov.uk/government/publications/capital-grants-2023-countryside-stewardship/applicants-guide-capital-grants-2023

Animal Health & Welfare Capital Grants

Animal Health & Welfare Grants are now available to apply for. These are being offered as part of the Farming Equipment and Technology Fund (FETF) and represent the next step on the Animal Health and Welfare Pathway. Grants of between £1,000 and £25,000 are available towards the cost of items that have been pre-identified to improve the health and welfare of livestock and which also improve productivity together with bringing environmental benefits to the business. A list of the items and the amount of grant available (circa 40%) can be found at https://www.gov.uk/government/publications/farming-equipment-and-technology-fund-fetf-2023/annex-4-fetf-2023-animal-health-and-welfare-eligible-items. Regardless of the price an applicant pays for the item, they will receive the grant indicated on the list.

The list contains over 100 items, many of which are new for this round and have been included following co-design of the scheme. In particular, support for broilers and egg layers is now available for the first time. This round will be open for 12 weeks, closing midday on 15th June. Animal Health and Welfare grants will be offered every year throughout the Agricultural Transition. Information on further rounds will be made available in the summer. Whether there is another round in 2023 will depend on uptake under this round.

The scheme is competitive and to be eligible for funding, equipment must not be purchased until an agreement has been received from Defra. If successful, all items must be paid for and installed before a claim for grant is made, and ahead of the claim submission deadline which will be included on the agreement offer. Applications can only be made via an online portal this can be found at https://ahw.fetf.org.uk/

Full guidance is available at https://www.gov.uk/government/publications/farming-equipment-and-technology-fund-fetf-2023/about-the-farming-equipment-and-technology-fund-fetf-2023

A reminder that the Productivity and Slurry theme of the Farming Equipment and Technology Fund closes midday on 4th April (see Bulletin article https://abcbooks.co.uk/productivity-slurry-grants/).

Windsor Framework Agreement

On 27th February, the UK Government and EU Commission reached an agreement on the implementation of the Northern Ireland (NI) Protocol – the 'Windsor Framework'. It is hoped that this framework will resolve the thorniest issue of the entire Brexit process and has been welcomed by most Northern Irish stakeholders, although the DUP have yet to give an official view on the Framework, which is not expected until April.

The key aspects of the agreement are:

- ***Customs Procedures for Goods:*** there will be a 'green lane' for goods moving from Great Britain (GB) into NI which will be consumed in Northern Ireland and not deemed to be at risk of moving into the EU Single Market. For such goods, nearly all customs procedures will be scrapped. Goods deemed to be at risk of moving into the EU Single Market will be moved through a red lane, where EU border controls will apply.
- ***Chilled Meats:*** products such as sausages which are sold in GB supermarkets will also be available in Northern Ireland, provided that they are shipped into Northern Ireland by trusted traders. *Chilled meats are usually prohibited from import into the EU Single Market or require arduous certification procedures (sometimes hundreds of certificates for a container with chilled meat and animal products for the retail sector).* This will now be replaced by a single document confirming that the goods will stay in Northern Ireland and are moved in line with the terms of the UK's internal market scheme. *This is a significant concession from the EU. It is also a sensible one on the basis that such products are for consumption in Northern Ireland and there is now real-time data on the movement of goods from GB to NI, giving the EU the visibility it needs to ensure that no fraudulent activity is taking place.* Any physical or identity checks that do take place will be on a risk and intelligence-led basis, based on decisions by UK authorities.
- ***Seed Potatoes, Plants and Trees:*** certain plant and crop products had been either prohibited from entry into NI from GB since January 2021, or required lengthy certification processes. Such trade can now recommence under the provisions of the Windsor Framework. This is seen as a big boost for the seed potato sector in particular. However, seed potatoes will still be prohibited from being sold to the Republic of Ireland.
- ***VAT and Excise Duties:*** the NI Protocol's legal text has been amended so that the UK can set VAT and excise duties for the whole of the UK. It means that the reforms to alcohol duties taking effect in the UK in the summer will now apply to NI, thus lowering the price of beer in NI pubs for instance.
- ***Parcels and Online Shopping:*** no paperwork will be required for parcels moving from GB to NI.
- ***Pet Travel:*** documentary requirements and associated treatments and inoculations that are usually required by the EU have been removed for travel between GB and NI.
- ***Applicability of EU Law in Northern Ireland:*** has been reduced substantially (estimated by the NI Secretary to be 97%) and now only focuses on the 'minimum necessary' to avoid a hard border on the island of Ireland. The EU notes that the European Court of Justice (ECJ) will still have a final say on Single Market issues. However, it is envisaged that its role will be greatly reduced due to the provisions outlined above and also because of the data sharing, labelling and enforcement procedures within the Windsor Framework. This will help to safeguard the Single Market whilst also giving opportunities to resolve differences without having to revert to the ECJ.
- ***'Stormont Brake':*** this new mechanism is designed to give the Northern Irish Assembly the opportunity to pull an emergency brake on EU legislative changes which would apply in Northern Ireland. It is designed to address concerns, particularly amongst Unionists, on what they perceive to be a democratic deficit of the NI Protocol as agreed in 2020.

For the brake to activate, it would require cross-community support and would need a minimum of 30 Assembly Members from at least two parties to agree to its activation. The EU stresses that this can only be activated in exceptional and emergency circumstances, where there is a significant impact specific to everyday life in Northern Ireland. It is also planned to have greater consultation between the UK and the EU on new EU legislation so as to minimise instances of the Stormont Brake being activated. Once triggered, the UK Government would notify the EU of its activation. The rule in question would automatically be suspended from coming into effect. It could only then be reapplied if the UK and EU jointly agree. If the suspension remains, the

EU reserves the right to respond with remedial action to protect its Single Market. *For the Stormont Brake to become an option, it requires a functioning NI Assembly and is seen as a bid to get the NI Executive back up and running.*

Overall, the Windsor Framework strikes a pragmatic and careful balance between the concerns of the UK Government and Unionists who wish to ensure that Northern Ireland remains an integral part of the UK, and of the EU in ensuring that its Single Market is protected. With hindsight, it was the sort of balance that should have been struck when the original Protocol was negotiated in late 2020, but which ended up being rushed and was negotiated without enough attention to the nuance needed for the unique circumstances of Northern Ireland. Importantly, by giving NI unfettered access to both the UK Internal Market and the EU Single Market, the Windsor Framework gives Northern Ireland the potential for strong economic growth, not just in agri-food but across NI industry generally. Undoubtedly, the Protocol will need further refinements in the years ahead as will the UK-EU trading relationship more generally. This is as it should be, as trading relationships between near neighbours are constantly fine-tuned. The US-Canada relationship is a prime example of this.

In Brief

Rules for Farmers

Defra is trying to make the 'Rules for Farmers and Land Managers' easier to find. Following consultation and feedback from a group of farmers it has launched a new page which is at https://www.gov.uk/guidance/rules-for-farmers-and-land-managers. It has links to all the pages that contain information on the 'must dos' in law. Defra is asking for feedback on how to improve the page further, this can be done via a link on the page.

Local Nature Recovery

The Government has issued guidance on how Local Nature Recovery (LNR) strategies should be drawn up. These akin to Local Plans under the Planning regime, but for nature. They will set out priorities and opportunities for nature recovery in defined areas – usually a Local Authority region. These strategies may have practical implications as elements of ELM such as Countryside Stewardship and Landscape Recovery will have local targeting. They may also change the weighting of the Biodiversity metric under Biodiversity Net Gain. *Having land included in a LNR strategy with a certain land use places no obligation on landowners to use it in that way. However, it may influence future opportunities. The various environmental lobby groups are sure to be actively engaged in the LNR process. The farming sector needs to ensure its voice is heard as well.* Details of the guidance can be found at - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146160/Local_nature_recovery_strategy_statutory_guidance.pdf

Base Rates

The Bank of England increased base rates by a quarter of a percent to 4.25% on 23rd March. The Bank remains concerned about inflation in the economy after a surprise jump in the rate of CPI to 10.4% in February (up from 10.1% in January). *Most forecasts thought inflation would fall , but increases in the cost of food pushed the rate up.*

Arable

Early Beet Offer

British Sugar (BS) has announced a one-off payment of £3,000 per Ha in return for beet being delivered in early September 2023. The Early Beet Contract for 2023 harvest has been put in place to try and mitigate some of the effects of the poor harvest from the recent campaign. As we have previously written, poor sugar yields together with a lower planted area means British Sugar faces a shortfall in production compared to its contracted commitments. The Early Contract should allow the processor to open its Bury factory early and bring in new crop, thereby reducing the amount of imported sugar which would have been required. NFU Sugar has worked with British Sugar to agree the new contract. Growers are encouraged to read the full terms and conditions in the contract from BS. But in summary;

- payment will be £3,000 per Ha plus any local premium and transport allowance where applicable. An additional £40 per tonne will be made in the unlikely event a growers yield exceeds 72.5t per Ha
- growers still need to look after the crop and, in particular, they will need to ensure at least 80,000 plants per Ha have been drilled by April 15th
- growers will need to order 1 unit per Ha of new seed with the contract; this is additional area on top of existing contracts, so that this does not take from already planned supply.
- the crop will need to be delivered between 4th to 13th September unless BS agree otherwise.

For harvest 2023, the significant increase in variable costs can clearly be seen – mainly fertiliser purchased in the summer/autumn of 2022. Overheads have also risen – partly driven by fuel but also labour, machinery and general overhead costs. This results in the Margin from Production falling almost to break-even levels. The fall in BPS is starting to 'bite' for 2023, but is mitigated by the farm's involvement in the SFI Soils Standard (intermediate).

The decline in prices puts cereals businesses in a position where profitability may be marginal for harvest 2023. The cash situation also needs to be considered with higher working capital requirements and the need to pay tax on the profits from the two previous good years.

Black Sea Grain & Global Markets

UK feed wheat futures contracts for May-23 and November-23 delivery dropped by £31 and £20 per tonne respectively between 1st March and 23rd March. Declines have been driven by the renewal of the Black Sea grain corridor and good prospects for EU crops.

The Black Sea grain deal allowing shipments of grain from Ukrainian ports (mainly Odessa) has now been renewed, but only for 60 days. Previous extensions have been for 120 days; the shorter agreement length means commodity traders will have to contend with a greater degree of geopolitical uncertainty. That said, the continued transit of grain through the Black Sea is bearish for grain pricing.

World Grain Supply and Demand – source: IGC

Marketing Year – *UK harvest -*	20/21 *2020*	21/22 *2021*	22/23 *Feb*	22/23 *Mar*	23/24 2023
m tonnes	**ALL COARSE GRAINS AND WHEAT**				
Production	2,227	2,291	2,248	*2,250*	*2,283*
Usage	2,241	2,297	2,266	*2,261*	*2,288*
End Stocks	602	596	579	*586*	*580*
Stocks/Use Ratio	***26.9%***	***25.9%***	***25.6%***	***25.9%***	***25.3%***
Stocks: Main Exporters①	131	138	135	*140*	*140*
m tonnes	**WHEAT**				
Production	774	781	796	*801*	*787*
Usage	772	783	789	*789*	*794*
End Stocks	277	275	282	*286*	*279*
Stocks/Use Ratio	***35.9%***	***35.1%***	***35.7%***	***35.7%***	***35.1%***
Stocks: Main Exporters①	58	59	64	*67*	*58*

21/22 figures estimates; 22/23 forecasts; 23/24 projections
① Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, US

Old crop (May-23) futures rallied by almost £10 per tonne on Friday 24th March, on suggestions that Russia would not grant export licenses for shipments below a certain price. Theoretically this sets a floor to old crop grain prices.

The International Grain Council (IGC) published and updated forecast for 2022/23, and its first estimates of global grain supply and demand for the 2023/24 season. In 2022/23 (harvest 2022 in the UK) supply is forecast to outpace demand, with growth in year-end stocks levels. However, for 2023/24 the grain market is projected to be tighter year-on-year - driven by higher consumption. The level of global grain ending stocks is forecast to fall by 5.4 million tonne year-on-year.

With concerns already about the lack of rainfall in parts of the USA and the EU, any adverse weather for the 2023/24 crop would support prices. The first wheat condition reports in the USA are due in early April, alongside the first update on maize plantings. Early yield estimates for the EU suggest a 3% increase for wheat, versus the five year average.

UK Grain Market

Cereal prices in the UK have followed the downwards direction of EU and US markets over the past month. Ex-farm UK feed wheat was quoted at £182 per tonne, on 22nd March 2023; this is a fall of £36 per tonne from the beginning of March. Cereal prices recovered some of this lost ground by the end of the week, but remain pressured. The potential for further downside will depend on domestic and global crop conditions. That said, if Russian rumours of a minimum price for exporting grains materialise there may be a new floor in the old crop market.

The milling wheat premium remains strong, in spite of cheaper fertiliser, at £56 per tonne over feed wheat. Whilst fertiliser prices have fallen owing to large domestic and EU stocks, many arable businesses will have bought cover for this season months ago, at much higher pricing. As such, the sharp decline in crop pricing will have a significant negative impact on potential returns for harvest 2023 (as shown by the budget for Loam Farm in the following article).

Feed barley prices continue to decline owing to a lack of demand both domestically and for export. The value of ex-farm feed barley had fallen by £32 per tonne, from the beginning of March to 22nd March, in an attempt to remain export competitive.

Oilseed rape has seen by far the largest declines in price, since the beginning of the year, the value of ex-farm oilseed rape has dropped by £145 per tonne, to £350 per tonne.

Pulse prices have declined to a lesser extent than cereals and oilseed rape. Feed beans and peas were quoted at £220 and £226 per tonne, down £32 and £16 per tonne on the month.

Loam Farm Latest

Given declining combinable crop prices, we have reworked the budgets for our model arable business Loam Farm. The figures show that, after two very good years, the prospects for harvest 2023 look less good.

Loam Farm Model – source The Andersons Centre				
£/Ha Harvest Year -	**2020①**	**2021①**	**2022②**	**2023③**
Output	1,165	1,523	2,105	1,679
Variable Costs	370	390	460	754
Gross Margin	795	1,133	1,645	925
Overheads	436	437	507	567
Rent & Finance	238	242	243	256
Drawings	75	78	80	82
Margin from Production	46	376	815	20
Basic Payment (+ SFI)	233	197	163	128+40
Business Surplus	**279**	**573**	**978**	**188**

① result ② provisional ③ budget

Loam Farm is a notional 600 hectare business that has been used since 1991 to track the fortunes of British combinable cropping farms. It is partly owned and partly rented and is based on real-life data. It has one full-time worker and employs harvest casual labour.

The farm is just finishing its sales from harvest 2022. With lower prices, the last few tonnes have not generated as much as previously expected. However, the exceptionally high Business Surplus for the harvest as a whole can be seen – a combination of generally high sale prices likely and (relatively) low costs. The profit of well over £0.5m is a comfortable record for Loam Farm.

For harvest 2023, the significant increase in variable costs can clearly be seen - mainly fertiliser purchased in the summer/autumn of 2022. Overheads have also risen - partly driven by fuel but also labour, machinery and general overhead costs. This results in the Margin from Production falling almost to break-even levels. The fall in BPS is starting to 'bite' for 2023, but is mitigated by the farm's involvement in the SFI Soils Standard (intermediate).

The decline in prices puts cereals businesses in a position where profitability may be marginal for harvest 2023. The cash situation also needs to be considered with higher working capital requirements and the need to pay tax on the profits from the two previous good years.

DAIRY & LIVESTOCK

Dairy Roundup

Milk Production

GB milk deliveries are set to end the (milk) year strongly. February has had a 3% year-on-year increase to 952m litres; also marginally up on the 5-year average. The high milk price has driven production, but this is now faltering and could impact on yields going forward. The current milk year (finishing end of March) is expected to record production up marginally on the year, by 0.2% at 12.39bn litres. Prior to September, production was running 1%-2% behind the previous year, but the increase in milk price has had the effect of boosting output during the second half of the season.

Production for 2023/24 is forecast by AHDB to increase by 0.5% to reach 12.46bn litres. Current high yields are expected to continue through the spring, but with production then slowing through the second half of the year, as the effect of lower milk prices hits margins.

Globally, milk deliveries in January increased by 1.1% on the year. Increased deliveries were recorded in all of the key regions except for Australia. For the calendar year 2023, Rabobank is forecasting a 0.7% increase, with most of the growth expected in the first half of the season.

Prices

The Global Dairy Trade (GDT) average price index has fallen at both the events in March. At the latest auction, on 21st March, the index declined by -2.6% to average $3,361, this compares with $5,039 in March 2022, when the index peaked. All products on offer recorded falls, most notable;

- Cheddar: -10.2% to $4,052
- SMP: -3.5% to $2,648
- Butter: -3.0% to $4,748
- WMP: -1.5% to $3,228

In terms of farmgate prices, increased deliveries and reduced market returns are inevitably having a downward impact. Large cuts have already been announced over the first three months of the year and April is not going to be any different. Some key prices include;

- Cheese manufacturers Glanbia has announced a -4.5ppl cut for its suppliers
- Barbers is reducing its price by -3.92ppl from 1st April
- Both Saputo and South Caernarfon Creameries have announced a -4ppl cut for their suppliers
- Suppliers to First Milk will receive a -3ppl drop
- Suppliers on the Muller non-aligned liquid contract will receive a -1.5ppl fall

- Those on the aligned Tesco contract and the Co-op Dairy Group will see their milk price cut by 1.5ppl and 1.18ppl respectively.

Pig Market

The finished pig price has experienced a steady increase since the turn of the year. The latest GB EU spec SPP for the week ending 18th March rose by 1.12p per kg on the week to 212.53p per kg, some 70p higher than year-earlier levels. History shows that the GB deadweight pig price usually has a seasonal uplift through the spring into autumn. Whilst prices are at record highs, they are still not covering the costs of production for an average producer.

The AHDB quarterly full economic cost of production for Q4 2022 is estimated at 224p per kg deadweight. This means the average producer will still have negative margins. However, the estimated cost of production has fallen by 3p per kg since Q3, mainly due to a decline in feed costs, which fell by 5p per kg over the same period. With arable prices continuing to fall, feed costs are likely to decline further. In addition, pig prices should remain supported by the uplift in the EU pig price and reports of production tightening both at home and on the continent.

The EU-27 reference pig price experienced an 18p per kg increase between mid-January and mid-February following reports of tight supply in slaughter-ready pigs. As in GB, it is usual for EU prices to increase in the spring, but this year it has happened a few weeks earlier as processors try and secure supplies. Prices for the selected key nations of Germany, Spain, France and the Netherlands are now at their highest on record and saw significant increases since the start of the year. It is only Denmark which experienced a 4p per kg decline, over the same four weeks, although it has experienced small gains recently. At home, Defra reports in February, just 762,000 clean pigs were slaughtered. This is the first time monthly slaughterings have fallen below 800,000 head since May 2020. Furthermore, it is the lowest recorded monthly figure since May 2014. Throughputs are down 11% on the month, 17% compared with 2022 and 13% below the 5-year average for February.

Whilst supply is constrained, demand looks weak too. The latest retail data from Kantar shows in the 12 weeks ending 19th February, the volume of pork purchased fell by 2.6% compared with the same period last year. The actual spend on pig meat rose by 8.8% year-on year but that is because of an 11.7% price increase due to inflation. *This shows that the cost-of-living crisis is having an effect on consumers.*

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 (March 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	221.27	222.14	223.08	*223*
Region 2	44.80	45.09	45.21	*45*
Region 3	13.52	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. 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 Greening Payment

② includes lowest payment band Ag. Transition deduction. Larger reductions on bigger claims

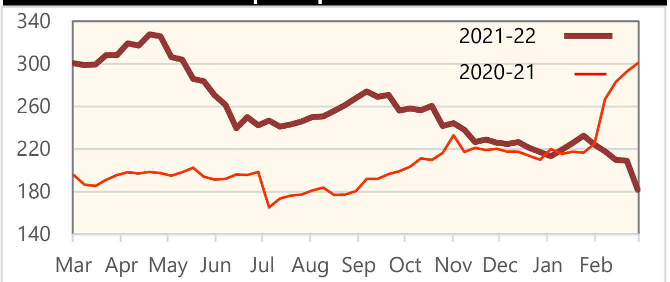
Entitlement Trading Values			
prior to 2022 claim	**Eng**	**Scot**	**Wales**
Multiplier range	0.7-0.9	0.8-0.9	0.6-0.7

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 -		24/03/23	24/02/23	25/03/22
Feed Wheat	*195*	**182**	224	*301*
Full Spec. Milling Wheat	*225*	**238**	281	*331*
Feed Barley	*180*	**163**	203	*288*
Malting Barley	*200*	**231**	237	*n/a*
Oilseed Rape	*400*	**350**	463	*823*
Beans	*240*	**220**	243	*293*
Futures	contract date -	Nov-23	Nov-24	Nov-25
Wheat Futures *(UK, LIFFE, £)*		219	213	-
OSR Futures *(Paris, MATIF, €)*		473	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

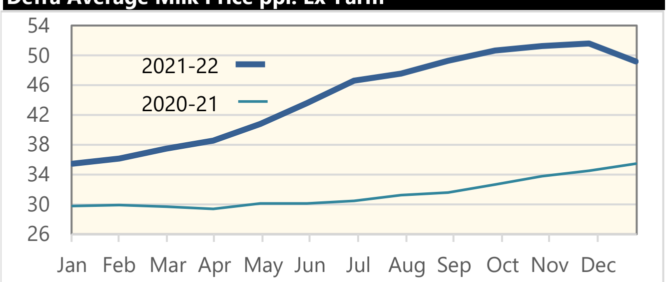
Dairy Prices and Production

Commodity Milk Prices			
	Present	Last Month	*12 Mths Ago*
week ending -	24/03/23	24/02/23	25/03/22
GDT Auction ($ per tonne)	**3,361**	3,414	*5,039*
Intervention Milk Price Equiv. (ppl)	**19.24**	19.35	*18.06*
Actual Milk Price Equiv. (ppl)	**38.05**	37.84	*50.26*

UK Farmgate Milk Prices (DEFRA average)			
	Jan-23	Dec-22	*Jan-22*
Price for the month (ppl)	**49.20**	51.60	*35.48*
Rolling 12-month average (ppl)	**45.13**	43.98	*31.53*

UK Milk Production				
		Jan-23	*Jan-22*	5-year average
Monthly	million litres	**1,257**	*1,233*	1,247
	butterfat	**4.32**	*4.27*	4.20
	% difference - ltrs		*2.0%*	0.8%
Cumulative	million litres	**12,487**	*12,472*	12,435
	butterfat	**4.20**	*4.18*	4.11
	% difference - ltrs		*0.1%*	0.4%

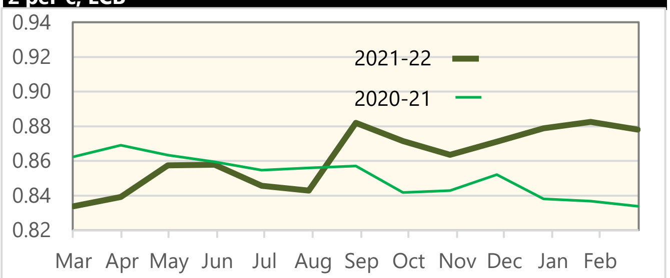
Defra Average Milk Price ppl. Ex-Farm



Financial Data

Exchange Rates			
	Present	Last Month	*12 Mths Ago*
effective date -	28/03/23	24/02/23	28/03/22
Euro: €1 = £ *(ECB daily rate)*	**0.878**	0.882	*0.834*
Euro: £1 = € *(ECB daily rate)*	**1.139**	1.133	*1.199*
Annual Average, €1 = £	**0.883**		
Dollar: £1 = $ *(market rate)*	**1.227**	1.198	*1.320*
Base Rates			
United Kingdom	**4.25**	4.00	*0.75*
Eurozone	**3.50**	3.00	*0.00*
United States	**5.00**	4.75	*0.50*
Inflation			
% change on year earlier	**Feb-23**	Jan-23	*Feb-22*
United Kingdom (CPIH)	**9.2**	8.8	*5.5*
Economic Growth			
% change on same quarter, year earlier	**Q4 2022**	Q3 2022	*Q4 2021*
United Kingdom	**0.40**	1.90	*8.90*
Eurozone	**1.70**	2.60	*5.10*
United States	**0.90**	1.90	*5.70*

£ 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 -	24/03/23	24/02/23	25/03/22
Finished Steers	Eng. & Wales	**483.0**	472.1	*417.4*
	Scotland	**492.5**	478.3	*420.5*
Cull Cows	Dairy Bred	**171.2**	178.4	*156.4*
	Beef Bred	**199.4**	197.6	*176.8*
Calves①	Cont. X Bulls *(£ per Hd)*	**151**	155	*177*
Hereford X Bulls *(£ per Hd)*		**150**	125	*89*
Finshed Lambs (SQQ)		**522.5**	511.3	*566.9*
Cull Ewes① *(£ per head)*		**89.7**	81.1	*104.3*
Finished Pigs (SPP - UK)		**212.5**	207.1	*139.4*
Cull sows *(ppkg liveweight)*		**84.8**	79.2	*46.3*

Wages

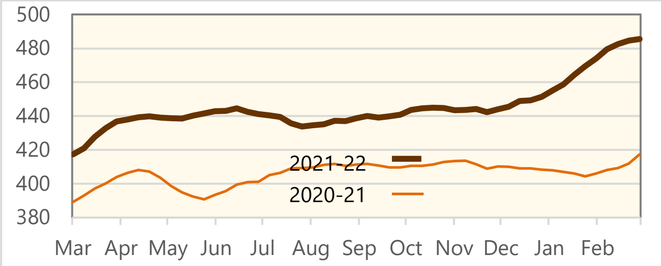
Minimum Wage Rates from April 2022				
£ per Hour age -	16-17	18-20	21+	Appren.
National Minumum Wage	4.81	6.83	9.18	4.81
National Living Wage (25 years+)		9.50		

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

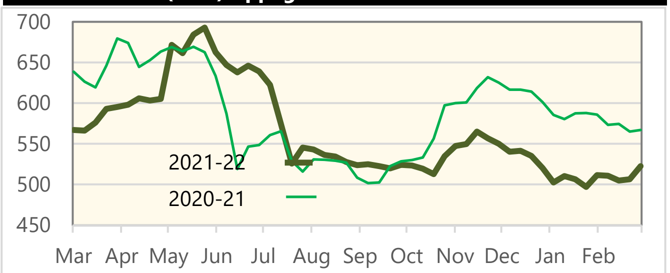
Input Prices

Spray Prices			
On-farm price £ per litre/kg		**Spot Price**	*12 Mths Ago*
	week ending -	24/03/23	25/03/22
Active Ingredient	Example		
Cereals - Herbicides			
Diflufenican	Hurricane	**27.00**	*22.50*
Flufenacet + diflufenican	Liberator	**50.80**	*40.00*
Flufenacet + pendimeth.	Crystal	**13.63**	*9.50*
Florasulam	Lector	**116.00**	*116.00*
Mesosulfuron iodosulfuron	Atlantis OD	**32.40**	*27.80*
MCPA	Agritox	**5.10**	*4.20*
Pinoxaden + Cloquint.	Axial Pro	**65.00**	*56.33*
Cereals - Fungicides			
Azoxystrobin	Amistar	**25.00**	*22.00*
Folpet	Arizona	**8.04**	*6.60*
Prothioconazole	Proline; Butus	**51.00**	*41.60*
Cereals - Insecticides / Molluscicides			
Metaldehyde (3%)	Gusto	**2.75**	*n/a*
Ferric Phosphate	Sluxx, Ironmax Pro	**2.90**	*2.60*
Lambda-cyhalothrin	Hallamrk Zeon, Generi	**75.00**	*69.00*
OSR - Herbicides			
Propyzamide	Kerb Flowable	**22.30**	*32.00*
Metazachlor	Makaila	**16.20**	*11.92*
Quizulofop-P-tefaryl	Panarex	**11.80**	*11.80*
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**	*40.20*
General Sprays			
Glyphosate	Roundup,Gallup XL	**5.50**	*8.25*

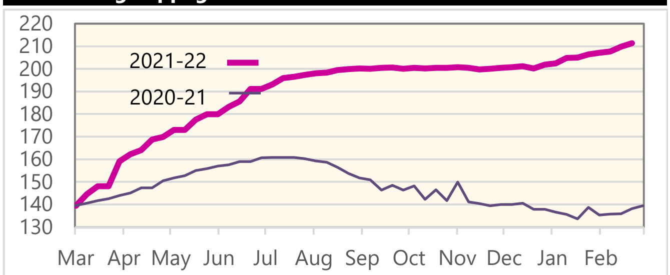
Finished Steers (GB) - ppkg dw



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 -	24/03/23	24/02/23	25/03/22
Nitrogen: 34.5% An (home)		**465**	460	*915*
20-10-10		**570**	575	*815*
0-24-24		**570**	585	*666*
Urea (46% N)		**395**	495	*930*
Triple Super Phosphate: 0-46-0		**575**	585	*740*
Muriate of Potash: 0-0-60		**625**	635	*625*
Ammonium Sulphate: 21%N-24%S		**465**	555	*640*
Fuel Prices				
Oil Price① ($ per barrel)		**72.9**	75.6	*113.4*
Gas Oil② (ppl)		**76.1**	80.5	*115.0*
① West Texas Intermediate ② > 2,000 ltrs, Midlands (price variable)				
Straight Feed Prices				
Hipro Soya		**522**	576	*518*
Rape Meal		**361**	380	*443*
Maize Gluten		**334**	343	*378*
Compound Feed Prices (bulk delivery unless stated otherwise)				
Dairy Feed (18% CP)		**368**	368	*315*
Calf Starter Cudlets (bags)		**483**	*483*	*361*
Beef Nuts (16% CP)		**344**	*344*	*262*
Premium Ewe Nuts		**357**	*357*	*279*