Professional Update

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POLICY & BUSINESS

Environmental Improvement Plan

Defra published its Environmental Improvement Plan (EIP) on 31st January. The EIP is the first revision of the 25-Year Environmental Plan (25YEP) which was published in 2018. The EIP builds on the 25YEP, setting out how Defra will work with landowners, communities and businesses to deliver each of its goals for improving the environment. The EIP will be updated again in another 5 years. The EIP provides a review of the Government's current environmental commitments, it also includes plans for the coming decades. It is based on the 10 Goals that were set out in the 25 YEP.

- Thriving plants & wildlife
- Clean air
- Clean and plentiful water
- Managing exposure to chemicals and pesticides
- Maximise our resources, minimise our waste
- Using resources from nature sustainably
- Mitigating and adapting to Climate Change
- Reduced risk of harm from environmental hazards
- Enhancing biosecurity
- Enhanced beauty, heritage and engagement with the natural environment.

Halting the decline of biodiversity to achieve Goal 1 – Thriving Plants and Wildlife, is at the 'apex' of the Plan, with all the other goals helping to achieve this. The EIP sets out the actions required to achieve these targets, many actions will support more than one goal in the EIP. The full report (260+ pages) is at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1133967/environmental-improvement-plan-2023.pdf

The document includes targets, delivery plans and monitoring processes that will contribute to achieving the overall Goals. There will be a mix of 'carrot' – financial incentives such as ELM; but also 'stick' – increased environmental legislation. There are also some 'cross-cutting themes' that are meant to help deliver the plan. These are green jobs & skills; green finance; biodiversity net gain; green choices (consumer behaviour), the new farming schemes, land use policy and green Government.

The EIP is not something that farmers and land managers are likely to engage with directly. It is more a *strategy for Government itself. The targets and goals of the EIP will lie behind much of the Government policy that is implemented over the coming years. It is these policies that will directly affect agriculture. In that sense, looking at the EIP is useful in terms of knowing what is coming down the road.*

In terms of what this might mean for land managers, the new farm support schemes have been developed to help Government reach the targets in the EIP. This requires farmers to take part in its new ELM schemes and the other Financial Assistance schemes. Defra has said previously it was aiming to have around 70% of farmers in the schemes by 2028. In the EIP, it is now aiming for between 65-80% of landowners and farmers to 'adopt nature friendly farming on at least 10-15% at their land by 2030'. Defra has produced a blog post covering what the EIP might mean for farmers and land managers. This can be found at – https://defrafarming.blog.gov.uk/2023/01/31/what-the-environmental-improvement-plan-means-for-you/ .

Biodiversity Net Gain

The Government has published its response to the consultation on the Biodiversity Net Gain (BNG) regulations and implementation which closed in January 2022. As planned, this will become a legal requirement for new development in England from November this year.

To recap, BNG is a way of boosting habitats for nature. It requires 10% more biodiversity after a development has taken place than was present beforehand. This means developers must try to avoid any loss of habitat on a piece of land, and they must also create further habitat either on-site or off-site. The latter could potentially open up a new income stream for land managers who may be able to increase the biodiversity on their land and sell the BNG 'credits'. BNG will apply from November 2023 for developments which fall within the Town and Country Planning Act. For sites that are classed as small (less than 9 houses or 0.5 Ha, or for non-residential less than 1,000 square metres or 1 Ha) they will have until April 2024 before BNG is introduced. The Defra response summarises the current policy position and is at https://www.gov.uk/government/consultations/consultation-on-biodiversity-net-gain-regulations-and-implementation.

The Government has also published some guidance for land managers who wish to sell to the BNG market. This outlines what actions land managers can do ahead of November to prepare for selling BNG units. It also gives brief details on combining environmental payments with BNG, including Nutrient Mitigation Credits, ELM and voluntary carbon markets, such as woodland or peatland. The guidance can be found at https://www.gov.uk/guidance/combining-environmental-payments-biodiversity-net-gain-bng-and-nutrient-mitigation. In summary, it will be possible to sell BNG units and Nutrient Credits from the same land by stacking them. For other schemes such as ELM or voluntary carbon markets, it will *not* be possible to sell an enhancement that has been funded by an agri-environment scheme as a BNG unit (or nutrient credit). However, it will be possible to use the same land to create *further* habitat enhancements on top of the existing agri-environment agreement or voluntary carbon codes which could be used to calculate BNG units and be sold.

To calculate the number of biodiversity units available, the Biodiversity Metric 4.0 will need to used. This will calculate the biodiversity available at the start (the baseline) and then after the habitat enhancement has taken place to produce a 'net' amount of BNG credits available to sell. The habitat must be managed for 30-years via a legal agreement such as a Planning obligation (Section 106) with the Local Planning Authority (LPA) or under a Conservation Covenant with a responsible body. In addition a habitat management and monitoring plan (HMMP) will need to be agreed with the LPA or responsible body. From November 2023 it will be a requirement to register land as a biodiversity site. *Defra will be publishing further guidance in 'phases' throughout the spring.*

Scottish Support Details

More detail has been published on future support for Scottish farming. This comes after various farming organisations requested more clarity on when changes were going to be made and detail on what was planned.

A 'Route Map' for agricultural reform has been published (https://www.ruralpayments.org/topics/agricultural-reform-programme/arp-route-map/). The key point is that significant reform will not commence until the 2026 year – 2025 will just see some 'conditionality' added to existing payments. This conditionality is likely to be around emissions and biodiversity. The current National Test Programme has been launched to 'baseline' these areas so that any future improvements can be gauged. Detailed rules on what is required under 'conditionality' in 2025 will be released early in 2024. *Given the legislative timetable for the new Agriculture Act it seemed increasingly likely that reform would be delayed until 2026 – as we wrote in September.*

The Route Map contains a number of examples and diagrams. We have done our best to summarise them in the graphic below which shows the evolution of support through to 2027;

Scottish Support Timeline – Source: Scot Gov / Andersons

When Tier 1 Base Support is launched in 2026 it will probably look a lot like the Basic payment – especially as the 3-region payment model (and presumably entitlements) is being retained for the early part of the period. *However, given budgetary constraints, and the need for funds to pay for the Enhanced element, it seems likely that Base payments will be quite a lot lower than currently.* Farmers will also have to 'do more' to get the Base Payment as the 'Essential Standards' (aka conditionality) introduced in 2025 will roll into the new Tier 1. The requirement for a Whole-Farm Plan is currently under review. Tier 2 will offer greater payments to those farmers who meet the Government's policy goals in areas such as carbon and biodiversity. The Scottish Government has published a paper ('List of Measures') that gives examples of things that could be included. This is at https://www.ruralpayments.org/topics/agricultural-reform-programme/arp-list-of-measures/. No payment rates are yet available.

The other major farming support streams, Coupled Payments and LFASS will continue until 2026. It is being considered how (or if) conditionality might be applied to these from 2025 onwards. *In the previous Agriculture Bill consultation in September, these payments continued in the future under the Tier 4 Complimentary category. The Route Map is much less certain on this. It merely states that 'Consideration is still being given to how this type of support will be delivered from 2027'.*

From 2027, a further two tiers will be added, subsuming many of the present support schemes.

This announcement provides some additional clarity that the industry was requesting. There are still grumblings that detail (e.g. payment rates) is lacking, but it seems unrealistic to expect a fully worked-up scheme to be in place well over two years from its introduction.

Key Dates: England

Defra has published its 'Key Dates for 2023', these include the application and claim windows for the BPS, Countryside Stewardship, Environmental Stewardship and the Lump Sum Exit Scheme. A summary chart is at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1133033/Key_Dates_2023_v1.0_FINAL.pdf

Basic Payment Scheme (BPS)

The scheme will open on 14th March and close, as usual, at midnight on 15th May 2023. These dates also apply to Young and New Farmer applications. The Entitlement Transfer deadline also closes on 15th May. It will be possible to make certain changes to a BPS application which has been submitted by 15th May, without penalty, until 9th June. Applications made after 15th May can still be made up until 9th June but these will attract a penalty. Payments will once again be made in two instalments. An advanced payment of 50% of the estimated total, will be made from 1st August with balance payments made from 1st December 2023. *The application window does not open until 14th March, but it is possible to start preparing for this now. The online land and Entitlement transfer facility is available and it is possible to update Land Use data onto Rural Payments. The email Add-Land facility is also available; for BPS applications, requests need to be sent to RPA by 2nd May in order for them to process them in time for the 15th May deadline.*

Countryside Stewardship (CS)

Higher Tier – Applications to the Higher Tier of CS opened on 7th February and will close on 28th April 2023.

Mid Tier and Wildlife Offers – These will open for applications at the later date of 14th March and close on 18th August. Defra has decided to delay the opening of the CS Mid Tier, including the Wildlife Offers, so they have time to amend the application process to make it more straightforward. *Feedback from the SFI has been positive regarding the application process and Defra has said, where it can, it wants to introduce this into its other services.* This means that the Mid Tier application will be different this year, but should be easier. Although opening of the application window has been delayed, the deadline has also been put back, meaning those wishing to apply still have the same length of time. Just like the BPS, it is still possible to check land on Rural Payments and make sure it is all in order ready to make an application. *Remember any land details on Rural Payments is used across all schemes – BPS, CS, ES and SFI.*

CS and ES Revenue Claims – This runs from 14th March until midnight on 15th May (same as BPS). It will be possible to make certain changes to a CS claim which has been submitted by 15th May, without penalty, until 31st May 2023 (different to BPS). CS and ES claims made after 15th May can still be made until 31st August 2023 but these will attract a penalty. Both CS and ES payments will be made from 1st December in one lump sum. *One thing to remember with CS and ES is an annual claim **must** be made. Unlike BPS where the application generates a payment, the application or signing the agreement does not give rise to a payment; this must be claimed each year. Even for agreements which commenced in January this year, including ES extension offers, a claim must be made before 15th May 2023. Applicants should receive reminders throughout the claim period.*

CS Capital Grants **–** Including the new Higher Tier Capital Grants are open all year round for applications. Claims can also be made at any time throughout the year, as long as the works have been completed and paid for.

CS Woodland Tree Health and Woodland Management Plan – Applications can be made all year round.

Lump Sum Exit Payments

The deadline to return Lump Sum Exit Scheme evidence is midnight on 31st May 2024. Payments are made once the evidence has been submitted. *Those who have applied for the Lump Sum Exit and will not have submitted their evidence before 15th May 2023, would be advised to submit a BPS claim this year. To receive the BPS for the remainder of the Transition period, a claim must be made this year, even if it is just for the minimum 5 hectares. Then if for some reason the land sale or FBT which is supposed to provide the evidence for the Lump Sum Exit Payment does not 'go through', at least the BPS would still be available. If it does go through, the 2023 BPS payment would just be taken off the Lump Sum Payment.*

Farming In Protected Landscapes

The Farming in Protected Landscapes (FiPL) scheme is to run for an extra year and receive additional funding. This announcement was included in the Environmental Improvement Plan (see other article). This means the scheme will now run until March 2025 and will be boosted by an extra £10m in funding for each of the remaining years.

The FiPL programme supports farmers and the wider community in National Parks, Areas of Outstanding Natural Beauty (AONB) and the Broads. It is not an agri-environment scheme, it funds one-off projects that;

- support nature recovery
- mitigate the impacts of climate change
- provide opportunities for people to enjoy the landscape and its cultural heritage
- support nature-friendly, sustainable farm businesses

More information can be found via https://www.gov.uk/guidance/funding-for-farmers-in-protected-landscapes?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=894d2924-aec2-4773-af52-3aa7c1257e0b&utm_content=daily

Farming Equipment & Technology Fund

A new round of the Farming Equipment and Technology Fund (FETF) will be opening shortly. The FETF is part of the Farming Investment Fund (FIF) and offers grants towards the cost of specific items from a prescribed list. These items have been identified to increase productivity, boost environmental sustainability and improve animal welfare. Under the scheme, farmers, foresters and contractors can apply for grants of between £1,000 and £25,000. The scheme is competitive. For the second round the FETF has been split into two themes;

- ***Productivity and Slurry*** – these are open now and include items for Horticulture, Forestry, Slurry Management, Arable, Livestock, Resource Management and General. The application window is open until the 4th April.
- ***Animal Health & Welfare*** – opening in March, includes equipment for Cattle, Sheep, Pigs, Poultry and General Livestock

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-3-fetf-2023-productivity-and-slurry-eligible-items. Full scheme guidance can be found via https://www.gov.uk/government/publications/farming-equipment-and-technology-fund-fetf-2023/about-the-farming-equipment-and-technology-fund-fetf-2023#how-the-grant-works

The scheme is competitive; if successful, all items must be paid for and installed before a claim for grant is made, and ahead of the claim submission deadline. The claim submission deadline will be confirmed in the applicant's Grant Funding Agreement, but is expected to be October 2023 for the Productivity & Slurry theme. Applications must be made via an online portal at https://ps.fetf.org.uk/ .

NI Protocol and Trade

Protocol Amendment

At the time of writing, it is expected that a deal will be imminently reached between the UK Government and the EU on the implementation of the Northern Ireland (NI) Protocol.

It is said that the remaining issues centre primarily around the role for the Northern Ireland Assembly in having a say around how EU Law is applied in Northern Ireland. Some also suggest that there will be further discussion around the role of the European Court of Justice, although this is mainly seen as an issue for the European Research Group (ERG) within the Conservative Party.

Although both the UK Government and the EU have remained tight-lipped about the details of the deal, it is widely believed that the deal will remove checks for goods crossing from Great Britain (GB) into NI which are destined for Northern Ireland only. Key to achieving this has been the real-time access to shipments' data on goods crossing from GB to NI which has enabled the EU to adopt a more flexible approach.

Even if the deal is agreed, there will still be significant hurdles to surmount including whether the DUP and the ERG wing of the Tory party will support it. However, Labour has said that it will back the deal. Many are hoping that this will be one of the last major moments in the Brexit saga. With numerous other challenges to tackle, all key stakeholders, particularly agri-food businesses are keen for these issues to be resolved so that there can be some certainty on trading arrangements between GB, NI and the EU in the coming years. As soon as the text of the deal emerges, we will update readers via an online article.

Trade Flows

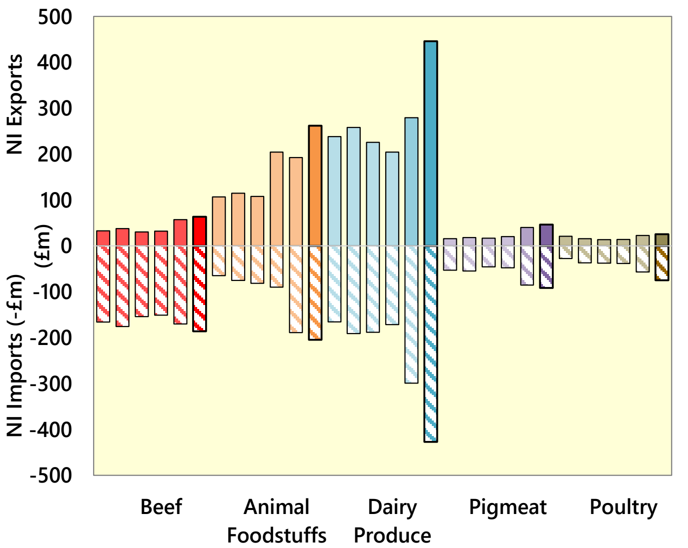
The Irish Central Statistics Office (CSO) has released its latest trade data for 2022, which shows how the exiting Protocol has affected on agri-food trade on the Island of Ireland.

The chart below shows how agri-food trade for selected commodities has evolved in monetary (Sterling) terms between Northern Ireland and Ireland (Republic of Ireland (ROI) since 2017. It shows that since the introduction of the NI Protocol from January 2021, which has enabled Northern Ireland to stay de-facto part of the EU Single Market for goods, that trade between NI and Ireland has increased substantially for most products.

Dairy trade has the biggest increases, with exports of dairy produce from NI to Ireland rising by 120% since 2020 (from £202m to £446m). Imports in the opposite direction have also risen substantially from £169m to £427m. Exports of beef from NI to Ireland have doubled since 2020 and are valued at £64 million in 2022. Again, there has been a notable, though less sizeable, increase (25%) of beef imports into NI from Ireland.

Trade has also risen substantially for other commodities since 2020 with animal feedstuff exports from NI to Ireland up by 125% (to £262m), whilst pigmeat exports have risen by 128% to £46m. Poultry meat exports in 2022 are estimated at £25.5m, 82% higher than in 2020.

NI/ROI Trade 2017 to 2022 – Source: CSO / Andersons



The data presented in the chart above are in current terms. In other words, they do not take account of inflation which has been significant across agri-food during 2022. That said, given the increases reported on NI-Ireland trade, which has more than doubled in several cases, it is clear that the NI Protocol is having a large effect.

This impact becomes even clearer when agri-food trade between Ireland and NI is compared with trade between Ireland and Britain. Total agri-food trade for 2022 (imports and exports combined) between NI and Ireland is 80% higher than in 2020, whilst Ireland's agri-food trade with Britain has fallen by 6%.

Within this, it is also notable that exports from Ireland to Britain are 12% higher in 2022 versus 2020, whilst imports into Ireland from Britain are 26% lower over the same period. *This shows the clear impact of the imposition of regulatory controls by EU Authorities (including in Ireland) on imports from the UK (GB) from January 2021.* At the same time, the UK has continued to delay the imposition of its regulatory controls (previously called its Border Operating Model, and now termed as its Target Operating Model) until late 2023.

Overall, the CSO trade data reveals that all-island trade has increased substantially as a result of the NI Protocol *and supply-chains on the island of Ireland have become much more integrated. Within this, there is also a noticeable shift in Ireland away from importing from Britain (which is now subject to regulatory controls) and sourcing more locally from Northern Ireland where there is unfettered trade.*

Of course, the CSO data does not assess how NI trade with Britain (GB) has performed during this time. It is important to highlight that NI continues to have unfettered access to the GB market for its exports and the various grace periods implemented by the UK Government have, thus far, limited the imposition of regulatory checks on produce moving from GB to NI. The extent to which this trade will be affected in future is of course contingent on the detail of any agreement between the UK and the EU on implementing the NI Protocol.

In Brief

AHDB Move

The AHDB is moving from its Stoneleigh Park headquarters to save money. With the loss of the potatoes and horticultural sectors, its current office is now too big for its needs. The Levy Board is moving to a new building on Middlemarch Business Park near Coventry Airport in April. The exiting building has been re-let to a technology firm. The move is said to save around £0.5m per year.

Farming Connect Extension

The Welsh Government has announced that the Farming Connect advice service will continue for another two years, through to March 2025.

Base Rates & Growth

The Bank of England raised Base Rates to 4% on the 2nd February 2023. According to the latest statistics, the UK economy just avoided entering recession in late 2022. A recession is technically defined as two quarters of negative growth. The economy contracted by 0.2% in Q3 of 2022 but there was zero growth in Q4. The figures are often revised, so it is still possible that the UK went into recession. Any reprieve may be temporary, as the Bank of England still expects a recession during 2023.

ARABLE

Global Grains Overview

UK grain pricing is fundamentally linked to that of EU grain markets and this has been the same as ever this season. The EU is the top consumer of UK grain, with 88% of wheat and 85% barley exports going there on average between 2017/18 and 2021/22. This season, demand from the EU, relative to non-EU destinations has increased. In the year to December, 94% of UK wheat exports and almost 100% of UK barley exports have gone to the EU.

The main reason for the rise in trade with the continent is the sharp drop in EU grain production, primarily maize. Output of maize was challenged by the hot, dry summer - falling by 28%. The result of the drop in production is the need to import 51% more grains. This is not new news, and as such not that important to current or future price direction. But the pace of EU imports is.

According to EU Customs surveillance data, with just over half of the marketing year gone (to 5th February), the EU has imported 86% of its forecast requirement of wheat, 84% of barley, and 73% of maize. The fast pace of imports has, in part, been driven by the volume imported from Ukraine. With the Grain Corridor agreement due to end, unless it is renegotiated, in March, traders have been moving tonnages beforehand. *There is a key uncertainty around how much Ukrainian grain will be re-exported from the EU to third countries.*

However, with a large proportion of imports already done for the EU, prices are coming under pressure. This has been seen towards the end of February, with a sharp drop in EU wheat prices dictating a £9.25 per tonne fall in nearby UK feed wheat prices. The pace of EU trade may affect UK grain prices for the remainder of this season.

Below we set out some of the factors that could drive global markets as we move towards harvest 2023;

- Geopolitics remains a key uncertainty; the 24th February marked one year since Russia invaded Ukraine. Any significant escalation in the conflict or challenges in renegotiation of the Grain Corridor will support prices.
- Brazil is forecast to produce a record maize crop. With global grain supply and demand tightness underpinned by a lack of maize in the US, Ukraine, and Europe, a further tightening would also offer support. If the Brazilian crop comes to fruition, prices ought to move lower.
- Black Sea planting. Around 44% of Russia's wheat area was spring planted for the 2022/23. Add to this the large volume of maize and sunflowers produced in Ukraine in recent seasons, and it is evident how important the weather (and conflict) in the Black Sea region is.

- US maize and soyabeans areas. The USDA is currently forecasting an increase in maize planting with soyabean area to remain unchanged. There is still plenty of time for this to change.
- EU weather. Large parts of the EU have experienced warmer and drier winters than normal. While crops generally looked healthy through winter, prolonged dryness is concerning growers. The same is true for parts of England, water levels have not returned to normal in some parts of the country following last year's drought.

While output prices have fallen towards the end of February, so too have costs. The price of ammonium nitrate for March delivery was quoted at £460 per tonne; a significant fall from the £700 per tonne in January. The impact of this on arable businesses will vary greatly for the 2023 harvest, depending on the level of cover. However, it is a promising sign for harvest 2024.

Rainfall in February was below average in many parts of the UK. Whilst there is evidently ample time between now and harvest, there are have been some concerns expressed about these drier conditions, particularly given the droughts of last summer.

UK Grain Market

UK feed wheat prices followed European grain markets in February, increasing through the first three weeks of the month, before falling on weak EU import demand. UK ex-farm feed wheat was quoted at £224 per tonne, on 24th February 2023. This is up almost £11 per tonne on the end of January, but down £9 per tonne on the week ending 17th February. Milling wheat continues to attract a strong premium of £57 per tonne.

The discount of barley has extended further. Feed barley was quoted at £203 per tonne on 24th February, an increase of just £2 per tonne on the month. Demand for barley for both feed and export is poor. Data from AHDB shows that animal feed production in July to December 2022 was down more than 5%. Larger declines were seen for pig and poultry feed, down 12% and 9% respectively over the same period. Usage of barley was down nearly 23%.

The price of oilseed rape was supported by rises in the value of wider global oilseeds throughout much of February. Whilst prices fell towards the end of the month, ex-farm oilseed rape was quoted at £463 per tonne on Friday 24th Feb. Prices are up on values at the end of January, but £30 per tonne down on the beginning of 2023.

The price of feed beans has continued to fall in February, at £243 per tonne, with poor demand. One merchant commented on the difficulty in establishing new crop values also, given lack of trading activity and demand. Pea prices have been stable month-on-month, at £249 per tonne.

Sugar Beet

British Sugar (BS) is forecasting UK 2022/23 beet production to be the lowest for 47 years. The processor has reduced its production forecast for the current campaign down to just 740,000 tonnes from 1.03 million tonnes in the previous year. We reported in a previous article that the frost industry insurance had been triggered and that loads had been rejected due to damage. Even though average UK yields look similar to the poor campaign in 2020/21, production is set be 18% lower due to a smaller planted area. This year circa 87,000 hectares of sugar beet have been planted compared to about 104,000 hectares in the 2020/21 campaign.

Furthermore, due to the reduced production, it is reported BS is having to look at alternative sources of sugar from around the world, suggesting it has already sold more sugar than it is expecting to produce; this however, is likely to cost much more than what it will have contracted to sell it for. The problem is European supplies are also very tight due to the area falling; this will be the fifth consecutive year of decline and although the frosts were more of a problem in the UK, yields on the continent have also been impacted. Spot prices across the continent are around €1,000 per tonne with duty-paying sugar having to be imported. BS is unlikely to be able to source enough sugar from Europe, and world market white sugar, with £350 per duty on top of any freight costs is likely to cost well in excess of €1,000 per tonne, meaning any imported sugar BS has to buy to service contracts already agreed for 2022/23 is likely to cost substantially more than the processor will have sold it to customers for.

Dairy & Livestock

Dairy Markets

Growth in global and domestic milk supplies is affecting prices. Compared with early 2022, when supply was tight, the tables have turned, with supply now ahead of demand. GB deliveries are continuing to increase week-on-week and will continue to do so as we start the spring flush. For the week ending 18th February, the AHDB reported daily deliveries running 3.8% above the same week last year. Global deliveries in December averaged 808m litres per day; an increase of 0.4% on December 2021. All of this growth has been recorded in the main northern hemisphere exporters - the UK, EU-27 and the US. In contrast, the key southern hemisphere countries recorded lower deliveries. Poor weather conditions have affected production in New Zealand and Australia and higher costs are beginning to have an effect on production in Argentina.

In terms of prices, the Global Dairy Trade (GDT) index fell by 1.5% at the latest event to average $3,414, this compares with $4,840 a year ago. SMP and WMP declined, by -2.4% and -2.0% respectively, bucking the trend is butter, increasing by +3.8%. An increase in supplies and lower commodity prices is putting strong downward pressure on farmgate prices; there has been another round of big cuts announced by processors. Below is just a few, to give readers an flavour;

- Suppliers to Belton Cheese, Yew Tree Dairy, Tesco TSDG aligned and Lidl's fixed price contract will all receive a 3ppl price cut as from 1st March
- Meadow Foods has announced a 4.5ppl cut for its suppliers from 1st March
- Wyke Farms and Joeseph Heler will be cutting the amount they pay to suppliers by 5ppl from the beginning of March.

It is clear there is going to be some large reductions in the average UK farmgate milk price over the next few months. The key question for the dairy sector is how large*.*

Beef Outlook

The prime beef price has continued to rise week-on-week since the turn of the year. For the week ending 18th February 2023 the GB deadweight all steer price reached 474p per kg; some 68p higher than year-earlier levels. Looking ahead, the AHDB has published its first sector Outlook for the year, summarised here.

Production

Domestic beef production is forecast to grow marginally, by 0.6% in 2023, due to higher cattle availability. Using BCMS data, prime cattle slaughter is expected to increase by 1.2%, with a higher proportion available in the first half of the year. In contrast, cow slaughter is expected to ease by 1.5% on the year, although last year had a particularly high level of culling, so relatively speaking cow slaughter is still expected to remain high due to the pressure expected on milk prices and the loss of BPS hitting suckler herds. Despite the breeding herds continuing to decline, production has been steady; probably due to the increase of beef semen used on dairy cattle, resulting in better beef carcasses and also milk buyers' policies on dairy bull calves, meaning more dairy bull calves are now entering the supply chain.

Consumption

The Levy Board forecasts consumption to decline by 2% as the cost-of-living crisis continues. Beef may benefit from the switch from out-of-home consumption to in-home as a treat, similar to during Covid. This will also depend on retailers supporting British product. The food service sector uses more imported product. Even so, AHDB is forecasting more shoppers will trade down to cheaper meats such as chicken or pork. There could also be a carcase balance issue as shoppers switch to cheaper cuts of beef and mince. In 2022, beef *volumes* via retail were actually down every month compared with 2019, except for December.

Trade

UK beef imports, according to HMRC data, were down by 3% in the year to November. This was mainly due to lower shipments from Ireland. For 2023 this is expected to fall by a further 2% in volume terms, to balance the slight increase in production and lower domestic consumption. Board Bia is expecting a 3-4% decline in Irish cattle supplies, particularly in the first half of the year. This should support Irish prices and in turn UK prices.

UK beef exports have shown strong growth compared with 2021 as the disruptions following Brexit are resolved. Exports to November 2022 were up 23% on the year, 10% on the 5-year average (although still below 2019 by 9%). Strong growth has mainly been driven by shipments to France. For 2023, AHDB forecasts a further 3% growth in exports. EU production is expected to decline but inflation and the cost-of-living on the Continent could impact consumption there too. This may affect UK prices as they will need to be priced to be competitive on the export market. However, global beef supplies are expected to be tight in 2023, which should offer price support to exports and the beef price in general.

Sheep Outlook

The current sheep price is under pressure and concerning flock owners. The latest deadweight GB SQQ (old season lamb) price for the week ending 18th February is 511.3p - 74.7p lower than at the same time last year. Both deadweight and liveweight prices are now around the 5-year average. The AHDB has released its first 'Outlook' forecasts for 2023.

Production

The AHDB forecasts a rise in production for 2023 of 8-9%, due to a high carry-over from the previous year and a lamb crop similar to 2022. The breeding flock has had relatively strong expansion over the last couple of years because of good prices and confidence in the sector following the Brexit deal. However, in 2023 this expansion is expected to slow to 0.5% due to high input costs, an increase in cullings in 2022 and a reduction in the BPS. Early scanning reports were poorer than year-earlier levels, but the later flush of grass in the autumn has helped those lambing later and also improved ewe condition. Overall the AHDB is expecting the lamb crop to be similar to 2022. Using Defra's kill figures, the carry-over of old season lamb (OSL) from 2022 to 2023 could be as high as 4.6 million head; 16% higher than the previous year. The AHDB expresses some uncertainty over Defra's figures and is saying the carry-over could be more in the region of 4.4 million head, 11% higher than 2022. The high carry-over is mainly due to a lower kill in the 2nd half of the year, when pressure on feed due to costs and the drought slowed the finishing of lambs. Depending on whether you use Defra's reported slaughter and production data or AHDB's estimates, total UK sheep meat production is forecast to be just under 302,000 tonnes or 315,000 tonnes an increase of 9% or 8% respectively on the year.

Consumption

Demand is continuing to be affected by the cost-of-living crisis. Similar to beef, lamb consumption through retail may benefit from moving from out-of-home to in-home. But it is likely there will also be a switch to cheaper proteins and cuts of lamb. Lamb consumption is expected to fall by 8% compared with 2022 and down to 21% of 2019 volumes.

Trade

UK sheep meat exports grew by 9% in the year to November compared with 2021, but this remains below the long-term average. Recent growth is mainly down to increased shipments to the EU and in particular Ireland. For the coming year exports will be pivotal to retain domestic market balance and could increase by as much as 15%. There is potential for increased demand from Europe due to a contraction in the flock and a strong recovery in demand in 2022, but this may come under pressure in 2023 as, similar to the UK, consumer budgets are under pressure. *The competitiveness of UK product remains key in these export markets and could lead to downwards pressure on prices.*

Imports to the UK for January to November 2022 grew by 22%; back to 2020 levels. However the long-term trend has been downwards driven by lower quantities of fresh sheep legs from New Zealand. For 2023, imports are expected to fall by 5% on the year, because of weaker domestic demand and an assumption that shipments of NZ meat continues to flow to China. There has been recent industry concern over the increase, in particular, of frozen leg imports, from New Zealand and also regarding Aldi's decision to abandon its longstanding commitment to only stock British meat.

In terms of farmgate prices, with production forecast to increase and consumption decrease, prices look set to remain under pressure compared with the last couple of seasons.

Annual Health & Welfare Review

It is now possible to register your interest in the SFI Annual Health and Welfare Review. This is later than expected (originally autumn), but pilots have been underway since last September testing the scheme. According to Defra, feedback from these has been positive, with reports of how straightforward it was to sign-up, the effectiveness of the visit and promptness of payments. The first step is to register, this can be done via https://apply-for-an-annual-health-and-welfare-review.defra.gov.uk/apply/register-your-interest. Currently only those that claim the BPS are eligible, but it is expected to be rolled out further in the future, and they must be keeper of at least one of the following;

- 11 or more beef or dairy cattle
- 21 or more sheep
- 51 or more pigs

The Annual Health and Welfare Review, is a funded annual visit from the business's chosen vet. The aim is to allow businesses to receive bespoke advice concentrating on the specific health and welfare priorities of that farm. There will be some diagnostic testing around endemic diseases that have been pre-identified with farmers and vets. Payments will be made annually for three years and depend on the species. The amount is shown below and is per year, not per animal.

- £684 for pigs
- £436 for sheep
- £522 for beef cattle
- £372 for dairy cattle

The full guidance can be found at https://www.gov.uk/guidance/sfi-annual-health-and-welfare-review

Many are likely to already require a health plan drawn up with their vets for Farm Assurance, but as with many of the 'Introductory' offers under SFI, Defra seems to be trying to encourage all businesses to reach a certain level and perhaps make it part of everyday farm husbandry, whether *it be via testing soil organic matter or animal health. Whether in the future these will become mandatory measures and funding withdrawn, remains to be seen.*

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 (February 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

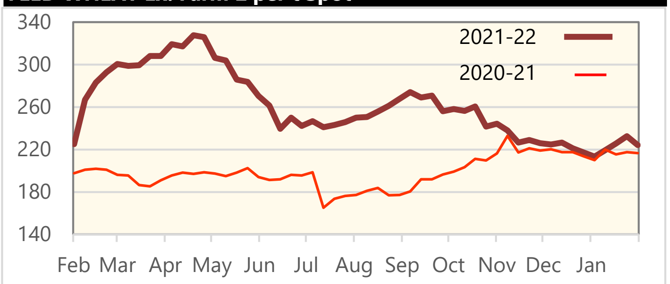
Entitlement Trading Values			
prior to 2022 claim	Eng	Scot	Wales
Multiplier range	0.7-0.9	0.8-0.9	0.6-0.7

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 -		24/02/23	27/01/23	18/02/22
Feed Wheat	*230*	**224**	213	*217*
Full Spec. Milling Wheat	*250*	**281**	270	*254*
Feed Barley	*210*	**203**	201	*208*
Malting Barley	*230*	**237**	242	*n/a*
Oilseed Rape	*500*	**463**	434	*585*
Beans	*250*	**243**	248	*247*
Futures	contract date -	Nov-23	Nov-24	Nov-25
Wheat Futures *(UK, LIFFE, £)*		234	219	-
OSR Futures *(Paris, MATIF, €)*		545	493	-

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

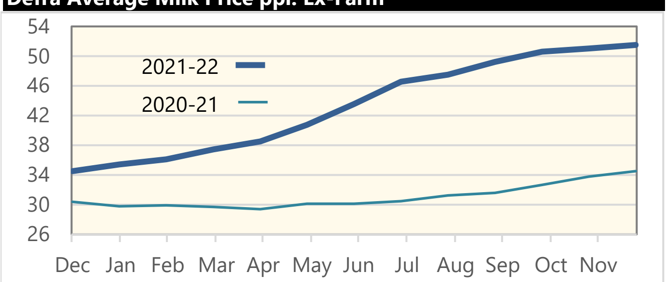
Dairy Prices and Production

Commodity Milk Prices			
	Present	Last Month	*12 Mths Ago*
week ending -	24/02/23	27/01/23	18/02/22
GDT Auction ($ per tonne)	**3,414**	3,393	*4,840*
Intervention Milk Price Equiv. (ppl)	**19.35**	19.26	*18.14*
Actual Milk Price Equiv. (ppl)	**37.84**	44.18	*48.21*

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

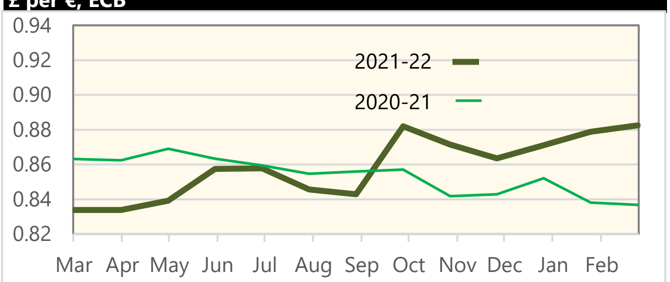
Exchange Rates			
	Present	Last Month	*12 Mths Ago*
effective date -	24/02/23	30/01/23	24/02/22
Euro: €1 = £ *(ECB daily rate)*	**0.882**	0.879	*0.837*
Euro: £1 = € *(ECB daily rate)*	**1.133**	1.138	*1.195*
Annual Average, €1 = £	**0.884**		
Dollar: £1 = $ *(market rate)*	**1.198**	1.236	*1.355*

Base Rates			
United Kingdom	**4.00**	3.50	*0.50*
Eurozone	**3.00**	2.50	*0.00*
United States	**4.75**	4.50	*0.25*

Inflation			
% change on year earlier	**Jan-23**	Dec-22	*Jan-22*
United Kingdom (CPIH)	**8.8**	9.2	*4.9*

Economic Growth			
% change on same quarter, year earlier	**Q4 2022**	Q3 2022	*Q4 2021*
United Kingdom	**0.40**	1.90	*8.90*
Eurozone	**1.80**	2.50	*5.10*
United States	**1.00**	1.90	*5.70*

£ per €, ECB



Livestock Prices

Livestock Prices - source: AHDB (or ① East Mids markets)		Present	Last Month	12 Mths Ago
ppkg deadweight unless stated otherwise				
	week ending -	24/02/23	27/01/23	18/02/22
Finished Steers	Eng. & Wales	**472.1**	452.7	*404.4*
	Scotland	**478.3**	460.9	*405.9*
Cull Cows	Dairy Bred	**178.4**	172.1	*136.8*
	Beef Bred	**197.6**	191.6	*150.2*
Calves①	Cont. X Bulls (*£ per Hd*)	**196**	143	*203*
Hereford X Bulls (*£ per Hd*)		**158**	100	*126*
Finshed Lambs (SQQ)		**511.3**	502.5	*587.9*
Cull Ewes① (*£ per head*)		**81.1**	81.0	*91.7*
Finished Pigs (SPP - UK)		**207.1**	202.5	*138.8*
Weaners (30kg) (*£ per head*)		**0.0**	n/a	*n/a*

Wages

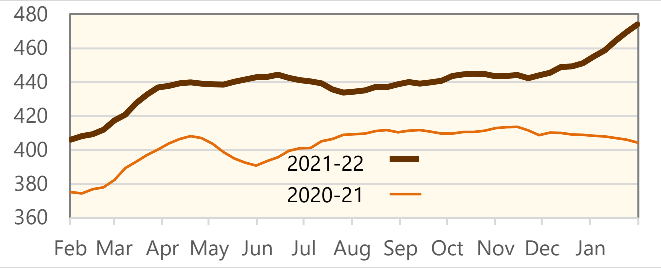
Minimum Wage Rates from April 2022					
£ per Hour	age -	16-17	18-20	21+	Appren.
National Minumum Wage		4.81	6.83	9.18	4.81
National Living Wage (25 years+)			9.50		

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

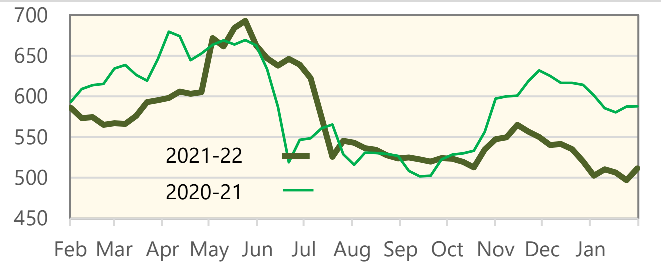
Input Prices

Spray Prices		Spot Price	12 Mths Ago
On-farm price £ per litre/kg			
	week ending -	24/02/23	18/02/22
Active Ingredient	Example		
Cereals - Herbicides			
Diflufenican	Hurricane	**27.00**	*22.50*
Flufenacet + diflufenican	Liberator	**50.80**	*39.00*
Flufenacet + pendimeth.	Crystal	**13.63**	*9.50*
Florasulam	Lector	**116.00**	*116.00*
Mesosulfuron iodosulfuron	Atlantis OD	**32.40**	*29.00*
MCPA	Agritox	**5.10**	*4.20*
Pinoxaden + Cloquint.	Axial Pro	**65.00**	*54.00*
Cereals - Fungicides			
Azoxystrobin	Amistar	**25.00**	*23.00*
Folpet	Arizona	**8.24**	*7.00*
Prothioconazole	Proline; Butus	**50.20**	*44.00*
Cereals - Insecticides / Molluscicides			
Metaldehyde (3%)	Gusto	**2.75**	*n/a*
Ferric Phosphate	Sluxx, Ironmax Pro	**2.90**	*2.60*
Lambda-cyhalothrin	Hallamrk Zeon, Generi	**71.00**	*67.00*
OSR - Herbicides			
Propyzamide	Kerb Flowable	**22.30**	*32.00*
Metazachlor	Makaila	**15.00**	*11.20*
Quizulofop-P-tefaryl	Panarex	**11.80**	*11.20*
Clomazone	Backrow; Centium	**81.00**	*82.00*
OSR - Fungicides			
Metconazole	Caramba,Metal	**25.20**	*26.00*
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	**5.50**	*8.25*

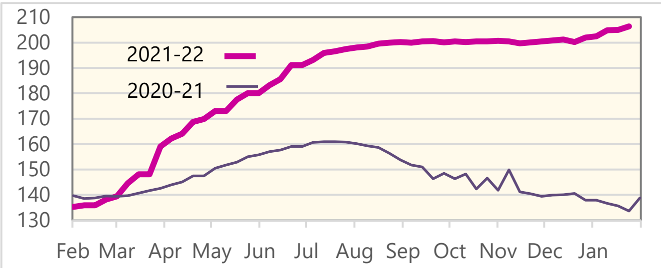
Finished Steers (GB) - ppkg dw



Finished Lambs (SQQ) - ppkg dw



Finished Pigs - ppkg dw



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

Fertiliser Prices	Spot Price	Last Month	12 Mths Ago
600kg bags delivered, granular			
week ending -	24/02/23	27/01/23	18/02/22
Nitrogen: 34.5% An (home)	**460**	700	*645*
20-10-10	**575**	660	*605*
0-24-24	**585**	625	*483*
Urea (46% N)	**495**	575	*695*
Triple Super Phosphate: 0-46-0	**585**	635	*540*
Muriate of Potash: 0-0-60	**635**	635	*545*
Ammonium Sulphate: 21%N-24%S	**555**	550	*565*
Fuel Prices			
Oil Price① ($ per barrel)	**75.6**	79.7	*91.6*
Gas Oil② (ppl)	**80.5**	88.8	*75.3*
① West Texas Intermediate ② > 2,000 ltrs, Midlands (price variable)			
Straight Feed Prices			
Hipro Soya	**576**	549	*455*
Rape Meal	**380**	385	*337*
Maize Gluten	**343**	362	*275*
Compound Feed Prices (bulk delivery unless stated otherwise)			
Dairy Feed (18% CP)	**368**	360	*287*
Calf Starter Cudlets (bags)	**483**	*467*	*361*
Beef Nuts (16% CP)	**344**	*333*	*262*
Premium Ewe Nuts	**357**	*347*	*279*