

A Monthly Briefing for UK Farmers – February 2024

- The online checker for the second Round of the **Improving Farm Productivity** grant is now open until 21st March. This provides capital grants of between £25,000 and £500,000 towards robotic and automatic equipment and also grants of between £15,000 and £100,000 towards solar equipment (at a lower rate of 25%). This supports roof-top solar and also solar equipment that can float on irrigation reservoirs. Full guidance can be found at - <https://www.gov.uk/government/publications/improving-farm-productivity-grant-round-2-applicant-guidance>
- The requirement in England for **Biodiversity Net Gain (BNG)** will commence on the 12th February 2024. From this date, all new Planning Applications for major development will have to deliver a 10% net gain in biodiversity. 'Major development' includes residential developments with 10 or more dwellings, or where the site area is greater than 0.5 hectares. BNG for small sites (less than 10 dwellings or 0.5 hectares) will apply from 2nd April 2024.
- Following defeat in the House of Lords, the Government has announced it will not be introducing further legislation to change the **nutrient neutrality** rules. Instead, a series of measures aimed at boosting mitigation schemes, including the Local Nutrient Mitigation Fund will be used to unlock development.
- It is now possible to notify RPA in England of changes to land online via a new digital service called **Rural Land Changes**. This will replace the electronic RLE1 form with the aim of reducing the turnaround time for getting mapping requests completed, which can hold up applying for schemes such as the SFI. Rural Land Changes can be found within individual customers' accounts on Rural Payments.
- The Welsh Government has announced funding for organic farmers in 2024. The **Organic Support Payment** will provide support to all fully certified organic farmers (not just those who took part in Glastir Organic) during the transition to the Sustainable Farming Scheme in 2025. The payment rates are based on the land use as submitted on the Single Application Form (SAF) in 2024 and are;
 - Horticulture – £300 per hectare
 - Enclosed land – £45 per hectare
 - Enclosed land with a dairy enterprise – £115 per hectare
 - Un-enclosed land – £9 per hectare
 Applications for the payment will need to be made by 15th May 2024 via the annual SAF. A summary of the scheme details is at <https://www.gov.wales/sites/default/files/pdf-versions/2024/1/1/1705919261/organic-support-2024-summary.pdf>. Full guidance will be published within the SAF 2024 rules booklet.
- Defra has opened a consultation on legislation which will allow **free-range eggs** to continue to be labelled as such for the duration of any mandatory housing measures in England and Scotland (such as for Avian Flu). The consultation seeks views on the Government's proposal to remove the 16-week derogation. The consultation is at <https://consult.defra.gov.uk/ahdb-relationship-team/consultation-on-removing-the-16-week-derogation-pe/> Responses by 5th March.
- The NFU and NFU Scotland have confirmed that the Statutory Instrument (SI) on **milk contracts** will be laid before Parliament in February. The new regulations are aimed at ensuring supply contracts in the dairy sector are 'fair and transparent'. One amendment to the SI, which was expected to have gone to Parliament in 2023, is that the new rules will apply to both new and existing contracts.
- British Sugar and the NFU have finally agreed on a **sugar beet price contract for the 2024 crop**. The headline price is £40 per tonne, the same as last season. There will also be an option for growers to choose a core price of £38 per t, plus a market-linked bonus or a further option is a contract that links the beet price to the futures price of processed sugar.
- Defra has authorised the emergency use of a **neonicotinoid seed treatment on sugar beet seed** in 2024, but only if the predicted yellow virus incidence level is 65% or above, as determined on 1st March 2024 by the Rothamsted YV forecast model.

Meadow Farm Restructure

Our Meadow Farm model was updated for the LAMMA show. It is a notional 154 hectare (380 acre) beef, sheep and arable holding in the Midlands and is typical of many family farms. It consists of grassland, with wheat and barley for livestock feed. There are 60 spring-calving suckler cows with all progeny finished, a dairy bull beef enterprise and a 500 breeding ewe flock. Two family members currently work full-time on the farm.

Most years, the business makes a loss from its farming activity (Margin from Production). This has continued despite stronger livestock prices in recent years – as shown in the table below. It has required the BPS (and a small Countryside Stewardship (CS) scheme) to bring it into profit (Business Surplus). The decline in the BPS, along with high costs and static output will test this enterprise unless it does something different.

For the 2024/25 year, the farm's CS has ended and the business has taken up the opportunities offered by the Sustainable Farming Incentive (SFI). This brings in significantly more income than the CS, although there are costs to collect the SFI, such as establishing leys (which have been included in the farming margin). The figures for 2024/25 are based on SFI 2023 and there may be more opportunity for this farm when the new ELMs offer for 2024 opens in the summer.

The table below shows the final results for 2022/23, an estimate for 2023/24, and a forecast for 2024/25 including the SFI income. We have also included a 'Restructure' for Meadow Farm. Aside from Government support, there can be other ways to improve farm performance by taking a more fundamental look at the farm business. Many of these types of mixed farm are simply undertaking too many enterprises with each not having enough scale. This leads to a high-cost structure. The figures for Meadow Farm are shown after a restructure which sees the dairy beef enterprise discontinued and suckler progeny sold as weaned stores, rather than as finished cattle. The sheep enterprise is increased from 500 ewes to 700 ewes and the arable land is fully contracted out. There is also a rationalisation of the farm machinery.

Meadow Farm Model – source The Andersons Centre					
£/Ha	Year -	2022/23 (final)	2023/24 (estimate)	2024/25 (forecast)	2024/25 Restructure
Output		1,619	1,609	1,526	1,380
Variable Costs		871	699	756	613
Gross Margin		748	910	770	767
Overheads		631	650	652	552
Rent & Finance		76	84	82	82
Drawings		249	253	259	195
Margin from Prod.		(208)	(77)	(223)	(62)
BPS & CSS/SFI		184 + 22	150 + 22	115 + 171	115 + 157
Business Surplus		(2)	95	63	210

Some of the proprietors' time is freed-up by the changes. This gives an opportunity to earn more income off-farm and, as a result, drawings reduce. Diversification may be another way to usefully employ this time (although no additional non-farming income is included in our figures). However, the proprietors must be prepared to accept and embrace a different way of doing things. *Results of analysis Andersons have undertaken for the AHDB shows the key characteristics of top-performing farms and one of the traits found in farms that out-perform their peers is having a mindset for change and innovation. The results can be found at <https://ahdb.org.uk/knowledge-library/characteristics-of-top-performing-farms-2024>.*

If you would like advice or to discuss anything in this month's Farming Focus please contact one of our [Consultancy Team](#).

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