ANDERSONS

Seminars

Spring 2024

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THE ANDERSONS CENTRE

Contents

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ANDERSONS

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Andersons Research, The Andersons Centre, 3rd Floor, The Tower
Pera Business Park, Melton Mowbray, Leicestershire, LE13 0PB
T: 01664 503200
E: enquiries@theandersonscentre.co.uk
www.theandersonscentre.co.uk

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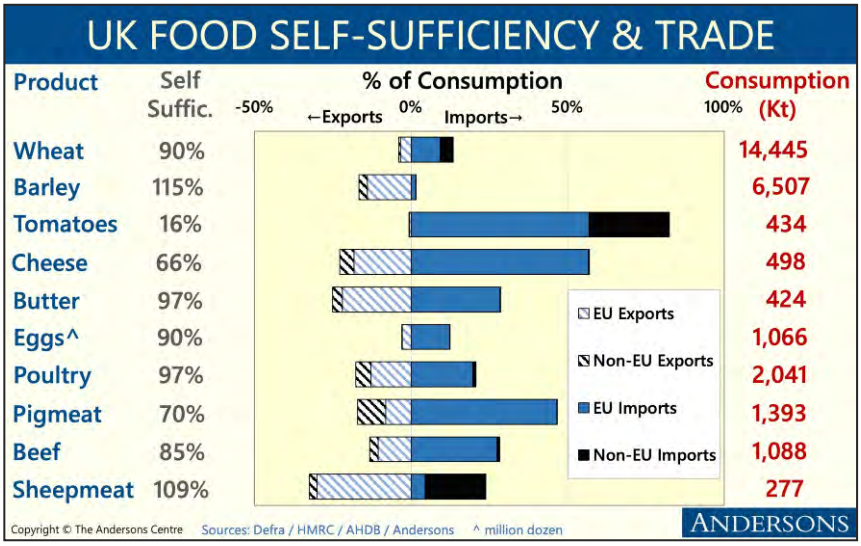
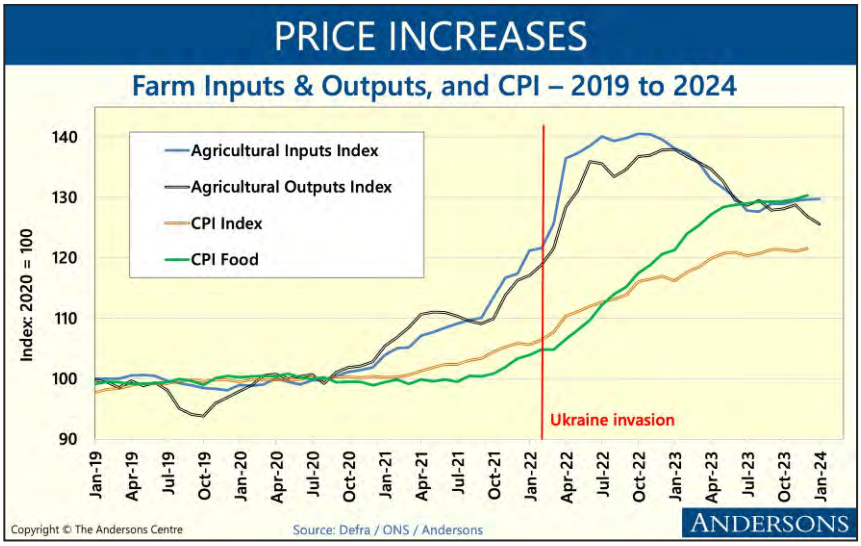
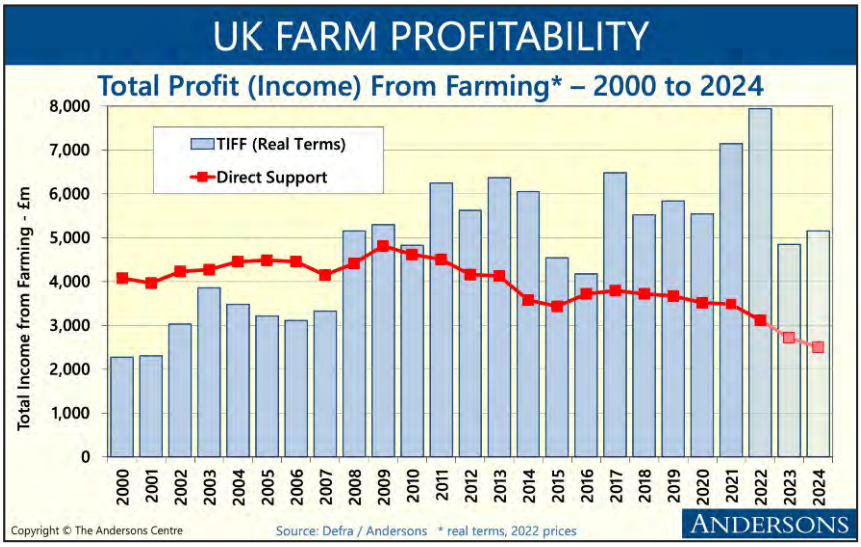
FARM PROFITABILITY AND PERFORMANCE



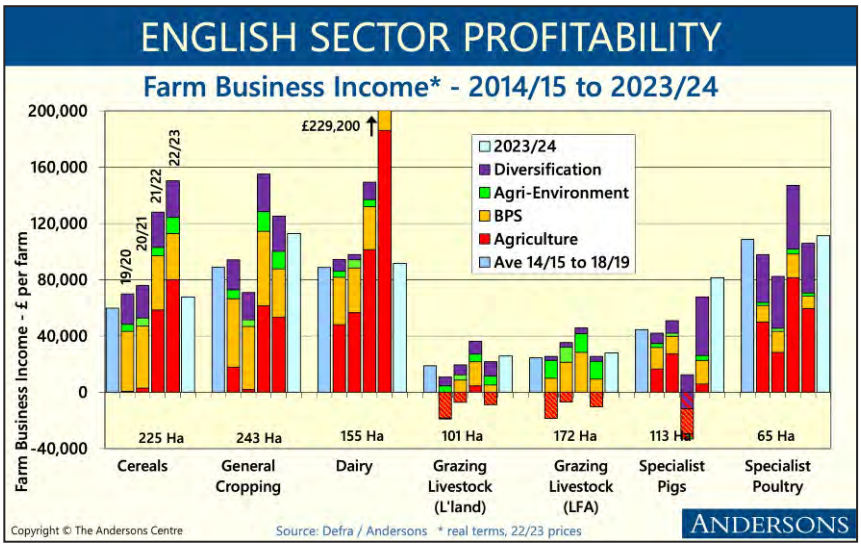
We start with an overview of UK self-sufficiency in selected food products, which can be produced indigenously, based on the annual averages for 2020 to 2022. For most products, the UK is not self-sufficient and relies on imports to meet its consumption requirements. The chart shows where our food imports come from (and where exports go to) – either EU or non-EU, expressed as a percentage of consumption. Imports still chiefly come from the EU, despite Brexit. There are products (e.g. sheepmeat and poultry meat) where the UK is close to, or surpasses, self-sufficiency but significant trade continues. This is due to carcase balancing, seasonality and consumer preferences. The ability to export products that UK consumers require less of and to import products that UK consumers prefer (e.g. NZ lamb during the UK winter) is an important aspect of food security. Of course, the UK also requires foodstuffs (e.g. citrus fruit) which cannot be produced at-scale indigenously and is almost solely reliant on imports. This means that the UK's overall food self-sufficiency is estimated to be in the region of 60%, according to Defra data. Later in the Seminar, the UK's food security risks will be looked at in more detail.



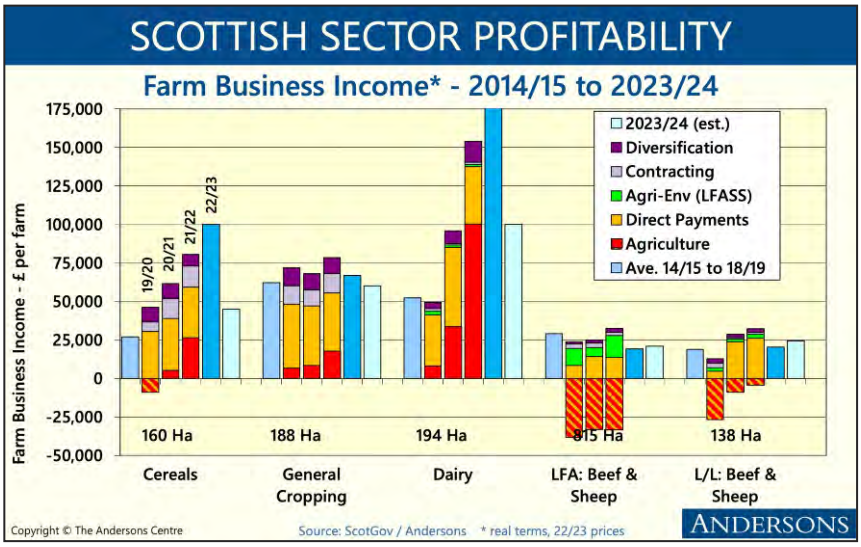
Rising costs have been a theme in farming (and the wider economy) for a while. Although it is often attributed solely to Russia's invasion of Ukraine, inflation was already rising before then – mainly because of post-Covid supply-chain disruptions. The Agricultural Inputs Index which shows 'agflation' has been calculated by Andersons. It builds on Defra price indices for agricultural inputs and weights each input cost (e.g., animal feed) by the overall spend by UK farmers. We then provide an up-to-date estimate of the index for each input cost category and add data for costs not covered by the Defra figures. The rise in the Inputs index has been matched, to a large extent, by similar rises in Output values (i.e. what farmers sell). This is because both Indices are reacting to the same drivers. Also, outputs from one part of agriculture are often inputs for another part – grain for animal feed being an obvious example. It is when there is a gap between output and input rises that there is a big effect on farm profits. Food price increases have levelled-off recently. This is contributing to a decline in the general rate of inflation (although it is still high, historically).



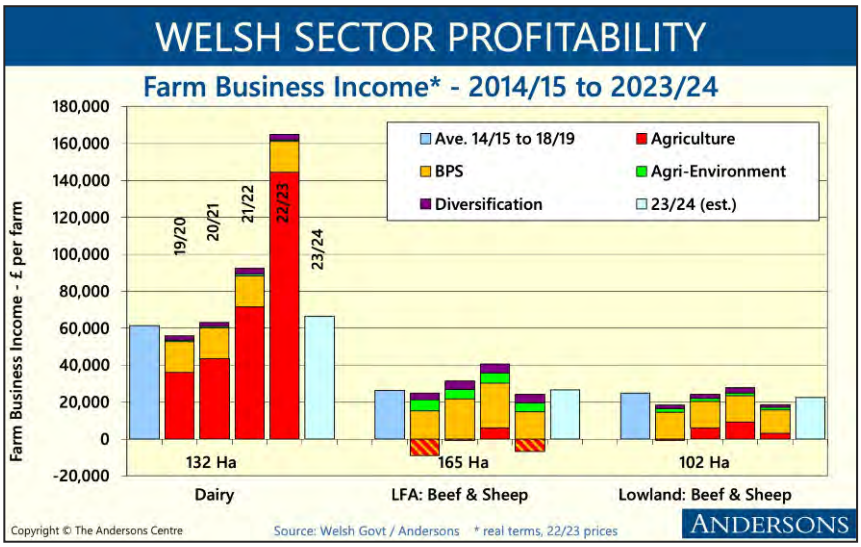
Defra's 'Total Income from Farming' (TIFF) measures the aggregate profit of the UK farming sector. In technical terms, TIFF shows the return to all the farmers in UK agriculture and horticulture for their management, labour and capital in their businesses. Defra's latest figures are for the 2022 year and show record returns – nearly £8bn. In general, sale prices were high and cost increases had not fully come through. We had predicted that TIFF for 2022 would fall compared to 2021, due to costs. There is a history of quite large revisions in the TIFF figures (for example, 2021 has been increased from nearer £6bn to over £7bn). We would not be surprised if the profits for 2022 were subsequently revised downwards. The figures for 2023 onwards are Andersons' estimates. Input costs remain at high levels and output prices have declined in the key sectors of cereals and milk. This is forecast to put TIFF back in the range seen in recent years (albeit at the lower end). The TIFF figures are shown in real terms at 2022 prices. The high level of inflation has the effect of reducing profits too. Inflation is also eroding the real-terms value of direct support (BPS + agri-environmental payments).



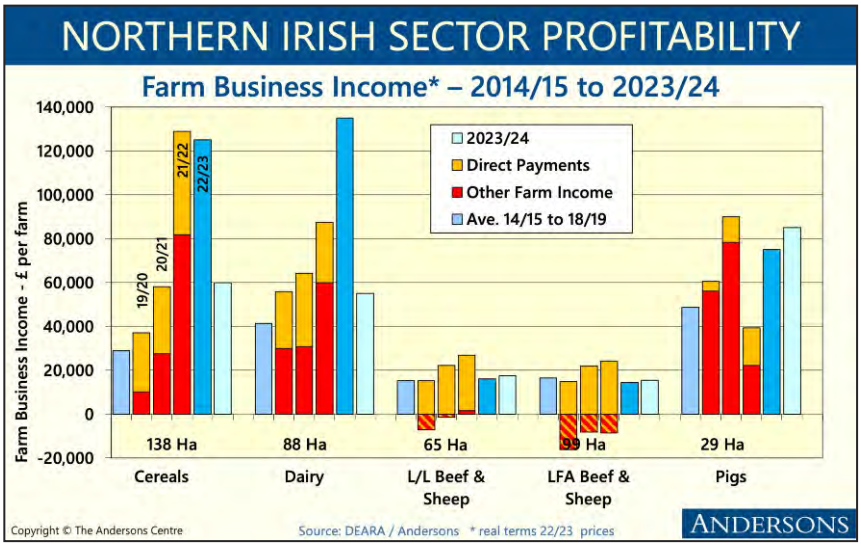
This slide shows farm profits in England for different farm types. It is an average for part and full-time farms (any business with over half a Standard Labour Unit requirement). Farm Business Income (FBI) represents the financial return to the farmers' (and spouses') unpaid labour and on the capital invested in the farm business (a rent on owned land is not imputed). It can, therefore, be seen as a measure of the Net Profit of a farm business. An average is first given for the five years 2014/15 to 2018/19. The data for the four following years has been split into the contribution from each of four profit centres. It shows how important subsidy income (BPS and agri-environmental income) is to the profitability of some sectors of English farming. The final columns are Andersons' estimates of FBI for 2023/24 (the year soon ending). Included is the average farm size in each of the categories (for the 2022/23 year) so that it is possible to see what the 'average' farm size in each sector is.



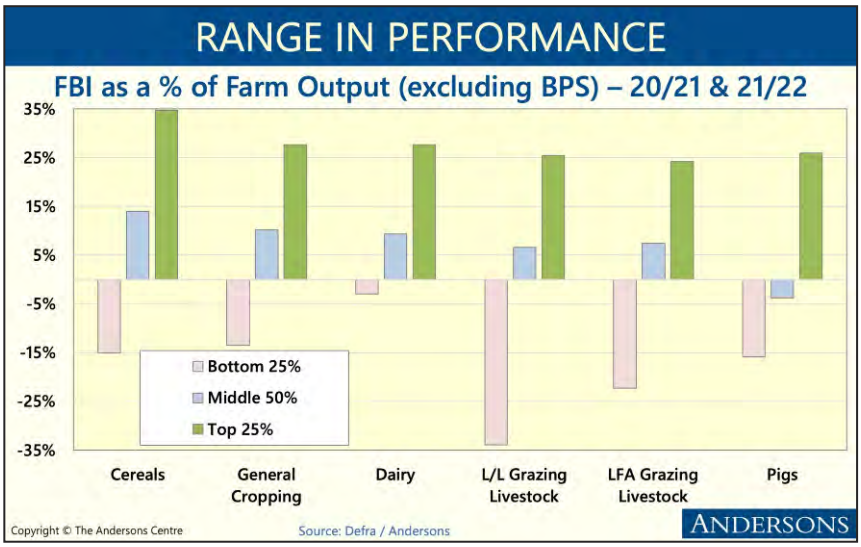
This chart shows detail of farm incomes (farm profits) for Scottish farms – split by type of farm. The measure is Farm Business Income (FBI) covering part and full-time farms. The average farm size for each category is shown (for the 2020/21 year) so that it is possible to see what the 'average' farm size in each sector is. The first column shows the average for the five years 2014/15 to 2018/19. For the next three years the FBI has been split into the profit contribution from five profit centres. It shows how important subsidy income (BPS and agri-environmental income (which includes LFASS)) is to the profitability of Scottish farming – especially in the beef and sheep sector. The final two columns show Andersons' estimates for FBI for 2022/23 and 2023/24 respectively – the Scottish Government has not yet released this data.



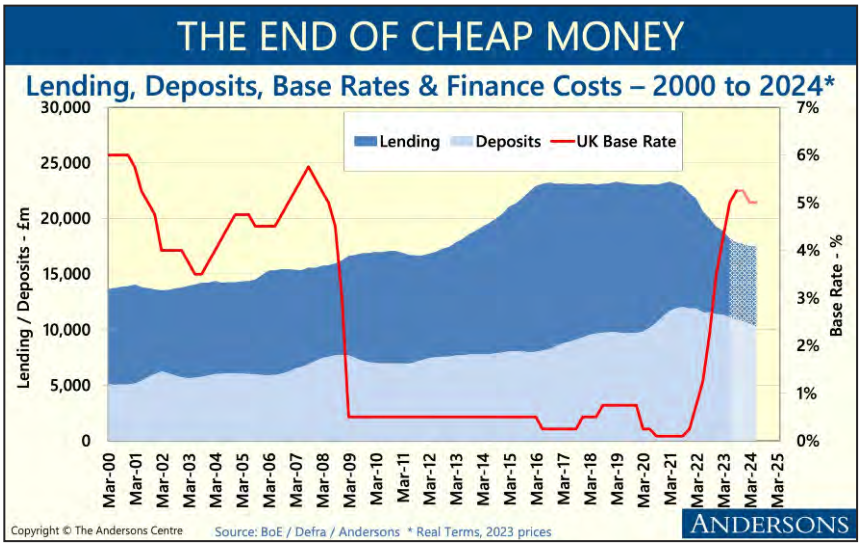
The performance of the main sectors within Welsh agriculture are shown on this slide. The measure is Farm Business Income (FBI) and covers part and full-time farms. The average farm size for each category shown relates to the 2020/21 year. The first column is the average for the five years 2014/15 to 2018/19. For the next four years the FBI has been split into the profit contribution from four profit centres. It shows how important subsidy income (mainly the BPS) is to the profitability of Welsh farming. Generally, Welsh farms receive less diversification income than, for example, English farms – this is primarily due to their more remote locations. The final column is Andersons' estimate for FBI for the 2023/24 year just ending. Dairy profits are likely to be considerably lower after the exceptional 2022/23 year - but grazing livestock returns are more stable.



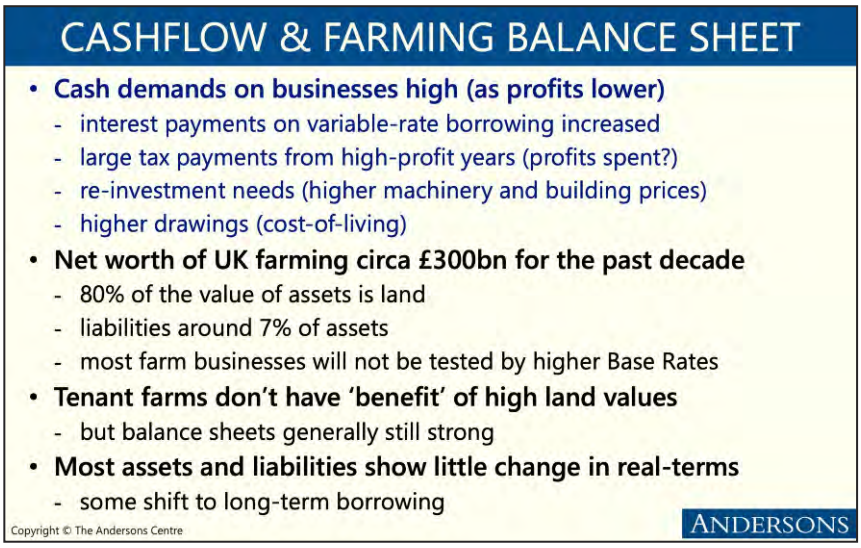
This slide shows breakdown of profitability by sector in Northern Ireland, based on data from the DAERA Farm Business Survey. The figures are average farm-level profits for part and full-time farms (any business with over half a Standard Labour Unit requirement). The measure is Farm Business Income (FBI). The average farm size for each category for the 2021/22 year is shown. The first column is an average for the five years 2014/15 to 2018/19. The data for the following three years has been split into the contribution from two profit centres i.e. direct payments and other farm income (including income from agriculture). It shows how important direct payments are to the profitability of NI farming The final two columns show Andersons' estimates for FBI for 2022/23 and 2023/24 – DAERA has not yet released this data.



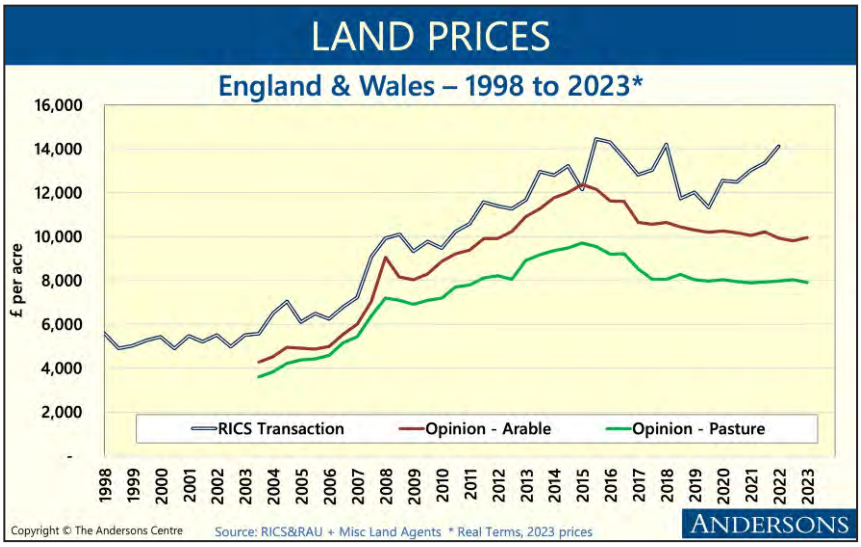
The previous chart on Farm Business Income showed a single average yearly return for farms in each sector. Of course, there is a huge range of performance lying behind these averages. This chart shows FBI (or profit) as a percentage of turnover. For each of the farm sectors, a figure is given for the bottom 25% of farms, the middle half, and the top 25%. In all sectors, the worst farms make a loss in these two years whilst the best farms make returns of around 25%. The data relates to England, but we believe the results would be similar in all parts of the UK (the breakdown is only available from the English FBS). In this analysis BPS is excluded as it is rapidly diminishing in England and will be phased-out eventually in other parts of the UK too. It is worth noting that FBI does not impute any unpaid labour or a rent equivalent on owned land. Therefore, what look like quite high returns for the best businesses will need to provide a living for the proprietors and recognise the opportunity cost of owned land.



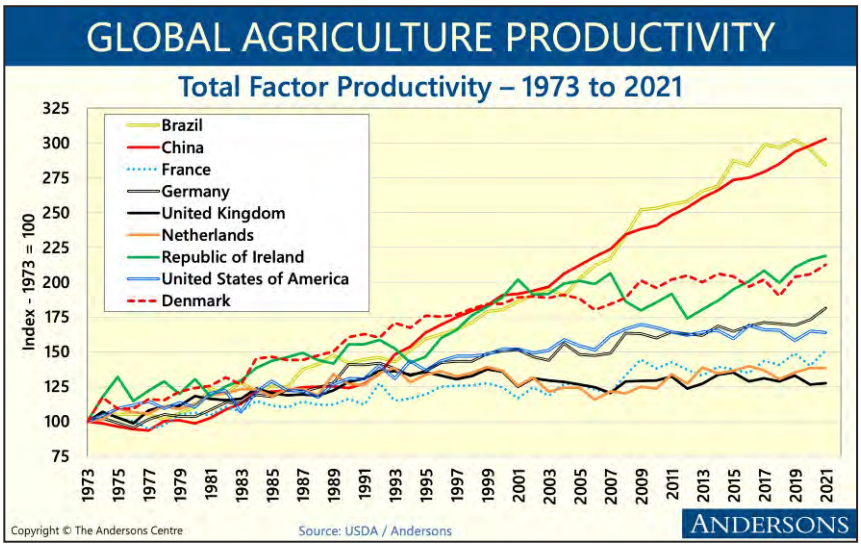
This chart shows the (real terms) change in bank lending to farmers, plus the deposits held by the farming sector. Borrowing grew in real terms after the Financial Crisis of 2008 – although it didn't really take-off until 2012. This is not surprising as borrowing became cheap due to ultra-low interest rates. UK Base Rates are shown by the red line – being at 0.5% for many years and sometimes lower. There was a plateau in borrowings for around five years, from 2016 to 2021. The fall thereafter is a combination of the good profitability in 2021 and 2022 allowing farm businesses to pay down debt and rising interest rates making this attractive. The cost of finance has almost tripled in a very short space of time. These costs will not be distributed evenly across the industry as many farms borrow little or nothing. High inflation reduces the debts of borrowers in real terms.



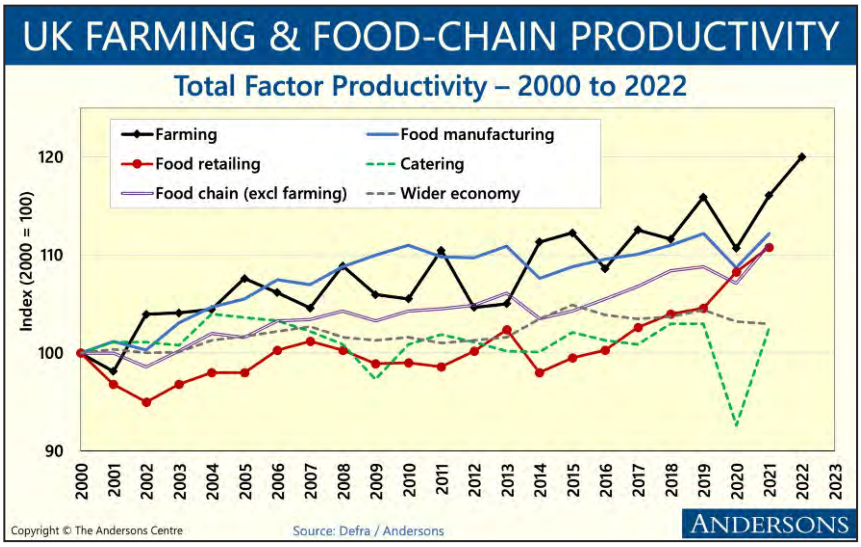
The saying is that 'turnover is vanity, profit is sanity, but cash is reality' (sometimes 'cash is king'). This is being felt by some farming businesses at present. They will have made some very high profits in 2022 (perhaps 2021 too). But they will be under cashflow pressure. Part of this may be that profits have been spent already. But tax on those profits is now falling due, along with much higher interest payments for businesses with high levels of variable rate borrowing. As the 'Price Increases' slide earlier showed, all inputs have become more expensive – leading to much higher working capital and investment needs. Turning to the overall capital position of UK farming, as we have said in previous years, it is very strong. The real-terms net worth of farming has hovered around £300m for around a decade. It hasn't moved much because the land price is the main driver of net worth, and this has been quite flat in real terms as seen on the next slide. As with profits, the capital situation of individual farms are masked by averages – the key differentiator being whether the farm is owned or rented.



Trends in land prices in England and Wales are shown here (there is little independent data for Scotland). The RICS figures are a weighted average of actual transactions recorded. Unfortunately, there has not been up-to-date data released recently. The RICS figures are high as they incorporate dwellings and buildings. The other two lines are a sample of surveyors' opinions on bare land prices for arable and pasture land. Figures are in real terms at Quarter 4 2023 prices – the current high inflation rate means that, whilst values are rising in current prices, their real-terms increase is far less. Prices have been flat, or marginally downwards, since around 2017. There is strong demand for farmland; not just from the traditional sources of farmers, investors and those looking for the rural idyll, but also from new sources such as rewilders, foresters and carbon traders. There are almost constant concerns that reliefs under Inheritance Tax (IHT) and Capital Gains Tax (CGT) will be amended to the detriment of landowners. However, we would be surprised if there are any significant changes, even after the election. We believe that, as inflation falls through 2024, and nominal land prices continue to rise, there will be some real-terms increases seen this year.

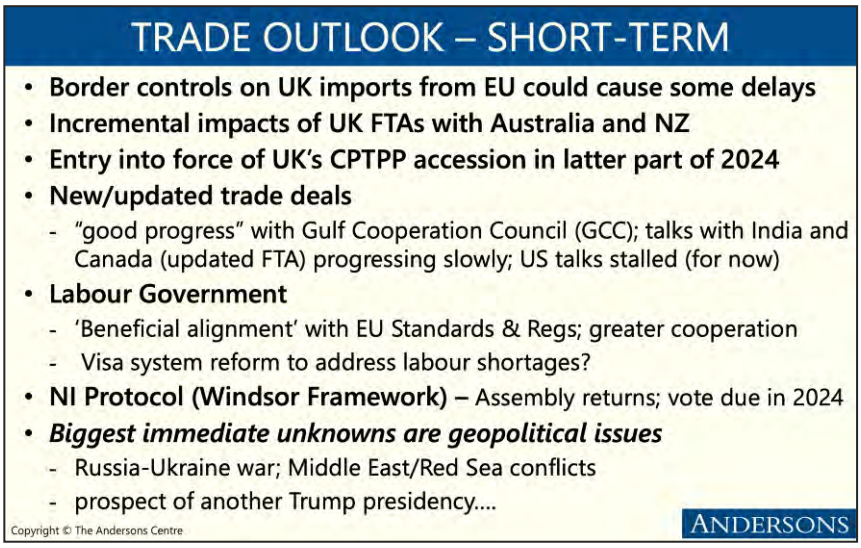


Total Factor Productivity (TFP) essentially measures how well farming converts input into outputs (i.e. food). We often hear that UK TFP is lagging behind that of other nations. This chart demonstrates that to be the case, both relative to some countries we might view as our agricultural competitors (Germany and France), and also relative to some true powerhouse nations when it comes to agriculture (such as Brazil and China). This index is based on 1973 and you can see how these nations have taken off relative to western economies. It is clear that there were heavily underutilised resources in these nations. Why are we lagging behind the US, France and Germany? Our relative indices for fertiliser and feed inputs haven't fallen to anywhere near the same degree as those for France and Germany. But also, our utilisation of labour is worse than our competitors.



This chart shows how productivity has evolved in the wider UK food-chain since 2000, again using Total Factor Productivity (TFP). Farming appears to have performed relatively well and has outstripped other food sectors over the past five years. Catering has performed sluggishly based on TFP and Covid had a major impact in 2020. Generally, it is difficult to make big productivity improvements in sectors that are labour intensive (e.g. catering) as processes cannot be automated and improved. Productivity across the wider UK economy has also been sluggish over the past decade. Whilst the chart appears to show that farming has performed relatively well, there will be other sectors outside of the food-chain (e.g. manufacturing and IT) that would have seen significantly higher increases in productivity in the past couple of decades.

TRADE AND FARM POLICY



The UK's free trade agreements (FTAs) with Australia and New Zealand (NZ) will continue to bed-in with further increases in the transitional tariff rate quota (TRQ) allowances for sensitive products like beef, lamb and dairy goods. The entry into force of the UK-CPTPP accession is anticipated in the latter part of 2024, though impacts on agriculture are likely to be limited. New and updated trade deals are also being pursued. A new FTA agreement with the GCC is possible during 2024. Negotiations with India and Canada (updated deal) are proving tricky. Talks on updated trade deals are also underway with Israel, Mexico, S. Korea and Switzerland. Negotiations on a new FTA with Turkey are expected to start in 2024. A Labour Government would veer towards closer alignment with the EU. At the time of writing, the NI Assembly has returned and a new Executive has been appointed. This should bring some much-needed stability although an Assembly vote on the continuation of the NI Protocol is due in 2024. This should pass as it will be based on a simple majority of those voting. Geopolitically, there are bigger challenges, with the Russia-Ukraine and Middle East conflicts which have the potential to cause sudden shocks. A Trump presidency would likely add further instability but could turbo-charge US enthusiasm for a trade deal with the UK.

UK BORDER TARGET OPERATING MODEL

- **Latest revision issued in Aug 2023; controls phased in during 2024**
- **From 31st January**
  - Full customs controls introduced for goods imports into GB from EU
  - Import declarations need to be pre-lodged and subject to checks
  - Pre-notification of all animal product imports and medium-high risk plant product imports
  - Export health certification for medium risk animal & plant products
  - Goods designated as Qualifying N. Ireland Goods (QNIG) avoid these rules
- **From 30th April**
  - Documentary and risk-based identity and physical checks at UK Border Control Posts (BCPs) for SPS goods from the EU, **excluding Ireland**.
- **From (or after) 31st October**
  - BCP identity and physical checks for SPS goods from Ireland remain unconfirmed but will not apply before end of October

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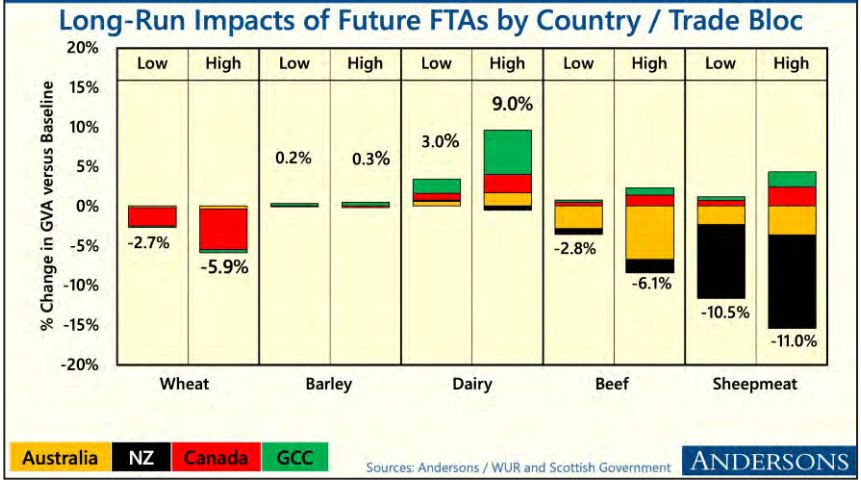
The introduction of import controls for goods entering GB from the EU have been delayed on several occasions due to a lack of readiness by UK authorities. Border controls are now set to be introduced on a phased basis during 2024. From 31st January, a range of new customs and sanitary and phytosanitary (SPS) controls will be introduced for goods coming into GB from the EU. As Northern Ireland is an integral part of the UK and resulting from the Windsor Framework, these controls will not apply to Qualifying Northern Ireland Goods. The imposition of these controls has the potential to cause some delays until the new systems are bedded in. Much will depend on the preparedness and awareness of EU exporting companies and their regulatory authorities in addition to the robustness and preparedness of British systems. With a UK election due to take place in the latter half of 2024, it would be somewhat ironic if the UK Border Controls are finally operational, only for a Labour Government to pursue much closer alignment with the EU on SPS issues.

LONG-TERM IMPACTS OF FUTURE FTAs



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Although the Australian and NZ trade deals became effective from 31st May 2023, trade in beef and sheepmeat will only be fully liberalised after 15 years. Andersons undertook a study for the Scottish Government which looked at the long-term impacts of selected FTAs (Australia, New Zealand, Canada and the Gulf Cooperation Council (GCC)) once tariff-free trade was fully phased-in. This was compared to the current situation (Baseline) under both 'Low' and 'High' liberalisation scenarios. This graphic shows the impact (in percentage terms) on the Gross Value Added (GVA) versus the Baseline for each country / trade bloc. The aggregated impact is shown in text form. Dairy shows potential benefits, driven mainly by increased exports to the GCC. The impact on beef and sheepmeat is negative and this is mainly driven by Australia and New Zealand. FTAs might result in some export increases to Canada and the GCC, but the latter will be challenging due to Halal specifications. The negative impact on wheat output is driven chiefly by Canada. This study signifies challenges for red-meat and demonstrates the cumulative impact of each FTA. The Australian and NZ trade deals set important precedents. Future FTAs with the US or Mercosur would result in significant additional headwinds.

WHAT DOES GOVERNMENT WANT?

- **Fundamentally – to meet its environmental goals**
  - productivity *is* included – but, realistically, secondary
- **Main areas of environmental focus** (*emphasis varies between nations*)
  - Climate Change – big driver in Scotland
  - 'Local' environment – biodiversity, water & air quality, e.g. Environmental Improvement Plan in England. Ammonia issues in N.I.
- **In practice, this means -**
  - more spring cropping; more margins/strips/buffers, less ag-chem
  - less ploughing; higher organic matter in soils; cover crops
  - hedge management; agroforestry; some land converted to forestry
  - peatland restoration / management – uplands and lowlands
  - better grassland management – sward mixes, N rates ↓; stocking rates
  - use of manures; breeding genetics etc.

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Governments in all parts of the UK have set themselves ambitious environmental targets. These focus on similar areas, although there are differences in emphasis between each of the devolved regions. In the future, most Government spending on agriculture will be directed at meeting these goals. All administrations will also wish to boost the economic performance of farming (if not necessarily the volume of food produced). But this, at present, is a secondary consideration and may remain so. These high-level goals of Government are translated into specific 'asks' and actions that are desired. Again, although there are regional differences many of the same things are appearing in different schemes across the UK.

UK SUPPORT FUNDING

- **2020 budget guaranteed until 2024. Unknown 2025 onwards**
  - £2.4bn for England – static in real terms since 2007 (*inflation ↑ 60%*)
  - pro-rata budget for other parts of the UK - Wales - £0.34bn; Scotland - £0.65bn; NI - £0.34bn
  - *Scottish and Welsh budgets recently 'raided' for other spending – showing Govt priorities?*
- **Budget settlement 2025→ to be decided after General Election**
  - unlikely to be a key battleground(!) but manifestos may make promises
  - *NFU study estimates £4bn required for England*
- **Our prediction is for the budget to remain static at current prices**
  - possibly a small rise, but not reversing real-terms decreases
  - UK's finances constrained and other spending priorities
  - 'use it or lose it' as new schemes are offered

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When the UK left the EU, the UK Government made a commitment that funding for agriculture would remain at the same level as seen under the Common Agricultural Policy (CAP) until the end of the current Parliament (2024). The split of funding between the four devolved nations has also been maintained. This has essentially 'frozen' the budget allocations at the same proportions as under the 2014-2020 CAP Budget. In fact, the UK CAP budget set in 2014 saw total spending (Pillar 1 and Pillar 2) fall by 1% compared to the previous period which commenced in 2007. Therefore, UK farmers have received a 1% cut in support since 2007. In this period, inflation has increased by 60% (CPI measure). What happens to the budget in the future is key. We will see whether there are any manifesto commitments on spending. Now that money is specifically being spent to meet Government policy objectives we could see a small rise. But probably not keeping up with inflation. If farmers do not take up the new schemes when they are offered the funds will soon move to other spending areas.

ENGLISH POLICY DIRECTION

- **All Parties seem committed to public-money-for-public-goods**
  - therefore, little change in direction of Agricultural Transition - any new Government would have more pressing concerns
  - likely to be tweaks (secondary legislation) if anything
- **English direct payments (BPS) expected to go by 2028 as planned**
  - payments now 'de-linked' – no need to occupy land; entitlements gone; no cross-compliance. Claim process for 2024→ not clear
- **An element of current support is to get farmers to a 'baseline'**
  - e.g. capital grants (slurry); plans (IPM, Nutrient, Soils etc.)
  - this support could fall away in time and 'regulatory baseline' rise
  - medium to long-term support for the environment – subject to budget
- **Schemes will continue to be more 'dynamic' than under the CAP**
  - annual changes rather than set for 5 years

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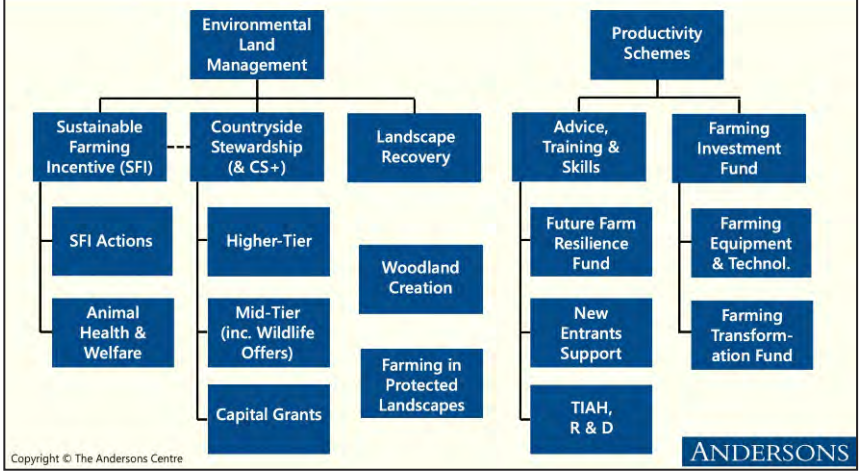
The BPS in England is being phased-out during the 'Agricultural Transition'. BPS payments have already dropped considerably and for the 2024 year payments will at least halve compared to 2020 – and be much lower for larger farms. One significant change to the residual BPS is that it has been de-linked for 2024. This means there is now no link between land area farmed and the BPS payment. Therefore, the cross-compliance system no longer operates. It is possible that a new administration could decide to continue with direct payments – but it seems very unlikely. The concept of paying for Public Goods is entrenched. (Note that food production is not a Public Good – as there is a functioning market for food). Farmers should recognise that not all of the funding at current levels is guaranteed for the long-term. The baseline will rise over time and Government will not fund what it deems good farming practice forever.

ENGLISH SUPPORT SCHEMES



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This slides provides a summary of the schemes currently available in England. As can be seen, there is plenty going on. It is not always easy for farmers to navigate this – especially as scheme rules change and various schemes application windows open and close. The situation is even more complex than can be shown on this graphic. For example, there will be 180 different 'actions' under the SFI + CS by the summer. Also, under the Farming Transformation Fund (the large-scale capital grant scheme) there are various sub-headings. These include animal housing, solar panels, slurry storage, processing & marketing and farm innovation. Under the Agricultural Transition there is extra funding for R & D under the Farming Innovation Programme.

STATE-OF-PLAY ~ SFI & CS

- **SFI and CS Mid-Tier applications via one portal from 'summer' 24**
  - *unclear to what extent the schemes will merge (more details early 2024)*
  - rolling applications – first agreements in the autumn
  - 180 options/actions available (50 new for 2024) across SFI/CS
  - Higher-Tier CS still through bespoke agreements
- **10% average uplift in SFI and CS rates – automatically applied**
  - premium payments for high priority and combination actions
  - 'CS Plus' for collaboration – plus facilitation funding
- **SFI is the 'basic offer' – target of 70% of farms participating**
  - 'Standards' covering different topics, then options within each Standard
  - 3-year agreements, possible to 'upgrade' agreements annually
- **CS for more intensive land management**
  - 5 (or 10) year schemes

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The 'offer' under Environmental Land Management (ELM) continues to grow. An announcement in January 2024 set out a number of new actions for the SFI and CS. However, these will not be available until the summer of this year when a combined portal opens for both SFI and Mid-Tier SFI. This is meant to allow farmers to 'pick-and-mix' from both schemes. More detail on how this will work is awaited. The history of Defra IT systems would suggest it might be into the Autumn before applications are widely accepted. Payment rates have been increased, both for new agreements and existing applicants. This is obviously designed to boost uptake. However, with the overall farm support budget uncertain, there could come a point where high payment rates start to limit the area that can be funded under ELMs. Defra wants most farms to enter the SFI with those willing and able to offer more 'public goods' having the CS as an option.

SFI STANDARDS

2023

- **Soils** – 3 actions
- **Moorland** – 1 action
- **Hedges** – 3 actions
- **IPM** – 3 actions
- **Nutrients** – 3 actions
- **Arable Wildlife** – 3 actions
- **Grass Wildlife** – 2 actions
- **Buffer Strips** – 2 actions
- **Low-Input Grass** – 2 actions
- **Common Land Payment**
- **Management Payment**
- **Animal Health Review**

2024(?)

- **Soils** – 2 more actions
- **Moorland** – 2 more actions (stocking payments)
- **Agroforestry** – 1 action
- **Precision Farming** – 4 actions
- **Boundaries** – 3 actions (inc. stone walls)
- **Waterbodies** – 2 action (ditches & ponds)

+ ***Opportunity to add CS options***
  - *unclear whether there will be separate CS and SFI agreements*

ANDERSONS

This slide provides a brief summary of the Standards currently available under the SFI and those that look set to be introduced for 2024. As mentioned earlier, it is unclear whether there will be a dividing line between the SFI and CS in the future, or whether the schemes will merge. Further, it is not unknown whether farmers will still be given separate SFI and CS agreements – either for 2024 or long-term. The new SFI actions for 2024 are taken to be those that were announced in January 2024 that have a three-year requirement. Those that require a 5 (or 10) year term are assumed to be CS options. With the timing of availability of the 2024 options unclear, it is worth looking at going ahead, based on the 2023 offer. Extra, 2024, options can be added on the agreement anniversary or via a new, separate SFI agreement. In this presentation we have not gone into full details of SFI requirements and payment rates. These are covered in our 'SFI Factsheet' which we've included with the handout.

OTHER ENGLISH SCHEMES

- **Another round of Landscape Recovery available in (spring?) 2024**
  - 'radical and large-scale change' – 500 to 5,000 Ha; 20-year schemes
- **Capital grants under the Farming Investment Fund**
  - FETF: small-scale online equipment (opened in Feb last year)
  - FTF: large scale, 5 'themes' – productivity *inc. solar* (open until March); slurry (open end of year?); animal housing (calf so far, other species end of year?) water management (summer?); adding value (summer?)
- **Forestry schemes open year-round (EWCO) + CS**
- **Shared Prosperity Fund** – 'levelling-up' funding with some ring-fenced for rural projects (inc. farm diversification) – allocated to Local Authorities
  - very patchy – some LA's have not developed schemes for business
- **Training and advice to improve business decision-making**
  - FFRF (free farm advice) – until Mar 2025 – something thereafter?

ANDERSONS

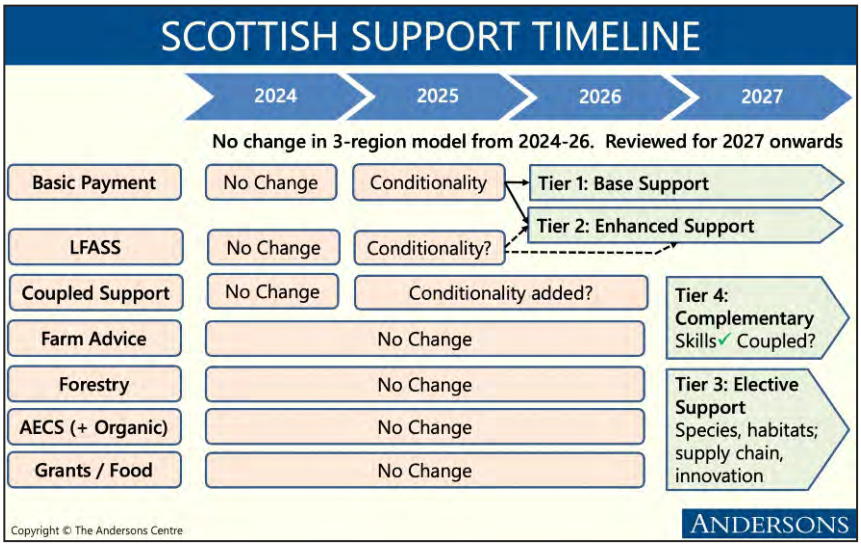
This slide summarises what to expect in terms of other support schemes over the next few months. We are expecting another round of the Landscape Recovery to be available – the scheme for large-scale land use change. Last year it opened in May and the timing may be similar this year. The availability of capital grants under the Farming Investment Fund tends to come and go as application windows open. It is simply a question of keeping an eye on what is available. Farmers and advisors should not forget the range of forestry schemes that are available. Since Brexit there have been no grants for 'Rural Development' – i.e. farm diversification etc. The UK Shared Prosperity Fund theoretically opened in April last year with Local Authorities given funds to distribute. However, a large number have been slow to offer anything or have used the funds for large 'projects' rather than offer grants to businesses. Individuals need to know what is available locally. Free business support to farmers remains on offer.

ELM – A FARMING PERSPECTIVE

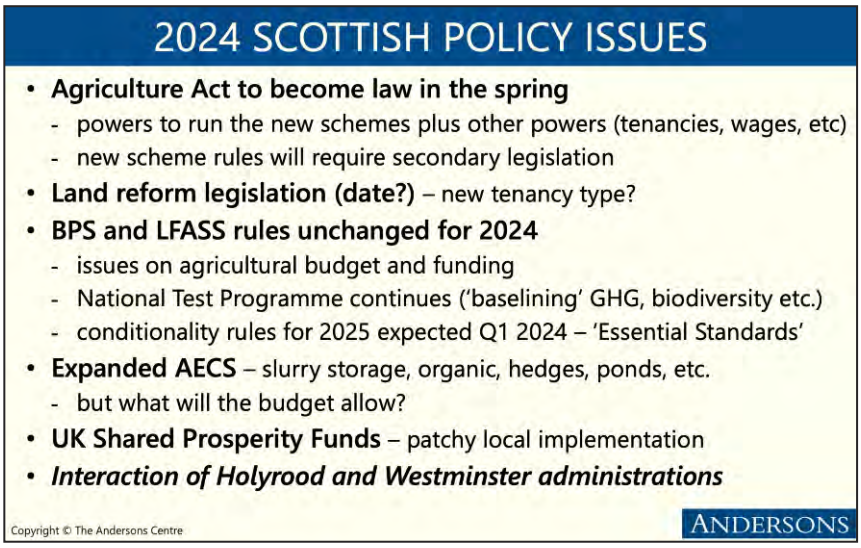
- **Focus is on SFI as the 'replacement' for the BPS for 'commercial' farmers** – *although is Defra promoting CS too*
  - payment for Public Goods – delivery has a cost
  - *margin* will be lower than the BPS + complexity of management higher
  - total *receipts* can be higher than BPS, depending on options chosen
- **Uptake slow so far but momentum is beginning to build**
  - adding 2024 options to those for 2023 should help (+ more for 2025?)
  - good opportunities to build a sensible agreement that fits in around farming operations (but it does need careful thought)
- **Treat ELM like any other farm enterprise**
  - all farmers should take a look at it. Does it stack-up for your business?
- **Improved land out of production could rise to 7-9% from estimated current 3-4%**

ANDERSONS

The introduction of ELM heralds a change in the economics of farm support. Farmers often compare ELM to the BPS and are disappointed. However, the schemes are doing fundamentally different things. BPS was income support. The SFI is a payment for public goods – it is incentivising farmers to do things (or not do things in some cases). This will have a cost. However, there are opportunities to be paid for actions many farmers are already doing – this will have a high margin. As at late January 2024, Defra stated that it had received 9,000 applications under SFI 2023. This is out of an estimated English BPS claim population of 84,000 – still someway to go to get to Defra's 70% target. If farmers are dissatisfied, they should remember it is a voluntary scheme – they can always not enter. Each farm should judge the merits of the scheme for their own circumstances.



In February 2023, the Scottish Government released an 'Agricultural Reform Route Map'. This provided greater detail than was previously available on how support will evolve. For 2024, the policy framework for Scottish farmers will look very familiar. The main supports are the BPS and the LFASS scheme. From 2025 'conditionality' will be added to the BPS (and probably Coupled payments and LFASS too). This will see claimants having to do something to receive the (full) payment. From 2026 a new four-tier structure will start to emerge. The first major change, in 2026, will see the BPS 'split' into a Base Payment and Enhanced Support. From 2027 a further two tiers will be added, subsuming many of the present support schemes. It is not clear whether Coupled payments will continue after 2027. They may be included in Tier 4 – Complimentary payments.



The Scottish Agriculture Act should become law this spring. This gives the Scottish Government a legislative base for its new support scheme (as well as other areas of policy). Land reform remains a contentious issue. A further piece of legislation was meant to be put before Parliament before the end of 2023 but has been delayed. This covers areas such as large landholdings, an estate Land Rights and Responsibilities Statement (LRRS), compulsory Land Management Plans, public interest tests and potential restrictions on the receipt of public funds. One positive is proposals for a 'Land Use Tenancy' with additional flexibility. The BPS (and LFASS) schemes continue unchanged for 2024. Whilst payments have been maintained in nominal terms, the high level of inflation means they have dropped sharply in their real-terms value. It has been announced that AECS will be wider this year – but there are concerns over the budget. The agriculture budget has been 'raided' for the past couple of years to fund other spending areas. This perhaps shows where farming is on the Scottish Government's priorities. In terms of other funding, the UK Government replacement for EU regional and structural funds, the UK Shared Prosperity Fund, opened last spring. This could provide grants for farm diversification, but its impact at farm level has been small.

'ESSENTIAL STANDARDS' - SCOTLAND

- **Apply to BPS from 2025, then rolled-over into new 'Base Support'**
- **Greening – rules unchanged from current**
- **Cross-compliance – as now, but extra protection for Peatland**
- **Whole Farm Plan (WFP) – requirements for 2025 vague**
  - soil testing; animal health & welfare; carbon audits; biodiversity audits; support for business planning; *employment practices; efficiency?*
  - 'baselining' underway for some of this under Preparing for Sustainable Farming (PSF) scheme
- **Unlikely that *all* BPS will be lost if requirements not met**
- **Other schemes**
  - payments under 2025 suckled beef scheme linked to calving interval
  - upland sheep headage payments may be changed for 2025
  - unclear whether it will apply to LFASS in 2025

ANDERSONS

From 2025 BPS claimants will be required to meet 'conditionality' rules – known as Essential Standards. There are three key areas for this – the existing Greening and Cross-compliance rules will remain, then new 'Whole Farm Plans' (WFP) will be required by claimants. It is currently unclear what this means in practice. The overall areas to be covered have been outlined, but not the detailed rules. It is also unclear whether all the provisions will apply from 2025, or whether they will be phased-in. Even if farmers don't meet the Essential Standards they may still receive part of their BPS – previously it has been suggested that only 50% of the BPS will be linked to conditionality. Other schemes will also be amended for 2025. One further element under the Essential Standards is meeting the Active Farmer rules. It is not clear whether these will be reviewed for 2025 or 2026.

SCOTTISH SUPPORT - 2026→

- **At least 70% of funding (total unknown) to go to Tiers 1 & 2** – base support. Plus extra 10% for LFA support
- **Tier 1 – Base Support** – 'Essential Standards' incorporated from BPS
  - with additional requirements? (or raising over time?)
- **Tier 2 – Enhanced Support** – based on a number of 'measures'
  - soil cover, min till, reduced N, crop rotations, agro-forestry, mixed leys, bird cover & food
  - field margins, buffer strips, hedges, grazed habitats, traditional breeds
  - animal nutrition & emissions, breeding, health, nutrient management
- **Tier 3 – 'Elective Payments'** – supply chain support; organic farming; innovation; targeted species and habitats
- **Tier 4 – 'Complimentary Support'** – farmer CPD; advisory services; LFAs? woodlands; coupled support for beef and sheep?

ANDERSONS

The overall UK budget for farm support has not been set for 2025 onwards. Therefore, the allocation for Scotland is not known. It is therefore perhaps not surprising that Scottish Government has been unwilling to commit to setting out how much funding each Tier of the scheme will get. The balance will be key. If the majority goes to Tiers 2-4 then there will be little baseline support for the sector. The Tier 1 'Base' payment will inherit the conditionally first seen in the Essential Standards for the 2025 BPS. Over time, it is believed the 'baseline' of what farmers are expected to deliver will rise. In order to get revenue back to BPS-levels, farmers are likely to have to take part in the 'Enhanced' Tier. A list of measures was published last February. There are circa 35 of these, and this slide summarises the main categories. These may not be the final choices as the Scottish Government is still developing policy in this area. Policy is even less well developed for Tiers 3 and 4 as their implementation will not start until 2027. A key question is over the future of hill support (i.e. LFASS replacement) in the new regime. One final point is that the future Scottish farm support system seems to require a name or title.

2024 WELSH POLICY ISSUES

- **Agriculture Act (Wales) – Royal Assent August 2023**
- **BPS continues in 2024** – rules unchanged
- **Habitat Wales Scheme** – for 2024 only, to bridge gap for Glastir holders
- **Water quality regulations** – final slurry storage requirements July 2024
- **Capital grants available for 2024** – Small Grants; Growing for the Env.
- **Farming Connect service extended into 2024**
- **'Sustainable Farming Scheme' (SFS) consultation until March 24**
  - final consultation – next announcement will be the scheme for 2025
- **BPS / SFS phasing over 5 years** – can choose BPS *or* SFI (can't go back)
  - SFS (UA element) will always be at least the same level of BPS

2025	2026	2027	2028	2029
80%	60%	40%	20%	0%

ANDERSONS

Wales got its first-ever Agriculture Act last year. This gives the Welsh Government the powers to run its new support policies which will be the Sustainable Farming Scheme (SFS). However, the BPS will continue (unchanged) for 2024. The current year is also seeing an interim agri-environment scheme (the 'Habitat Wales Scheme') to bridge the gap for Glastir agreement holders until the SFS starts. Also continuing for 2024 is the suite of capital grants. In part these are to help the Welsh farming sector prepare for life after the BPS. The Farming Connect advice service also contributes to this, although it has recently had its budget cut. Another important policy area is the water quality rules that have been phased-in. Some farms will not have enough slurry storage to be compliant. There is a consultation on the SFS currently ongoing. This will be the last consultation and the final version of the scheme may be seen in the summer. The new system will be phased-in over five years, during which the BPS payments will decline. Farmers can opt to continue with the (falling) BPS or move into the SFS. Once in the SFS they will not be able to go back to the BPS. Farmers will always get at least the BPS payment under the SFS

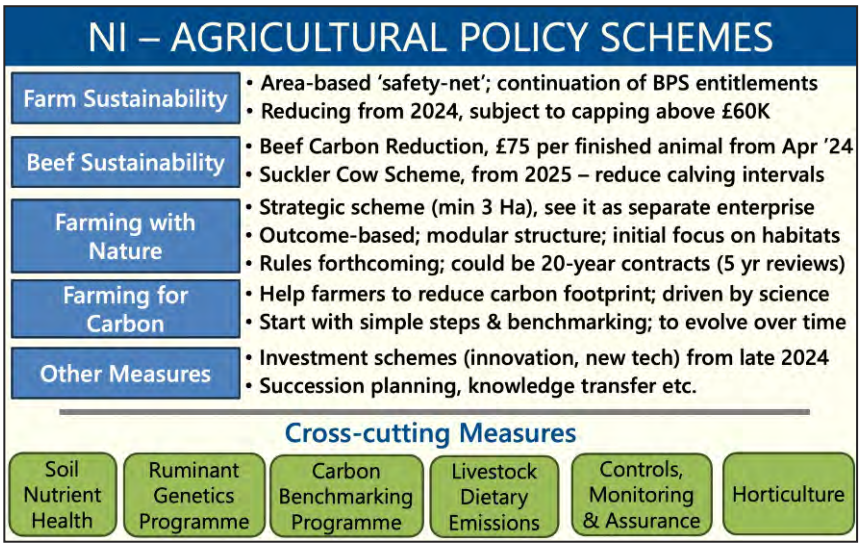
WALES ~ SUSTAINABLE FARMING SCHEME

- **Universal Actions – required to receive baseline payment**
  - 17 UA proposed + Universal Code + 2 Scheme Rules
  - Rules: 10% of farm in semi-natural habitats + 10% of farm in woodland
  - calendar year scheme; land declaration May; four land types for payment (payment rates unknown); payments may be capped
- **Optional Actions – top-up payments – *not available in 2025***
  - habitats and woodlands above 10%
  - actions to improve gazing management (rotation, legumes etc.)
  - crops to replace purchased feed
  - support for horticultural enterprises plus innovate production techniques
- **Collaborative Actions – farmers working together – *not 2025***
  - landscape-scale changes; adding value
- **Farm Sustainability Review before entering**

ANDERSONS

The structure of the SFS will be made up of three elements. The Universal Actions will generate an area payment for farmers (based on different land types). However, there will be far more cost involved in collecting the payment due to the need to undertake all the actions plus two Scheme Rules. The Scheme Rules are probably the most contentious part of the scheme as a substantial part of any Welsh farm must come out of agricultural production - 10% of the farm needing to be in both tree cover and semi-natural habitats. 'Habitat' land covers any semi-natural habitats plus ponds, hedgerows etc. If there is not enough habitat or woodland the scheme will pay for it to be created. The minimum tree cover requirement must be met by the end of 2029. It has been acknowledged that some areas are 'unplantable' for trees – these include land under tenancies where the agreement excludes tree planting; permanent features such as tracks, yards & ponds; and high-quality habitats such as peatland. These areas will be removed from the calculation. The Optional actions offer a way of farmers to increase their payments by doing things that meet the Government's policy goals. However, neither the Optional or Collaborative actions will be available in 2025. It is not clear when they will be phased-in. There will also be support under the new arrangements to improve the productivity of Welsh agriculture.

This slide provides a brief summary of the proposed 17 Universal Actions under the SFS. Although they are being consulted on, it seems unlikely that they will change much in practice before the scheme is introduced. There is a quite extensive list of things that farmers will be required to do to receive a SFS payment. The cost : benefit ratio is not yet clear as the payment rates under the UA have not yet been set. They will need to be high enough or farmers will not join the scheme. However, rates are unlikely to be as high as the BPS as some money will be diverted to the Optional and Collaborative actions. Some of the Universal Actions will not fully apply from the first year of the scheme. There is a different timetable for when each Universal Action needs to be completed - some are in the first year but for 10% woodland creation and for areas of hedges in 'good condition', these are to be achieved incrementally up to the end of 2029.



For the foreseeable future, the Farm Sustainability Payment (FSP) will be the main component on NI agricultural policy. It will be an area-based payment intended as a basic safety net to farmers. The Beef Sustainability Package focuses on raising productivity and reducing emissions. It is predicated on meeting FSP conditions and achieving performance targets around maximum age at first calving, calving intervals and age at slaughter. The Farming with Nature and Farming for Carbon packages will replace current agri-environment schemes. Farming with Nature will eventually be the centre-piece of NI farm policy and is being co-designed with stakeholders. Farming for Carbon will start off with simple measures to help farmers to reduce their carbon footprint, ideally whilst not affecting output. All farms will be carbon benchmarked and reduction targets will be introduced. Over time, measures will evolve and will be guided by science. Several other support packages are also planned to tackle key farming-related challenges such as bolstering skills, investment in technology and improving productivity, as well as boosting knowledge transfer and succession planning. NI's Soil Nutrient Health Scheme is in its second year of a four-year plan. It covers pH, major nutrients and carbon (above and below ground). Participation thus far is circa 92-95%.

OTHER POLICY AREAS

- **Immigration (labour availability)** – no easing of rules
  - plus continued rise in Minimum Wage levels
- **Taxation - to be decided after the election**
  - our view is that 'agricultural' reliefs (e.g. APR) likely to be safe
- **Land Use Policy** – no administration will be 'prescriptive' but all considering how to balance competing demands for land
  - designating land (new National Parks) and 30-by-30 commitment
  - *specific 'Land Reform' issue in Scotland targeting large landowners*
- **Biodiversity Net Gain** - only in England at present (from 12th Feb) but devolved regions looking at outcomes. Local opportunities
- **Nutrient Neutrality** – now Government rather than market driven
- **Carbon markets** – only developing slowly. Does/should Government get involved to set framework and provide certainty?

ANDERSONS

This slide sets out some other areas of Government policy that are important to farming, beyond farm support. The sector continues to suffer from a labour shortage (and rising wages). Immigration policy since Brexit has not favoured the food sector – focusing on allowing in only 'highly skilled' occupations. This looks unlikely to change. Tax policy affects all businesses, but farming has a number of specific exemptions that are important – particularly for capital taxes. Our view is that any new Government will have other things to concern itself with – at least in the short-term. Balancing all the competing demands for land is not seen as the job of Government – although it is playing an increasing role through environmental schemes in influencing land-use decisions. There are a number of new potential income streams for farmers – largely driven by regulation. As such, they are developing at a different pace across the UK, depending on local circumstances.

SO WHAT?

- **BPS is disappearing across the UK** – election unlikely to change this
- **Size of future agricultural budget is key issue in next year**
  - new support systems may justify a rise in the budget
  - *but*, real-term decline is support probably likely to continue long-term
  - margin from support also falls as 'conditionality' placed on payments
- **Can businesses recover the lost margin?**
  - better performance from farming
  - new income sources including 'public goods' payments
- **Likely to be accelerated structural change at farm level**
- **Government policy is largely driven by the environment**
  - not a 'food' or 'farming' (or 'social') policy
  - is this creating risks?

ANDERSONS

The next five to ten years will be a period of significant change for UK farming. The funds granted to farmers are falling in real-terms and will probably continue to do so. At the same time claimants will have to do more to access the available money, meaning there is less profit available. The key question for farm businesses is 'do they have a plan to prosper through this period of change'? Structural change and the decline in the number of businesses has been a feature of farming for many years, but this seems set to accelerate over the next few years. To conclude this policy section, it is worth reminding ourselves that Government policy in relation to agriculture (whatever the party or part of the UK) is now almost wholly framed in terms of the environment. A focus on a single aspect means that other important aspects may be ignored.

FOOD SECURITY AND FARMING RISK

What is food security? It is the ability of somebody or a population to access sufficient, nutritious, food reliably. This encompasses a host of factors, categorised here in various 'compartments'. However, they are not siloed, but interlinked. The food industry worker is, in part, the consumer, and the economics of the consumer and the farmer are related. This slide can only be a summary of the main issues, but each could be expanded into an entire seminar section. For somebody with the skills and motivation to cook meals from raw ingredients, food security is far greater than those who depend on pre-prepared food. Is the lack of one ingredient (e.g., eggs or tomatoes) food insecurity? No, it is not, but it can be an indicator of failing supply chain conditions in a developed economy where the consumer expects everything at any time. Food security and self-sufficiency are different things. The ability for the UK food supply chain to secure the necessary ingredients from around the world and country is increasingly demanding as short-term supply chains with minimal storage for cost reasons means any hold-ups affect the preparation of the finished goods and possibly empty retailers' shelves.

Defra's Secretary of State must submit a Report to Government every three years on UK Food Security. The last one was in 2021, so we are due another this year. Whilst it is not a policy document, it keeps Government informed on something many people consider it has little interest in. Previous reports have indicated that the UK has good food security. Given this, the Governments perceived attitude might be appropriate. However, things can change rapidly. The report informs policy makers if the food security landscape needs to change. The UK produces about 60% by value of its own food consumption but, as some domestic production is exported, it means just less than half the food eaten in the UK is produced in the UK. No single country provides more than 11% of the UK's food (apart from the UK). Overall, 80% of imports come from Europe. Diversity of sources makes food supply more resilient and secure.

UK'S CURRENT FOOD SECURITY POSITION

Selected Food Security Rankings

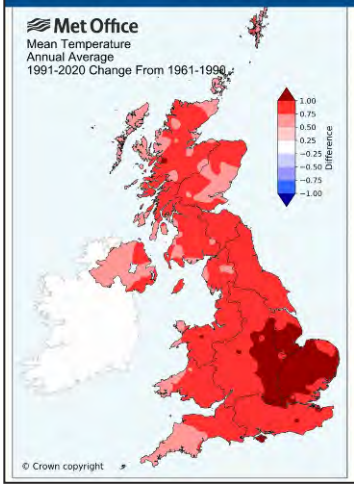
Country	2012	2021	2022
Finland	9	1	1
Ireland	N/A	2	2
Norway	3	18	3
France	4	17	4
Netherlands	5	3	5
UK	**20**	**6**	**9**
US	1	11	13
NZ	11	13	14
Australia	14	31	22
China	38	39	25

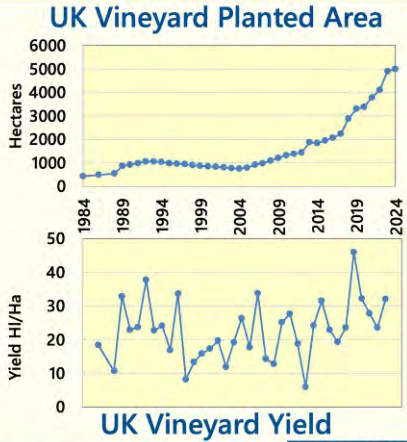
- UK's 2022 ranking has deteriorated, but still in top-10
- UK underperformed in terms of health & quality
  - dietary availability of vitamin A and iron below average
- Susceptibility to drought & flooding
- Some volatility in agricultural production versus leaders
- Trading partners such as Australia (& US) are less secure
- China is improving

Source: Economist Global Food Security Index
ANDERSONS

This table shows the Economist's Global Food Security Index rankings for selected countries. In recent years, the UK has performed better than in 2012, when austerity was having an impact on affordability. Its ranking deteriorated in 2022, but the UK is still in a relatively secure position. It helps being geographically close to, and having significant trade with, other highly food-secure countries such as Ireland, France and the Netherlands. Some countries, notably the US and Australia have had significant decreases during the last decade with droughts, other climatic challenges and rising fertiliser costs cited as key factors. From a trade policy perspective, this suggests that the UK should be cautious about over-relying on these countries; but having choice of where a country can procure food from builds food security. The data suggests China has improved in the past year, but still has quality & safety, affordability, sustainability and adaptation challenges.

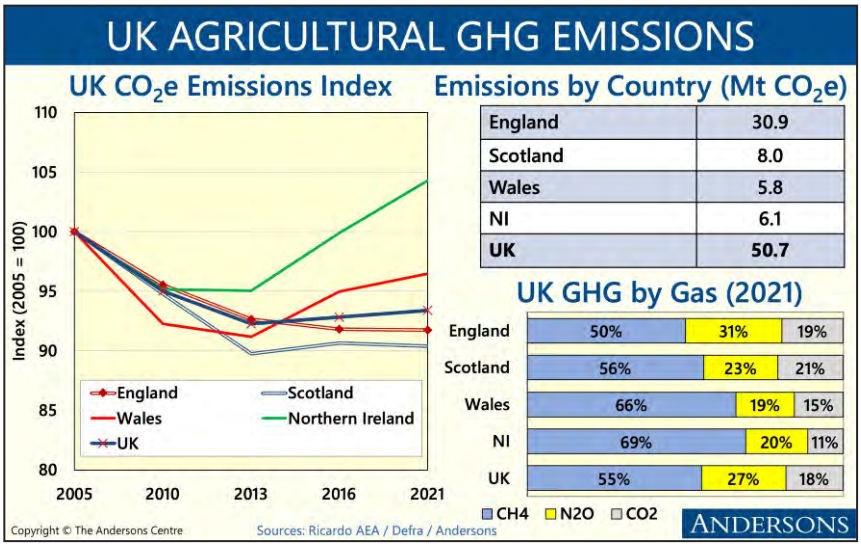
CLIMATE CHANGE IN THE UK



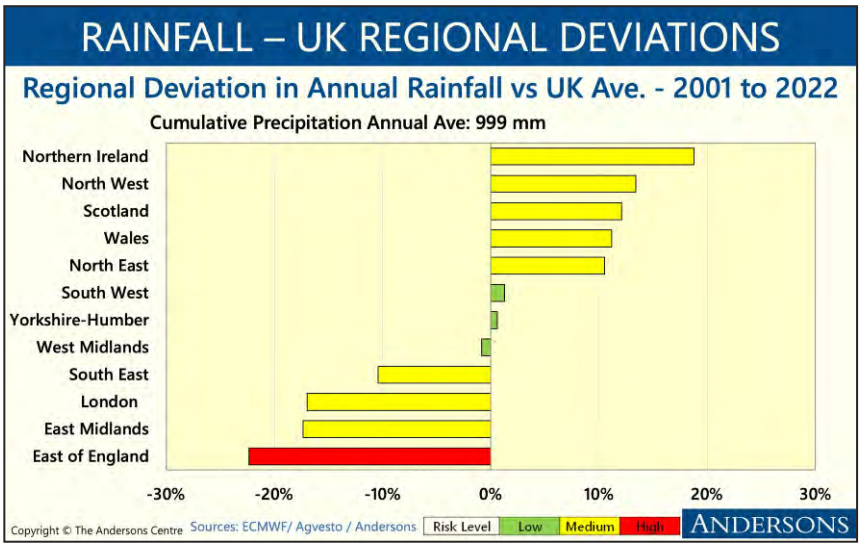


Source: Met Office, Stephen Skelton (EnglishWine.com)
ANDERSONS

The map is from the Met Office showing how UK temperatures have risen over a long period. Single hot or cold years confuse the anecdotal commentator, but evidence like this is convincing. The climate, even in the UK, is warming over the long term. An increase of 1 degree might not jeopardise the UK or remove our ability to farm, indeed, as the graph illustrates, it has opened opportunities to UK farming to grow new crops. But it may mean crops will become more suited in other regions which are not set up for large scale farming. A big transition may be required. The impact across the globe, means a crowded island like the UK should be prepared for more frequent weather shocks that could affect food supply without warning. The second chart shows the volatility in vine yields in the UK, in part, as a response to unpredictable weather patterns. We do not show the yield chart to describe global warming, but the challenges with embracing new crops in novel regions of the world.



Indirectly a food security issue, greenhouse gas (GHG) emissions are the chief driver of climate change. Agriculture accounts for around 11% of the UK's total GHG emissions. The chart on the left shows the trends in GHG emissions (expressed in CO_2 equivalent (CO_2e) terms) since 2005. UK agricultural emissions have declined by around 6%. Scottish emissions are nearly 10% lower, but Northern Irish (NI) emissions have risen by nearly 5% over the period. This is due to increases in cattle populations and dairy industry expansion. The data show that more substantial reductions in GHG emissions will be required across all UK nations. The chart on the bottom right shows that methane (CH_4) is the main contributor to agricultural emissions, accounting for more than half of total emissions. Nitrous oxide (N_2O) is also sizeable. Agricultural emissions do not include changes to carbon stocks within farmland, which is attributed to Land Use, Land Use Change and Forestry (LULUCF) in the national inventory figures. Whilst combining LULUCF with agriculture might paint a more positive picture, emissions reductions will be required wherever possible. Therefore, reducing 'gross' GHG emissions from farming should be a core focus now, particularly in terms of methane and nitrous-oxide.



This chart shows the deviation in annual average rainfall versus the UK average (999mm) over the past two decades. An indication of the potential risk level is also provided. Regions that are within 10% (above or below) the UK average are of a lower general risk of flood or drought. Regions with deviations of 10-20% are considered medium risk with high risk regions deviating by more than 20% versus the national average. The North and West of the UK are most susceptible to flooding, although the recent floods in January 2024 (e.g., River Trent) remind us flooding could occur anywhere in the UK. The East of England is the driest part of the UK average and is more susceptible to drought. This may become more pronounced in the future as water shortages already have impacts for portions of some years. It could have implications for water-intensive crops (e.g., potatoes) in some regions in the long-term.

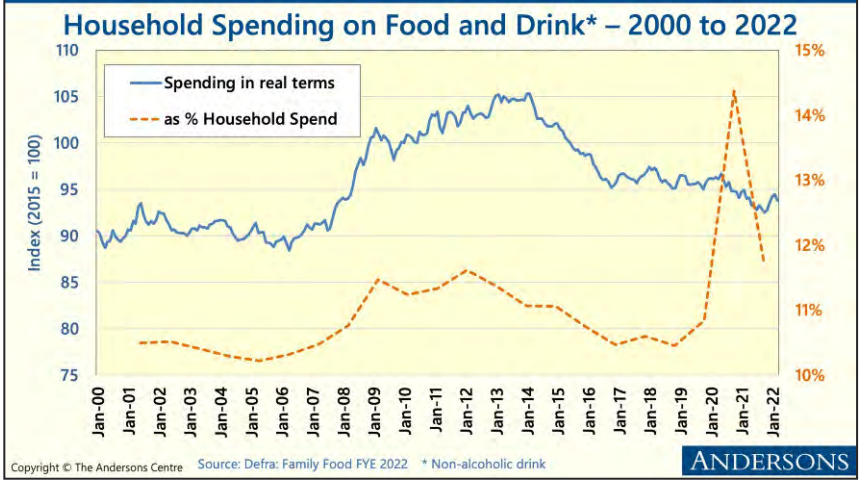
COST OF LABOUR

Sector	Hours/ Tonne	£/t	Hrs to Produce £100k Turnover	Wages as % Turnover 2024 £14.56/Hr	2034 (2%) £17.75/Hr	2034 (2014-24 rise) £25.63/Hr
Chicken	1.5	960	156	2%	3%	4%
Potatoes	1.1	200	555	8%	10%	14%
Cereals	1.5	190	789	11%	14%	20%
Dairy	3.9	380	1,013	15%	18%	26%
Beef	30	2550	1,182	17%	21%	30%
Sheep	32	2400	1,342	20%	24%	34%
Cauliflower	22	700	3,143	46%	56%	81%
Dessert Apple	30	900	3,333	49%	59%	85%
Strawberry	140	3500	4,000	58%	71%	103%
Raspberry	350	7000	5,000	73%	89%	128%
Asparagus	300	5500	5,455	79%	97%	140%
Blueberry	500	6800	7,353	107%	131%	188%

Source: Andersons
ANDERSONS

In the last decade, the minimum wage has risen 76%. The median wage of the UK farm worker has gone up by 43% whilst their hours have typically dropped as farm workers indirectly demand better working conditions and flexibility. The prices of some farm goods have risen by that much, but not all. If you calculate the total hours required to produce and market ex-farm goods, then apply projected hourly wage rates to them, we can calculate the typical cost of labour to produce £100,000 of output. We do that using the 2024 Minimum Wage cost to the employer, a low minimum wage by 2034 (based on annual wage inflation of only 2%) (£17.75/hr) and the farm workers' trend wage rise by 2034 to £25.63/hour. Without changing output values, or taking account of labour efficiency gains, the cost of labour as a percentage of output is shown in the table. This suggests that either the intensive field vegetable, fruit and salad crop prices will have to rise considerably in the coming decade, the crop production processes will be transformed with efficiency gains in the next decade, or simply the crop will not be grown in the UK. Many livestock enterprises may also be threatened by a similar impact as shown.

COST OF FOOD



Source: Defra: Family Food FYE 2022 * Non-alcoholic drink
ANDERSONS

The cost of food has been falling for a decade towards the level it was at the turn of the Millennium. As a percentage of household spend, it has been stable at between 10 and 12 percent, apart from a spike in the Covid era. This was not because more money was spent on food as the blue line demonstrates, but simply as there were so many things that households simply could not spend money on, such as going out, holidays, cars, and so on. It does not make a headline for the press, but the cost of food is not high in historic terms. It should be noted that for those on the lowest incomes, food forms a larger share of their spending as it is a necessity, and Covid taught us how much of our spending is ultimately non-essential. Nevertheless, even seemingly small rises in the cost of food can have an impact on the poorest in society. This is the most food-insecure, indeed vulnerable sector of society.

FOOD SECURITY - SUMMARY

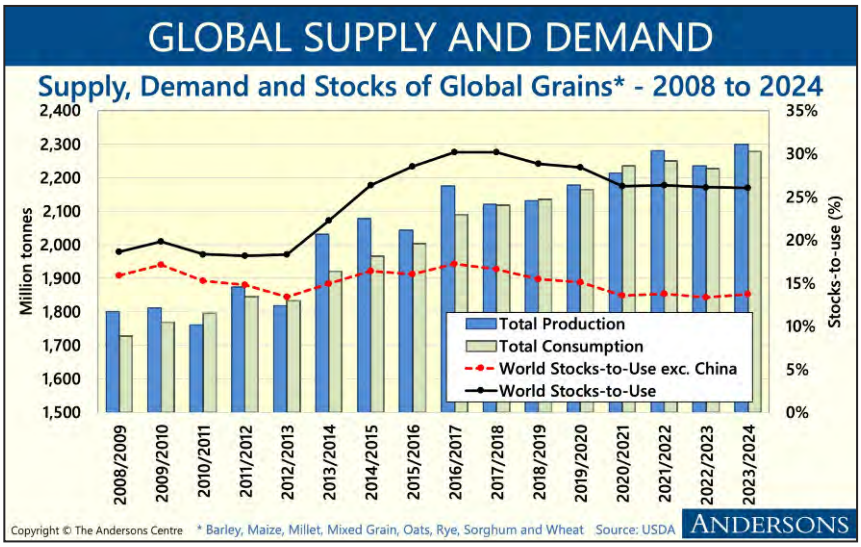
- **Consumers want value, choice and convenience (increasingly pre-made and delivered)**
  - seasonal food is more secure, lower cost and environmentally better
- **Government wants sufficient, safe, and affordable food for all**
  - almost wholly outsourced to 'the market' other than standards legislation
  - most food safety issues at the point of cooking rather than supply chain
- **Farming industry conflates food self-sufficiency with security**
  - far more complex – for rich countries, food security is a global issue
- **UK food security has been good in recent years**
  - Covid was a severe test and the food supply system adjusted well
- **Food security could change quickly** – the future will not be the past
  - have we become complacent? and what (if anything) should we do?

ANDERSONS

Priorities differ for interested parties. Consumers want affordable choice and ever-more convenience. Pre-made meals, pre-chopped ingredients delivered to the door, and take-aways are becoming deliveries. 'Dark kitchens' are those with no associated restaurant meaning all orders are online for delivery - usually on the back of an e-bike rider, a common urban site now. Government wants to ensure everybody is fed (at low cost), ideally with what they would like to eat, but certainly not to go hungry. A secure food chain is one that is also sustainable in the long-term. The sustainability of food is little debated by the public – indeed there is often a tension between consumer demands and the environment (e.g. non-seasonal produce). Governments in all parts of the UK have largely left the food market unregulated (apart from safety and standards). UK food is generally highly safe, with the biggest risks being once the end-users get their hands on it. Covid, the biggest supply chain test of recent history, demonstrated the adaptability of the food supply chain to provide sufficiently in extreme conditions. Some shelves emptied, more through greed and fear than logistical problems, but the population was well provided for. This success, should not leave space for complacency.

ARABLE SECTOR

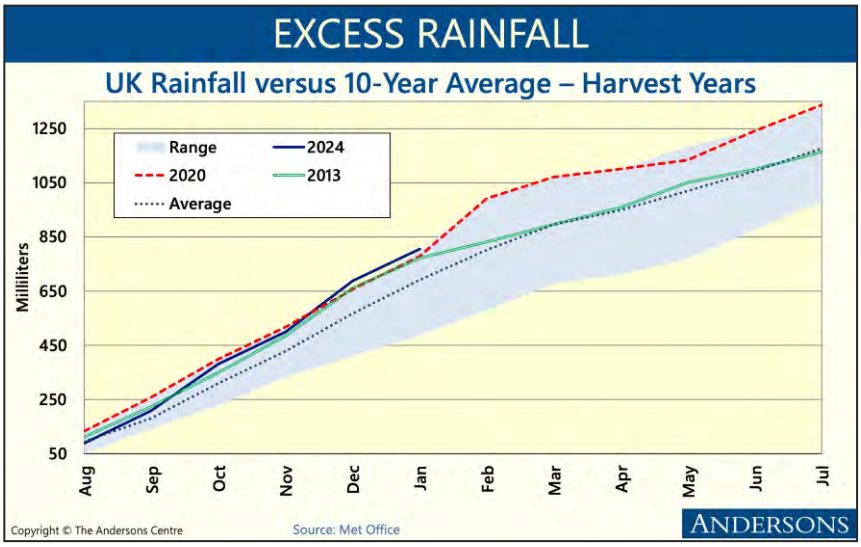
GLOBAL SUPPLY AND DEMAND



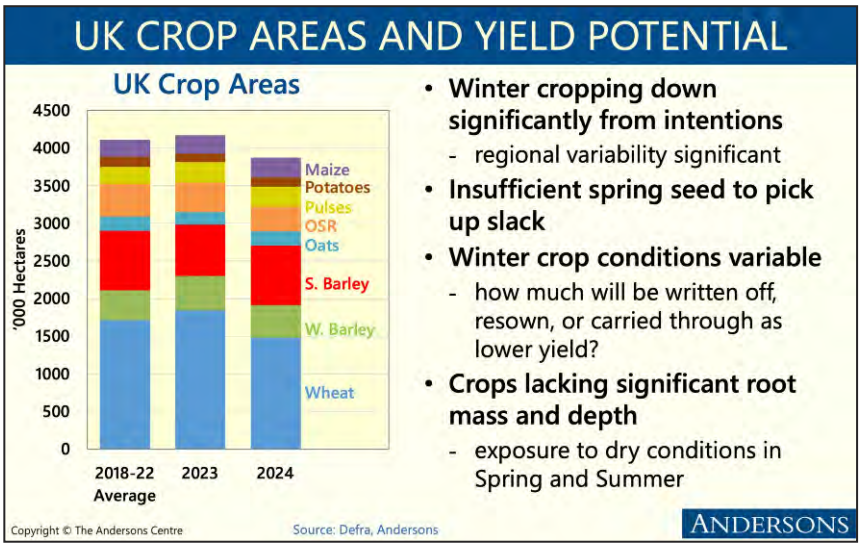
 * Barley, Maize, Millet, Mixed Grain, Oats, Rye, Sorghum and Wheat Source: USDA

ANDERSONS

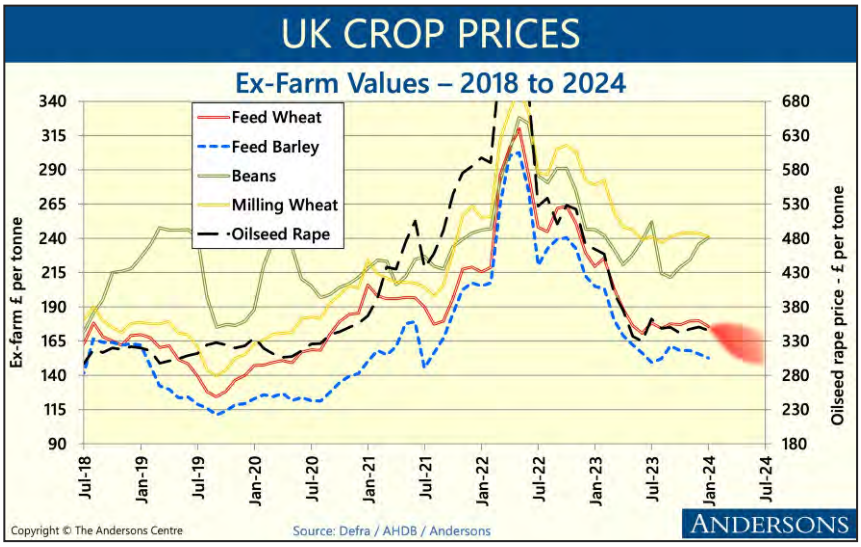
The global grain market is fundamentally the driving force of UK grain prices, due to the largely homogenous nature of grains. This chart shows the combined global supply and demand of eight grains from harvests 2008 to 2023. The difference between the columns represents the surplus or deficit in production. Over the past two decades the grain production column has been increasingly driven by the production of maize, now in excess of 1.2 billion tonnes annually. In 2023, the production of grain is expected to have outstripped global grain demand for the third consecutive season, pressuring prices, and keeping the balance of stocks to use stable. Bear this chart in mind when considering the challenges facing UK arable farmers in the lead up to harvest 2024. While the size of the UK wheat will be smaller year-on-year, the direction of prices will be driven globally. The UK wheat and barley crop in 2023/24 accounts for 1% of global production.



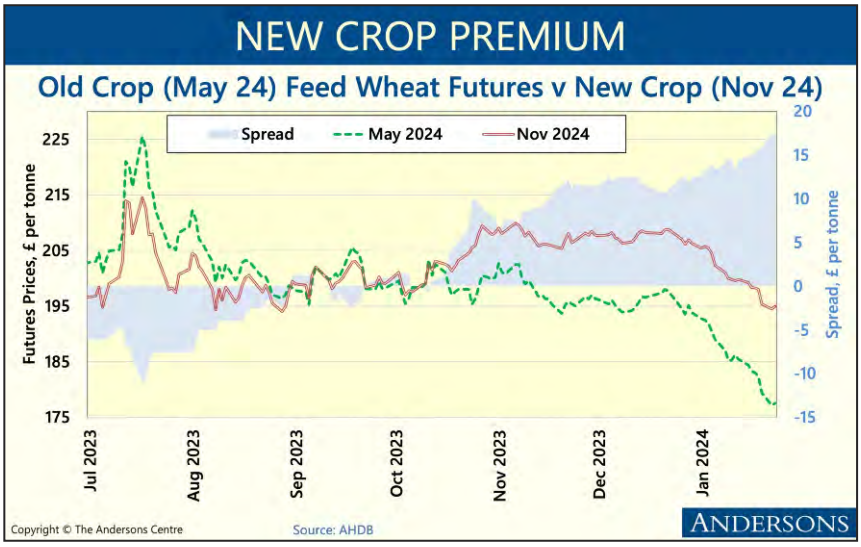
This chart shows UK rainfall between August and July annually, demonstrating the window from planting to harvest. The blue channel shows the 10-year range (Harvest 2014 to Harvest 2023). It shows that rainfall during the winter crop planting and establishment window in the UK has been higher than that in the most challenging years, such as 2019/20 and 2012/13. In fact, according to Met Office data, rainfall in the UK between August and January is the highest since the 2007 harvest. This high level of rainfall has hampered both winter planting and winter crop development.



Given the challenging weather conditions, the area of winter crops has fallen. Estimates of the decline in winter wheat planting vary significantly by region. Moreover, the condition of crops that were planted is also dubious. Typically, we would expect to see an increase in spring cropping to make up for the fall in winter cropped area. However, 2023 was a wet harvest and as such spring seed stocks are low. In place we may see alternative crop areas increase; the margins are attractive for potatoes and sugar beet, and there may be an opportunity for increased maize planting either for feed or AD plants. Many winter crops have been sat in water for prolonged periods. This will impinge root development and more may need to be spent on chemicals to maintain vigour through to harvest.



This slide shows the path of UK grain and oilseed prices since 2018. Domestic markets follow a similar pattern to global markets, with the relative premium or discount affected by the net trade position of UK products. Grain prices began to move upwards from 2020, but were boosted to extreme levels following Russia's invasion of Ukraine. As global trade has normalised, maize production has increased, and Black Sea wheat has become cheaper, the price of grain has fallen considerably. Ex-farm feed wheat for immediate delivery is now back to levels of 2020. For this to change substantially, we would need significant supply or demand side shocks. While feed prices have fallen, premium products (milling wheat and malting barley) have increased in value relative to the feed base. Oilseed rape prices are back to roughly double that of feed wheat.



This chart shows the relationship between old crop (May 2024) and new crop (November 2024) feed wheat futures. It demonstrates the impact of a difficult planting season, to date. Whilst the price of new crop wheat has fallen since November, the value of wheat already in the shed has fallen by far more. This will incentivise the carrying of old crop wheat from the 2023 harvest into the 2024 year, managing the gap in supply. This is not possible for many farmers but may be for some commercial grain stores. More importantly, it highlights that, even though prices are falling, the reality of a poor crop is increasingly already priced into today's forward prices. It also confirms that a poor crop, does not necessarily translate into higher prices when there is plenty of grain available globally.

LOAM FARM MODEL

- 600 Ha of combinable crops; 240 owned, 360 FBTs
- owner plus 1 FT worker & harvest casual

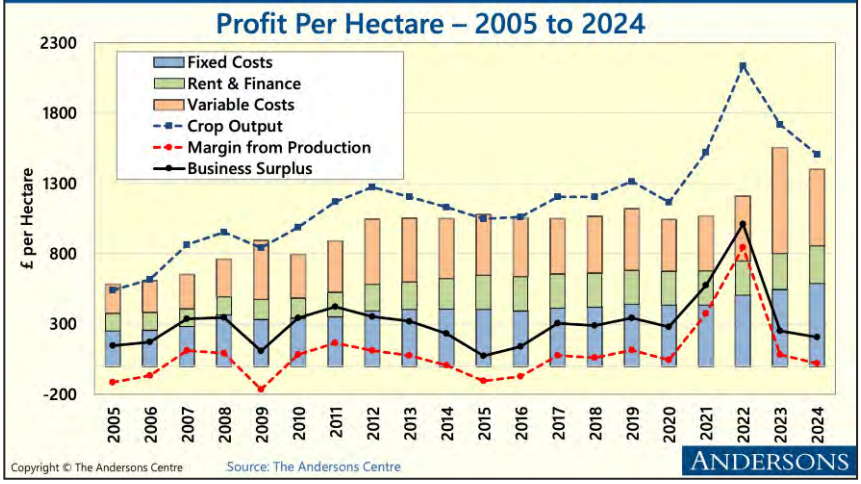
£ per Ha	2021①	2022①	2023②	2024③
Output	1,523	2,136	1,791	1,505
Variable Costs	390	460	754	545
Gross Margin	1,133	1,676	1,036	960
Overheads	437	507	545	589
Rent and Finance	242	243	256	266
Drawings	78	80	82	86
Margin From Production	376	847	153	18
Basic Payment (+ SFI④)	198	163	128+40	93+97
Business Surplus	574	1,009	321	208

Source: Andersons ① Result ② Estimated ③ Budget
④ SFI payment is shown ***gross*** - costs of compliance are in farming costs

ANDERSONS

To illustrate trends in cereals farm profitability, we use our 'Loam Farm' model. Loam Farm managed to get all its planned autumn drillings done, but it is not yet clear what the yield effect might be. At present we are estimating a 10-15% reduction in yields, with some change in costs as fertiliser, agrochemicals, and seed rates are adjusted to fit the challenges of 2024 crop. Loam Farm is a notional business which has been running for over 30 years and tracks the fortunes of combinable cropping farms. It is a 600-hectare farm in a simple rotation of combinable crops. In 2021, Loam Farm performed well. A change in cropping (away from oilseed rape) resulted in lower variable costs, versus pre-2020. The business surplus for 2021 was a record at the time. In 2022, costs increased, but many of the inputs had been purchased early for the 2022 crop, so exposure to price rises was limited. With high average sale prices for the crop, the spectacular profits can clearly be seen. For 2023, there was significant further unavoidable increases in costs. With prices declining from recent highs, the margin from production is much reduced. However, a good profit is still forecast. For the coming 2024 year, costs are lower (mainly fertiliser but some others too). But forecast output declines drive a marginal profit from production. The fall in BPS is mitigated by involvement in SFI, but delivering SFI comes at a cost.

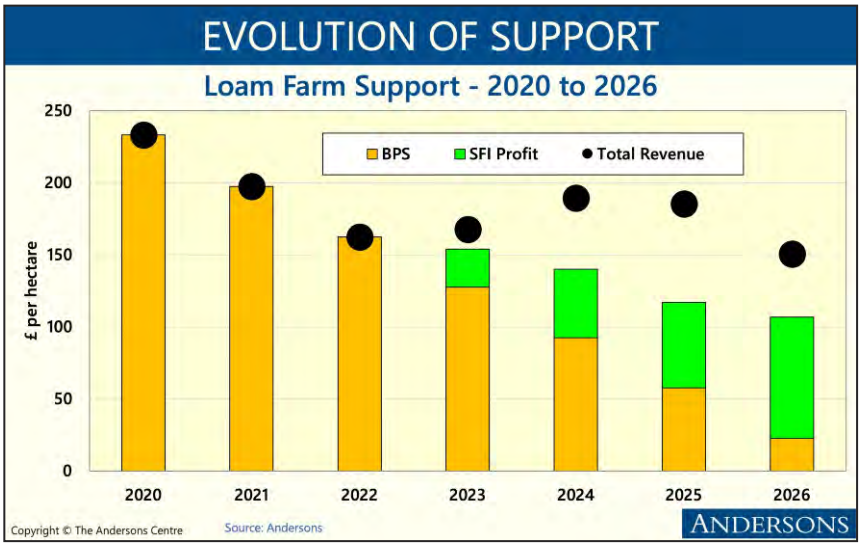
LOAM FARM HISTORY



Source: The Andersons Centre

ANDERSONS

This chart highlights the extent to which the 2021 and 2022 seasons were exceptional for profitability on (English) Loam Farm. Historically, the fortunes of Loam Farm have been lower, with more uncertainty as to whether a positive margin would be made from production. Key to the continued operation of Loam Farm during those meagre seasons was guaranteed farm support payments. However, from 2020 the value of direct support and its contribution to business surplus is falling. Whilst output and variable costs are volatile, there is continued inflation in fixed costs. This is a key pressure point for many businesses. The AHDB 'The Characteristics of Top Performing Cereals and Oilseeds Farms in the UK' produced by The Andersons Centre in 2023, highlights the need for top performing businesses to keep fixed costs under close control. This point is emphasised when increased volatility in areas the farm is less able to control squeeze profits.



This chart demonstrates the combined revenue of BPS and SFI combined (black dots), as well as the profit from BPS (gold columns) and the net profit from delivering SFI (green columns). It is evident that the revenue of BPS has been declining over time, but SFI can help to recover some of that lost income. In fact, for Loam Farm, the revenue can exceed that of BPS in 2022. However, delivering SFI comes with a cost. Here we have attributed the full costs to the delivery of SFI in 2023 – the old scheme, SFI in 2024 the revised scheme, and beyond. SFI is calculated by Defra based on the marginal costs to the farmer. The scheme in 2024 assumes a quarter of the payment was at old rates, and three quarters at new rates. Some Standards have greater first year costs and less ongoing costs. This makes this SFI scheme more profitable over time. Finally, some businesses will already be carrying out actions (e.g., cover cropping); there are minimal costs for these businesses of entering these actions.

LOAM FARM MODEL - SCOTLAND

- 600 Ha (S. Barley, Winter Wheat, Winter OSR, Winter Oats/Barley)
- 240 owned, 360 CFA's; owner plus 1 FT worker & harvest casual

£ per Ha	2021①	2022②	2023③	2024③
Output	1,500	1,960	1,445	1,363
Variable Costs	384	441	721	502
Gross Margin	1,117	1,519	723	861
Overheads	429	505	538	583
Rent and Finance	236	237	250	260
Drawings	78	80	82	86
Margin From Production	374	697	(147)	(68)
Basic Payment	222	223	223	223
Business Surplus	597	920	76	155

Source: Andersons ① Result ② Provisional ③ Budget
ANDERSONS

To illustrate trends in cereal farm profitability in Scotland we use our 'Loam Farm – Scotland' model. This is a notional business which operates 600 hectares. Loam Farm Scotland runs a rotation of winter wheat, spring malting barley, winter barley/ oats and winter OSR. Throughout 2020 and 2021, Loam Farm Scotland performed well. Unlike the English model, Loam Farm Scotland had fewer challenges establishing crops in Autumn 2020. This resulted in strong output figures in 2021. Loam Farm made a profit from production in 2022. Costs are now rising. In 2023, these high costs of production drove a £147 per hectare loss from production. The farm is shielded from this loss by direct support. The future policy framework for Scottish agricultural payments is uncertain. However, it is almost certain that the replacement scheme will be less profitable than the current BPS. Loam Farm Scotland makes a loss from farming before support in 2024, of £68 per hectare.

COMBINABLE CROP ISSUES

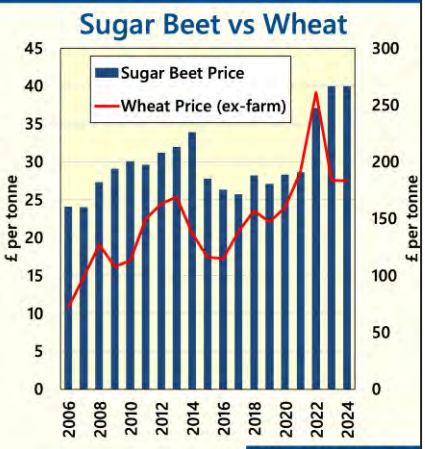
- **Short-term cropping issues caused by the weather**
  - significant areas of the Midlands arable area unplanted or crops lost
  - more spring cropping in 2024 (if seed available)
  - some looking at SFI options – but three-year commitment
- **Longer-term rotational issues – lack of profitable break crops**
  - some exploring SFI options as breaks
  - rotational issues compounded by loss of key actives in some cases
- **Loss of BPS and integrating ELM with commercial farming**
- **Meeting the supply chain's carbon demands**
  - including soil health and regenerative practices
- **Rising working capital requirements, plus high rents**
- **Need for (costly) reinvestment** – machinery but also storage, irrigation and even drainage

ANDERSONS

Here we present some thoughts on the issues facing many combinable crop enterprises. Weather volatility poses one of the most significant challenges outside of the farmers' control. Cropping conditions for 2024 are poor, at a time when prices and revenue through BPS are falling. Whilst some costs have fallen, labour and machinery costs remain stubbornly high and keep rising. With the integration of environment schemes onto less productive land, the most productive land will have to work harder. Looking at avenues such as accessing premium markets may be an option but to do this crops need to be stored well, which comes at extra costs and possibly extra reinvestment. Finally, the requirement for businesses to help the supply chain reach its carbon demands are here.

SUGAR BEET

- **Lifting challenging following wet season**
- **Low sugar content across Europe – issues with late-lifting in EU**
- **Sugar price held for 2024 after protracted negotiations**
  - option for market-linked bonus
- **Sugar beet an attractive option this spring with strong prices**



Source: Andersons

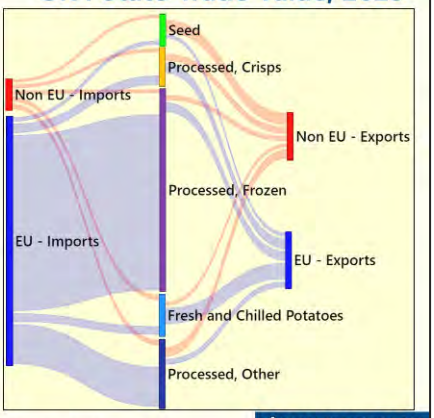
ANDERSONS

The 2023 lifting season has been a challenging one for sugar beet producers across the UK and Europe. The wet weather elevated issues around soil health, and a dull growing season has reportedly led to low sugar content in beet. The 2024 sugar beet price has now been set following protracted negotiations between the NFU and British Sugar. At a time when other crop prices are falling the value of 2024 sugar beet has held stable. With costs for producers lower, sugar beet is likely to be an attractive crop for those near to a factory. There is also now a sugar market-linked contract available to growers. The value of sugar futures has been rising again following the challenging lifting window on the continent. Whilst the processing campaign for sugar beet in the UK often runs into March, it ends far sooner (January/ February) on the continent. As such beet area could be lost on the continent this year.

POTATOES

- Weather damage once again; wet weather continues
- Prices of free-buy potatoes reportedly high
- Seed availability low across Europe
- Area increase for 2024 possible, *but*
  - remains a highly specialist sector
  - high fixed and capital costs continue to be a challenge

UK Potato Trade Value, 2023



Source: HMRC

ANDERSONS

Weather is also a key risk factor for potatoes. The wet summer months in 2023 were a blessing for potato crops, reducing the requirement to irrigate. But, rain continued through lifting, making it more challenging the longer it went on. The weather also elevated the risk of disease in store. Anecdotally the price of potatoes is high for those with free-buy supplies available. This will raise interest in potato planting in 2024, although the crop remains highly specialized, with high capital costs. Another challenge for a larger area in the UK in 2024 will be poorer availability of seed across the EU. Trade is also important for the potato sector. The Sankey chart shows trade in January to November 2023, in value terms. It highlights the importance of both processed product imports into the UK, but also the importance of seed trade for the UK market.

HORTICULTURE

- Unprecedented scale of financial loss in 2022 and 2023
  - high energy, labour and capital costs versus flat prices
- Dimbleby report (2021) highlighted need for 30% increase in fruit and veg consumption
- Labour and Water ongoing challenge
- Opportunities for year-round supply in glasshouses and vertical farms

UK Fruit and Veg Consumption

'000 tonnes	1990	2020	% Ch
Cabbages	420	186	-56
Roots^	639	910	+42
Mushrooms	145	196	+35
Lettuce	273	331	+21
Tomatoes	350	441	+26
Apples	627	518	-17
Strawberries	70	178	+154
Bananas	470	1,033	+120
Oranges	391	265	-32

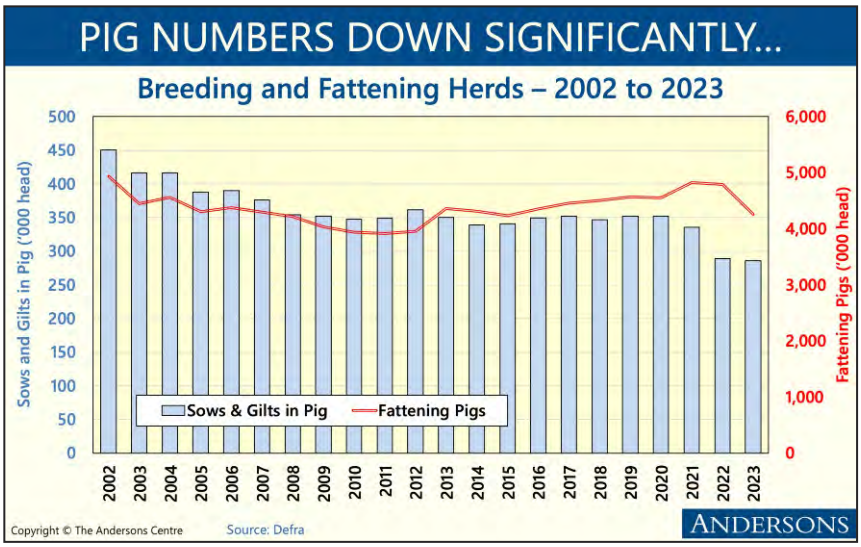
^Carrots, Turnips, and Swede

Source: Defra / Andersons

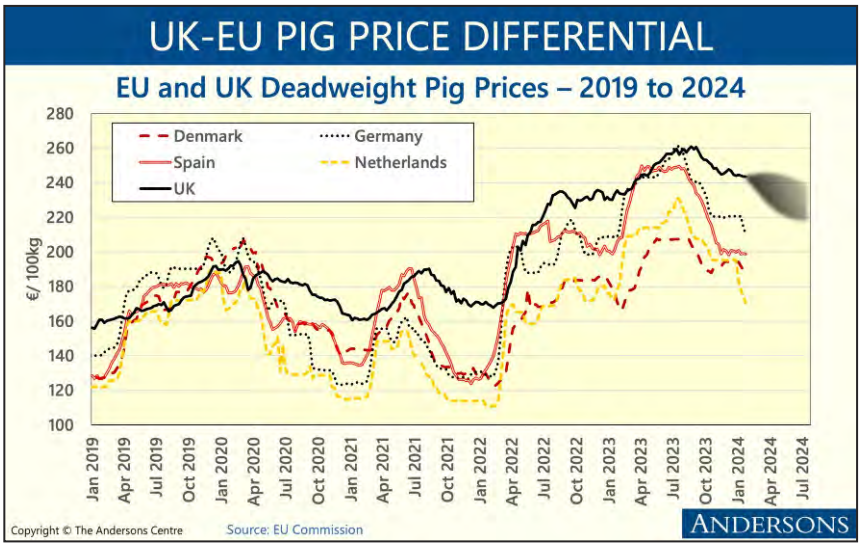
ANDERSONS

Horticulture has faced significant cost:price pressure over the past 2 years. It is one of the sectors which faced the greatest challenges from rising energy costs, whilst end-product prices remained comparatively flat. The struggles of the UK horticulture sector are at odds with the food security debate, with suggestions of a need to increase fruit and vegetables consumption by 30%. The table demonstrates how consumption habits for certain fruit and vegetables has changed over a generation. Within some categories i.e., roots, you would expect certain products to account for the majority of consumption change (e.g. carrots). There is greater demand for products which either are or can be grown in glasshouses. This offers an opportunity for some producers to supply the market counter-seasonally; there are potential profits to be made here, however, they require significant investment both in terms of the core infrastructure, but also energy costs. The sector will need to continue to innovate and adopt new technology to survive.

PIGS AND POULTRY



High feed and energy costs, as well as supply chain disruptions during and post-Covid, resulted in significant contraction in the size of the pig herd. This chart shows a step-change in the size of both the female breeding herd in pig, and also in the number of fattening pigs on farm in June each year. (Although the number of pigs for slaughter in 2021 and 2022 was raised as a result of processing backlogs). This raises a question over the ability of the sector to recover; whilst it is relatively quick to increase the size of the pig herd, there are concerns over whether there are the producers to allow a recovery to happen.



As a net importer of pig meat, the UK price is closely related to the EU price, our main trading partner. If the EU price is significantly lower than the UK, the volume of imports increases, lowering domestic prices. This is demonstrated in the chart. The UK price is typically slower to react to changing supply and demand than EU pricing. In spite of reduced production in the EU, consumption is also weak for pig meat, and prices are likely to remain under pressure in the short to medium term; this will pressure UK pricing.

TROTTER FARM MODEL

- 350 sows, 80ha arable (Contract Farmed)
- Breeder-Finisher, Owner, 1FT Worker, Casual Labour

ppkg dwt	22/23①	23/24②	24/25③
Pig Price	192.0	215.0	195.0
Total Output	191.7	211.0	190.2
Variable Costs	173.2	140.5	134.3
Overheads	29.0	31.7	32.6
Rent, Fin. & Drawings	9.7	11.5	10.7
Total Costs of Production	217.9	187.7	182.3
Production Margin	(26.2)	27.3	12.7
Contract Farm Income	4.5	3.4	3.3
Business Surplus	(21.7)	30.7	16.0

Source: Andersons ① Result ② Estimated ③ Budget

ANDERSONS

Trotter Farm is our model pig farm. It is a 350-sow breeder-finisher business, finishing 9,000 pigs per year. There are also 80 hectares of arable land which is farmed under a contract farming agreement. The challenges of high costs through 2021 to 2023 are evident with the business making a significant loss of £172,000, this equates to £19 per pig finished. This was unsustainable for many enterprises. It is not until a large part of the way through 2023/24 that Trotter Farm will have returned to profit, helped by lower feed costs and a higher output price. However, with prices under pressure and overheads remaining high, profits are significantly reduced in 2024/25.

PIG SECTOR CHALLENGES

- **Pig prices falling**
  - debts from previous years only now being covered
- **Supply tight across the UK and EU**
  - consumer demand weak apart from sausages and mince
- **Fixed costs high and debt servicing dearer**
- **An increase in diversification brings new challenges**
- **Continued concern around ASF**
  - reduced border checks heighten worries
  - food fraud
- **Supply chain fairness consultation under way**
- **Environment and carbon ongoing sector challenges**

ANDERSONS

This slide highlights some of the issues facing the pig sector. As well cost and price pressures, there is an ongoing review of supply chain fairness being conducted by Defra. In addition, concerns remain around health and welfare, particularly the rising number of African Swine Fever (ASF) cases in Europe. The risk of disease is heightened by challenges around food fraud and border checks on imported meat.

POULTRY CHALLENGES

Issues the Poultry Industry has been recently challenged with

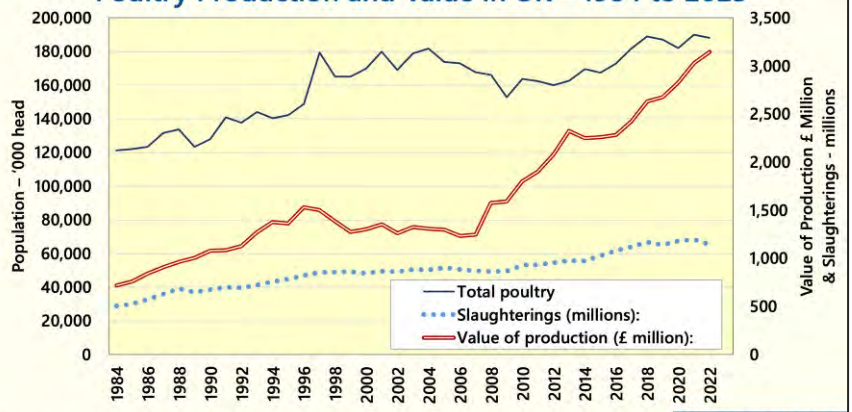
- **Avian Influenza** – less of an issue now than last year
- **Energy price inflation** – still a large proportion of farm costs
- **Labour issues** – poultry is a labour intensive farm system
- **Rising interest rates** – more debt in intensive farm systems
- **Threat of importing eggs** – many illegal to produce here e.g., battery cage eggs for ingredients
- **Planning rules and restrictions for large units**
- **Low returns and lack of profitability** – poultry is now profitable, but can change quickly. It is a commodity for most
- **Water pollution concerns** – Wales and the Wye catchement

ANDERSONS

Poultry farming is the least visible farming system in the UK. It is easily overlooked but is worth over £3 billion annually. Avian Flu presented a production challenge for all (especially free-range) and high cost for those affected. Energy costs have fallen from their spikes, but housed agriculture is energy intensive and is still dear. Poultry farming requires skilled labour, which is increasingly expensive and scarce. Indoor farm systems generally carry greater debt than most; the rising cost of borrowing is therefore harder felt in poultry. The UK has high welfare and production standards to meet, yet regulations do not prevent imports produced at lower standards. Being house-based, it is difficult to grow a poultry business without the Planning office being on your side. It is usually all about building sheds which some people object to.

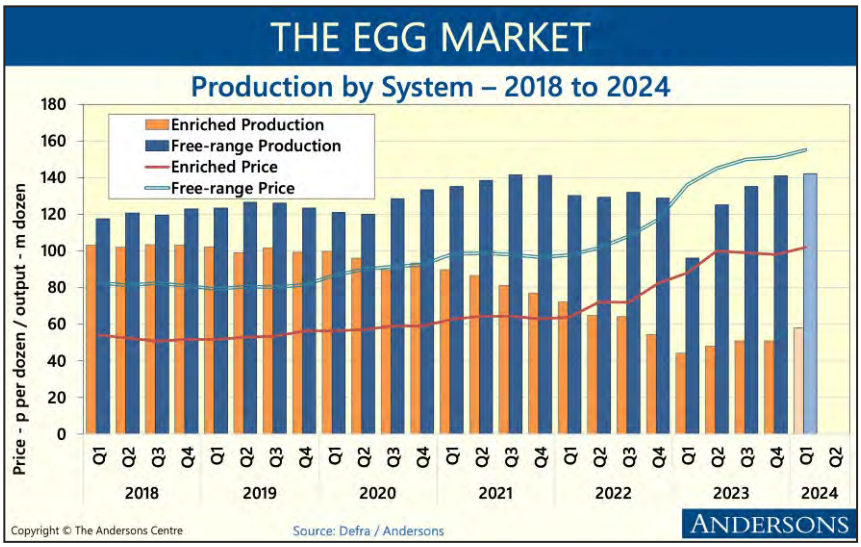
POULTRY FOR MEAT

Poultry Production and Value in UK – 1984 to 2023

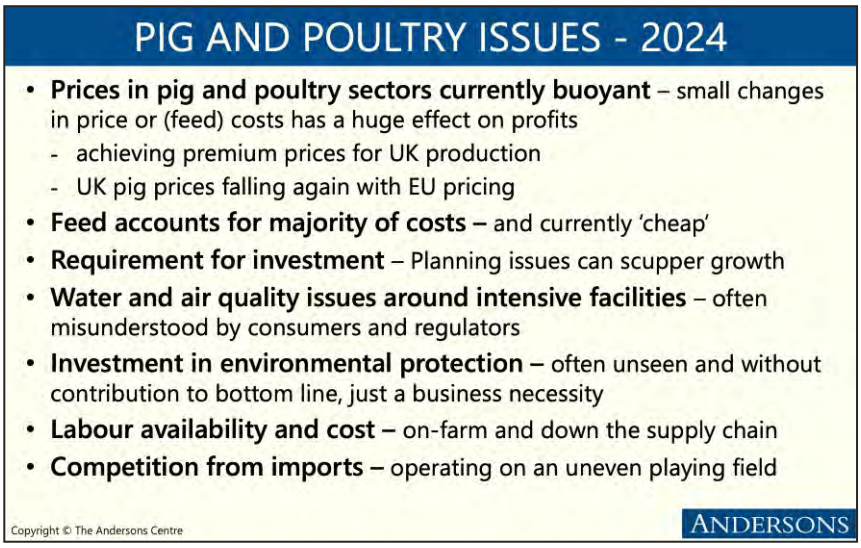


ANDERSONS

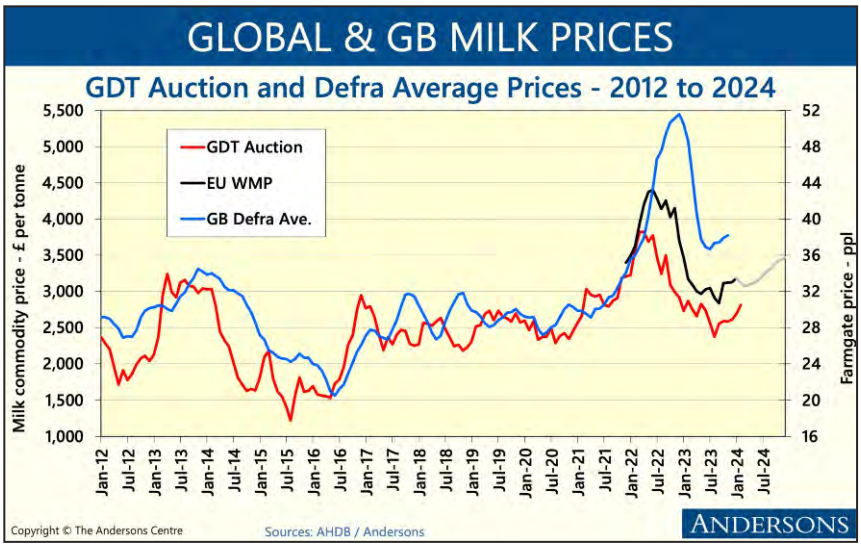
Since about 1997, the total UK flock size of birds for meat production hardly changed. Yet, the number of slaughterings has increased by 65% and the value of the industry has jumped from about £1.3 billion to over £3 billion in 2022. When this dataset is updated in June, we expect to see another jump that took place in 2023. Poultry meat is the consumers' favourite - being cheap meat, versatile, and, for the new breed of aware and engaging consumer, it is environmentally least damaging of all meats (arguably other than fish). The efficiency rises of the poultry industry is demonstrated in this chart.



The demand for eggs has gone up, production has stagnated. Imports doubled in 2023. The demand for eggs is being seen in the free-range prices. Production is going up again after the avian flu lockdown, and poultry producers are happy despite high feed costs. Q1 2024 is our trend projection. The volatility of the market is not softened by BPS, ELMS or any other farm-level support in the poultry sector.



Some thoughts on the issues most exercising intensive livestock producers. The sector is currently in a more profitable situation than recent years; the opposite to some other farming sectors. The way the economics works, a change in either feed price or finished sale price can quickly change this. 'Cheapness' is a relative term, but currently the lower cost of feed allows a margin for many in the sector, such as egg farmers. Capital is always required though, especially for those farms looking to grow in any way, business growth is an expensive thing to do, especially when buildings, machinery and stock are required. Environmental issues are a spending priority, offering no financial return but a license to farm. Money is also one way to secure good, reliable staff.



This slide shows global commodity prices and the GB farmgate milk price. The 'world price' for milk is taken to be the Global Dairy Trade (GDT) auction price (dominated by the large New Zealand co-op, Fonterra). The GDT price has been converted into £ per tonne (rather than $ per tonne) so the influence on GB markets is easier to see. Although the lines are 'fitted' – being on different axes, there has been a close correlation between the world price and the GB price (often with a few month's delay). For recent years we have also shown the European Whole Milk Powder (WMP) prices too. This is because the GDT price is so closely linked to the Chinese market which has been weak since Covid. GB prices 'overshot' world markets through 2022. There was a big 'correction' through 2023, However, GB prices do not yet seem to have aligned back with EU and Global values.

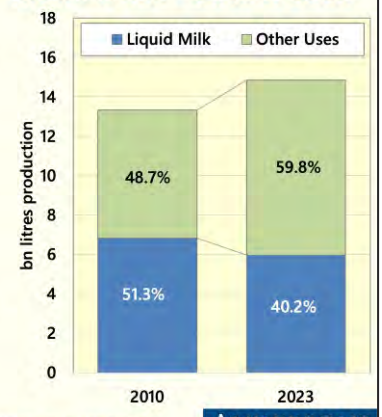
Demand remains weak in the key importing nation of China. Globally, producers have been faced with a combination of high costs and declining prices during 2023. Unsurprisingly, this has restricted supply volumes and production in many countries has been flatlining. In some cases, supply has also been limited by environmental issues. The weak Pound has been a feature of UK commodity markets for many years now – it is easy to forget how important this has been in boosting farmgate prices. Overall, the sentiment is that the market hit the bottom of its cycle in the second half of 2023. Prices are forecast to rise through 2024, but perhaps only relatively gently. Part of any rise in commodity markets may be lost in GB as farmgate prices and commodity values re-align. We are, therefore, slightly cautious on large price rises through 2024.

UK DAIRY MARKET AND SYSTEMS

- **UK milk market no longer dominated by liquid milk**
  - have production systems and supply chains adjusted enough?

GB Systems	2017	2020	2023*
AYR	81%	72%	65%
Spring	4%	8%	10%
Autumn	8%	9%	12%
Spr+Aut	9%	11%	13%

- **UK processing sector concentrated**
  - often little choice in milk buyer
  - contract regulation unlikely to re-balance power



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In the EU, just 11% of the milk output is for drinking milk (compared to 48% in the UK). The rest is processed. As the UK continues its shift towards manufacturing with the ongoing decline in the demand for liquid milk will this lift average prices going forward? There can now be little doubt that the liquid sector, once seen as the premium outlet for milk, has much to answer for in encouraging systems of milk production that are generally much higher cost. Level supply, longer housing periods, less reliance on grazed grass, and higher cost in terms of labour and power requirements are all legacies of the liquid market. The focus for the future should be on profitability and not output. Our most profitable clients are those practicing low cost, medium output, grazing-based systems with the yield from forage at >4,000 litres. Other key characteristics include block calving (autumn, spring, or both), cross-breeding to enhance milk solids, and an absolute focus on cost control.

PRODUCTION ISSUES

- **Variable costs of feed, fertiliser, fuel, electricity etc. are still high**
  - break-even milk price higher for many farmers than 2-3 years ago
- **The most profitable dairy farmers maximise milk from grazed grass**
  - focus on forage management to reduce costs
  - also, opportunities under support schemes to incorporate 'diverse' leys
- **Many efficiency savings have dual benefit of lowering costs of production and GHG emissions**
  - less N use, lower power use, etc.
  - can be upfront costs or learning curves to achieve gains
  - dairy supply chain will continue to focus on this – cost of doing business
- **Increased weather variability makes forage management harder**
  - medium-term adaption challenges – different leys, even irrigation?
  - other climate challenges – storms, floods, heat etc.

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Variable costs have declined from the peaks seen in 2022 and early 2023. However, they are higher than what has been the case historically. This means that the cost of production for milk has settled at a higher level. Producers need to be wary of 'cost creep' – once costs have been built into a business it is difficult to get rid of them. There has been an increased focus on producing milk from (grazed) forage in recent years and this is the lowest-cost production method. It will not be for everyone though, due to the characteristics and layout of some farms. The strive towards efficiency can also meet the sector's ever-more stringent requirements on greenhouse gas (GHG) emissions. Longer-term, a more erratic climate may see production systems having to change to make them more resilient.

LABOUR

- **Has become more important as unit sizes have become larger**
  - move from family labour to employed
  - some good businesses have stopped dairying due to lack of quality staff
- **Issues on both availability and cost**
  - Dairy Manager salary – £50-75K*; Herdsperson – £30-45K*
- **Different management needed to retain staff**
  - try to remove 'long hours' culture – efficient time use, rotas, etc.
  - good salary takes conversation 'off the table' then other factors become important – training, involvement in business, working conditions etc.
- **Industry may have to be more creative in future**
  - more joint-venture arrangements to provide a career pathway
  - sourcing labour from non-traditional places – Asia, UK cities etc.

* Includes house and other benefits

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Labour has risen up the agenda on many dairy farms over the past decade. Traditionally, most dairy farms would rely heavily on family labour. With a stake in the business (financially or emotionally) people would often work long hours in poor conditions. As dairy farms have grown, more employed labour has been necessary. Employees are (rightly) unwilling to accept terms and conditions that compare badly with other parts of the economy. The cost of labour on dairy farms is now high due to a shortage of people and skills. Some farms have found the challenge of trying to maintain a good team too much and have decided to leave dairying. The sector may have to be more innovative and certainly more focused on the issue of labour.

CAPITAL INVESTMENT

- **Capital depreciation on an AYR system** (non-robots) **at 2ppl 10 years ago, now around 4.5ppl**
  - increased costs of steel, timber, concrete and aggregate, plus labour
  - higher financing costs due to base rate increases
- **Only a 'cash' cost to ongoing businesses when investment due**
  - often the trigger for business change
  - but ongoing repair costs are also higher
- **A greenfield site would cost around £10-20K per cow place**
  - largely prevents brand-new units (grass-based systems cheaper - £6K)
- **Investment often required to meet regulations or standards**
  - especially slurry – may have been under-invested in the past as does not produce a direct business return
  - grants available, but at least 50% funding must be found

ANDERSONS

Dairy farming is a capital-intensive sector. Probably the most capital-intensive of all sectors apart from horticulture, pigs and poultry. On most farms there needs to be cow housing (including for youngstock), a parlour, silage clamps and slurry stores. This is a lot of concrete and steel. Building costs have risen sharply since Covid. This affects day-to-day maintenance costs but is most clearly seen where there is a large re-investment required. Businesses who have not been making and retaining enough profit often find this forces their hand to exit the sector. Compliance with water quality regulations has turned the spotlight on slurry management and storage. This is likely to remain the case.

FRIESIAN FARM MODEL

- 200+ cows plus followers on 130 Ha (part rented)
- Year-round calving, constituent contract. Owner and worker

ppl	21/22①	22/23①	23/24②	24/25③
Milk	32.5	47.1	36.7	38.0
Total Output	35.4	50.2	39.8	41.0
Variable Costs	14.4	23.6	17.6	17.3
Overheads	10.5	14.8	15.2	14.5
Rent, Fin. & Drawings	6.5	7.0	7.0	7.3
Total Costs of Production	31.3	45.3	39.8	39.1
Production Margin	4.1	4.9	0.0	1.9
BPS + SFI④	1.8	1.6	1.3	1.0+1.5
Business Surplus	5.9	6.5	1.3	4.4

Source: Andersons ① Result ② Estimated ③ Budget
④ SFI payment is shown ***gross*** - costs of compliance are in farming costs

ANDERSONS

Profitability figures from our Friesian Farm model are shown. This is a notional 200+ cow business in the Midlands with a milk contract on a constituent basis. It has a year-round calving system, like much of the UK industry, but it is trying to maximise yield from forage. The figures are for milk years – April to March. The 21/22 year was a very profitable one for most dairy farms. Then, the 2022/23 milk year saw a big increase in prices. Although costs went up a lot as well, many dairy farmers made record profits. The current 2023/24 year illustrates the decline in farmgate milk prices. With costs 'sticky' on the way down, the business only breaks even from its farming activities. The decline in the BPS in England can be clearly seen. For 2024/25 however, this farm has gone into the SFI. This adds a useful amount to the bottom line (although there are costs to the scheme which are included in the farming margin). Milk prices are firming but there is a question over how far and fast any rises may be. Overhead costs drop for 2024/25 – this is due to cheaper fuel and electricity, but also due to unusually high contract costs during the previous year.

FRIESIAN FARM MODEL - SCOTLAND

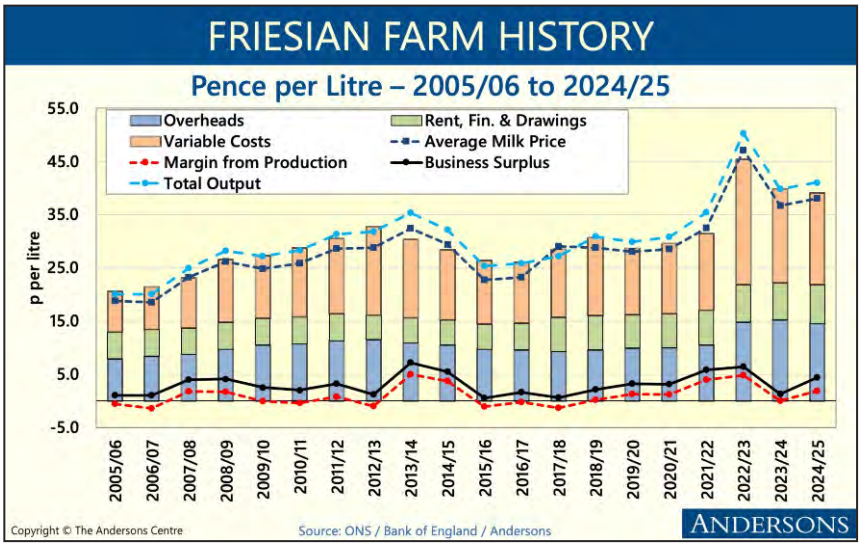
- 200+ cows plus followers on 130 Ha (part rented)
- Year-round calving, constituent contract. Owner and worker

ppl	21/22①	22/23①	23/24②	24/25③
Milk	32.3	46.9	36.5	37.8
Total Output	35.6	50.5	40.1	41.2
Variable Costs	15.0	24.5	18.1	17.0
Overheads	10.6	15.0	15.4	14.7
Rent, Fin. & Drawings	6.4	6.9	7.0	7.2
Total Costs of Production	32.0	46.4	40.5	38.8
Production Margin	3.6	4.1	(0.4)	2.4
Basic Payment	1.8	1.8	1.8	1.8
Business Surplus	5.4	5.9	1.4	4.2

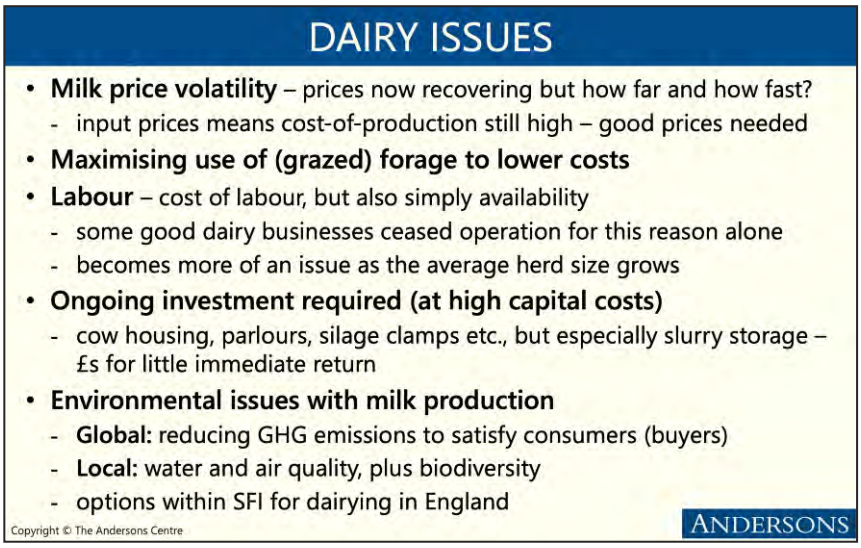
Source: Andersons ① Result ② Estimated ③ Budget

ANDERSONS

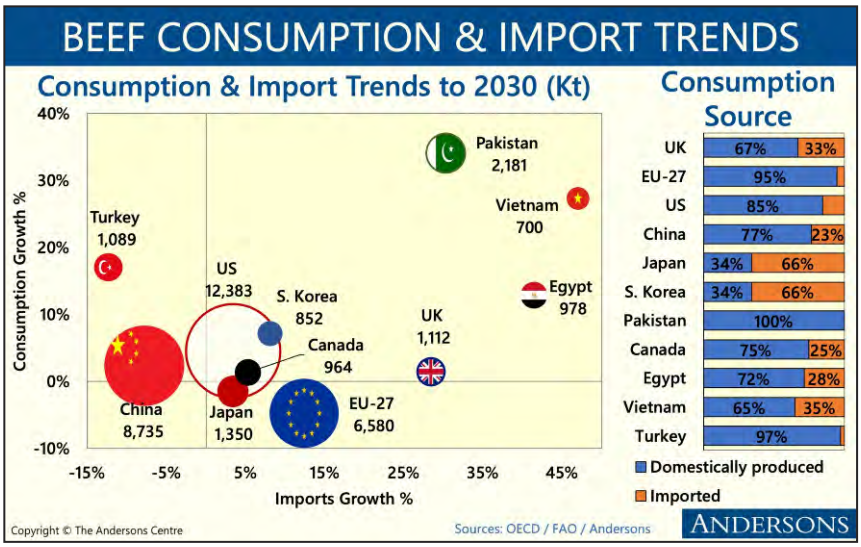
Our Scottish version of Friesian Farm is a notional 130 hectare holding in central Scotland with 200+ milking cows. The figures differ from the English model in that milk prices are slightly lower, beef prices are higher, the farm does not grow maize, and some costs are higher due to the longer winters. The profitability story is much the same over the years shown as for the English dairy farm. The 2021/22 milk year delivered very good profits. The 2022/23 season did the same – high milk prices compensating for very high costs. The current 2023/24 year does not show such a positive situation. Milk prices have fallen but costs have proved sticky. The outlook for the upcoming 2024/25 year is better, but profitability is very dependent on how far milk prices recover. One point of contrast with the English Friesian Farm is the unchanging contribution of the Basic Payment (at least until 2025/26).



This chart shows the yearly performance of Friesian Farm over two decades. Up to 2017/18 it was a 150-cow unit. In that year it expanded significantly, moving up to 200+ cows. Both milk prices and costs have been on an upwards trajectory – unsurprising as these figures are in nominal terms and inflation will have an effect. The 'spike' in the 2022/23 year following the invasion of Ukraine can be clearly seen. However, over the 20-year period shown, the margin from production has not changed very much at all. It has consistently been in the range of 0 to 3ppl. In fact, it averages only 1ppl over the entire period shown.



The final slide in this section provides some thoughts on the issues that are most exercising dairy producers. Milk prices have, historically, been erratic and there have been big changes in the past few years. Producers will be hoping that recent increases continue through 2024 to cover the relatively high cost of production. The sector has some big challenges to face around sourcing (good) labour and the requirement for capital investment. There are opportunities to do things differently, thereby lowering production costs in the sector. Some of these are around forage production, reducing fertiliser use, and making best use of slurries and manures (which are being expensively stored). Efficiency savings will often be good for the planet as well as the bottom line.



This slide shows consumption and import trends for several of the key players on the global beef market as well as some up-and-coming nations. In the bubble chart, the size of the bubbles represent the amount of beef consumed. Projected consumption growth is shown on the vertical (Y) axis whilst import growth is depicted on the horizontal (X) axis. The US, EU and China are traditionally seen as the major consumers but the rate of consumption growth is forecast to be low in the years ahead, including in China. For the EU, consumption is forecast to decline. FAO projections suggest that UK consumption will also grow slowly although this will be dominated by increased imports in the years ahead with new trade deals being influential. This will mean that the share of imported beef in UK consumption (currently at 33%) will grow as the decade progresses – suggesting long-term headwinds for UK producers. Some markets such as Vietnam, Pakistan and Egypt are forecast to show strong growth in consumption. This will present opportunities although these will be curtailed by Halal requirements. South Korea and Japan might also present opportunities for higher quality niches.

WORLD BEEF PRODUCTION & EXPORTS

Beef Production 2000-2022 (Kt)

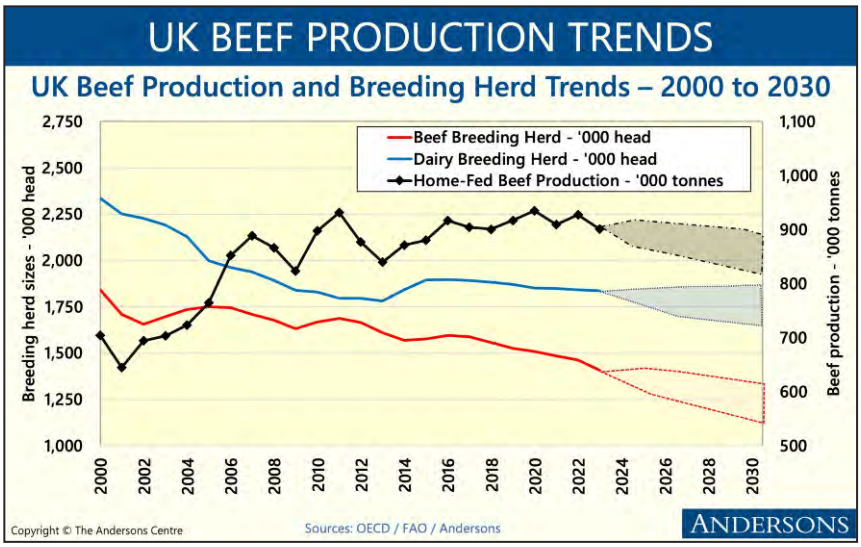
Territory	2000-02	2020-22	% Ch	2030	% Ch.
US	11,591	11,962	3%	12,569	5%
EU-27	7,846	7,020	-11%	6,689	-5%
Brazil	6,847	9,425	38%	9,819	4%
China	5,152	6,761	31%	7,127	5%
Argentina	2,581	3,216	25%	3,415	6%
Mexico	1,411	2,022	43%	2,230	10%
Australia	2,342	2,395	2%	2,894	21%
Russia	1,915	1,647	-14%	1,722	5%
Turkey	342	1,089	219%	1,285	18%
Canada	1,613	1,497	-7%	1,603	7%
UK	**681**	**861**	**26%**	**736**	**-15%**
Other	16,689	22,616	36%	24,624	9%
World	**59,010**	**70,510**	**19%**	**74,713**	**6%**

Exports to 2030 (Kt)

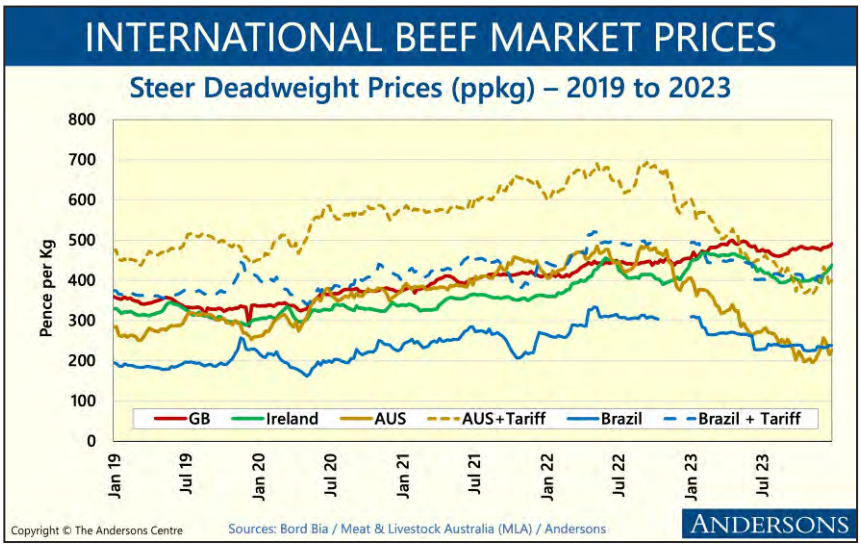
2020-22 Exports	% Ch. 2030
1,481	8%
789	3%
2,170	23%
58	3%
793	9%
488	17%
1,367	31%
75	0%
29	24%
776	14%
116	**-32%**
3,954	-10%
12,097	**7%**

Sources: OECD / FAO / Andersons
ANDERSONS

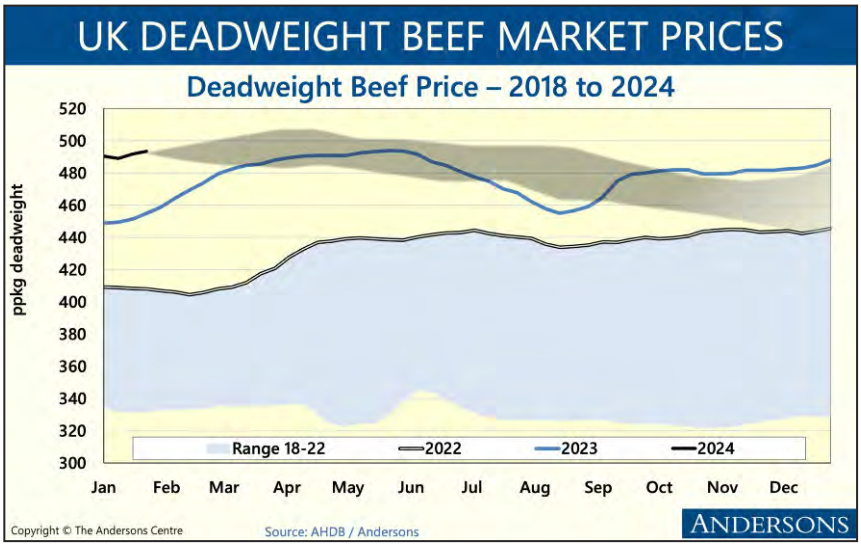
Globally, beef production is forecast to increase by 6% to 2030 as it responds to a combination of population growth and increasing affluence in emerging markets. Production in most developed countries is forecast to grow below the global average – the exception being Australia as its production declined significantly in recent years due to environmental challenges and a recovery is forecast towards 2030. Production is forecast to decline in the EU-27 with a more pronounced (15%) decline projected for the UK. This suggests that the FAO sees a significant contraction in the UK beef herd due to increased overseas competition, profitability challenges and environmental policy. This will also mean that exportable surpluses for the UK will decline considerably and will also be challenged by reduced consumption in the EU.



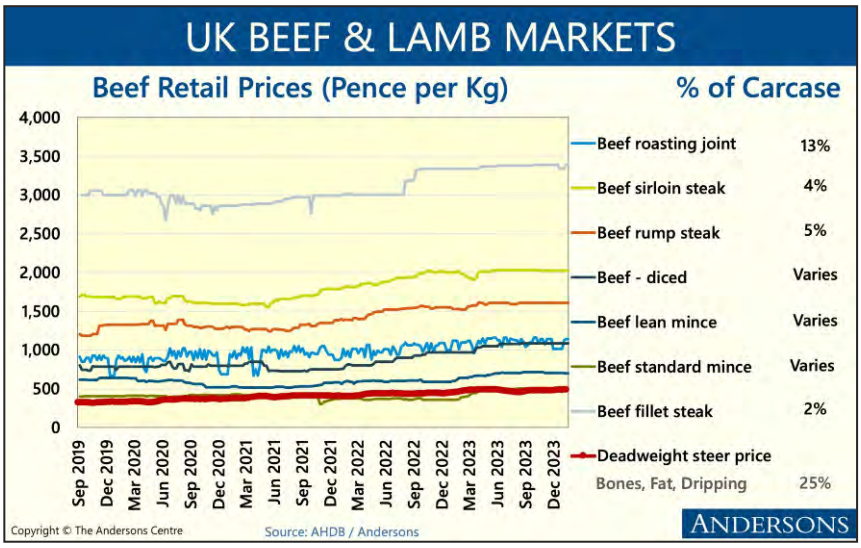
The UK beef breeding herd has declined by nearly 25% since 2000. The dairy cow population is 22% lower, but increased milk yields over the period have compensated for this. Herd declines continued into 2023 and the UK beef cow population now stands at just over 1.4 million head. Whilst the long-term trend is for further population falls due to poor profitability and emissions-related challenges, this downward trend may stabilise briefly during 2024, as prices have been strong over the past two years and cost pressures eased somewhat during 2023. Dairy cow numbers are also projected to rise slightly as prices recover, at least partially. Given the poor weather of late 2023, and delays to the finishing of cattle, home-fed production was down by 3% versus 2022. A partial recovery is projected for 2024 although long-term, increasing competition from Australia and NZ coupled with poor profitability signify further reductions in home-fed production. Longer term, the trajectory for both production and populations is generally downwards although there may be some scope for dairy cow populations to increase if profitability can be maintained. Further competition from imports and environmental challenges signify significant headwinds for suckler cows in particular.



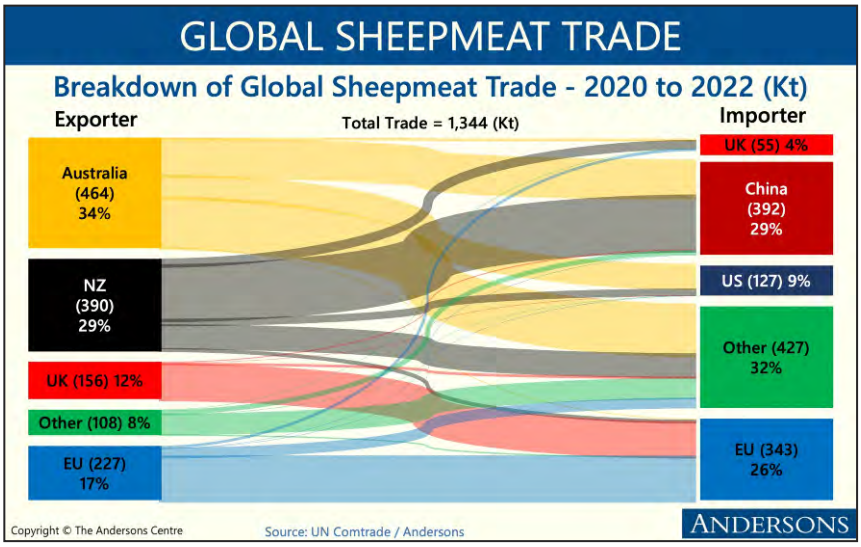
This chart compares UK beef prices with selected international competitors. Throughout the period, Brazil is more than £1 per kg lower than GB. The gap widened during 2023 as British prices rose whilst Brazilian prices declined. This has meant that even with the UK Global Tariff (UKGT) included, Brazilian beef prices are lower than the GB price. Of course, any Brazilian beef coming into the UK will have to adhere to Sanitary and Phytosanitary (SPS) rules. During 2023, Australian prices also declined and the Australian Dollar weakened relative to Sterling. Therefore, Australian imports have become more competitive, even with the UKGT added on. As the Tariff Rate Quotas (TRQs) for Australian beef into the UK increase in the coming years, this is going to exert downward pressure on UK (and Irish) beef prices.



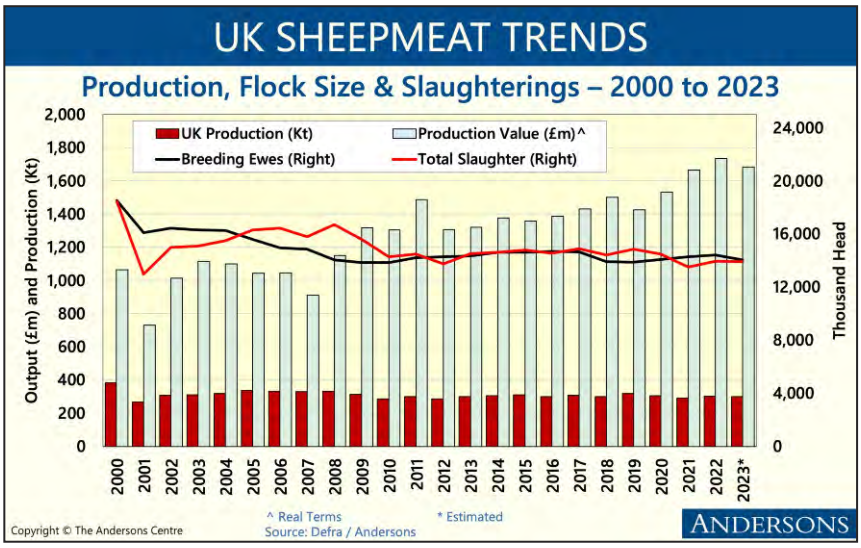
Since 2021 there has been a strong rise in beef values. Production volumes have been lower both domestically and from the key import supplier of Ireland. Despite the cost-of-living crisis, demand has remained largely strong. That said, prices dipped in summer 2023 due to a combination of factors - slightly higher supply, some affordability issues and the lack of a BBQ summer. Values have picked-up since the autumn. The outlook for 2024 remains relatively strong as supplies from Ireland are forecast to be lower and demand for key cuts (including roasting joints) remains strong. However, the amount of beef that could be potentially imported from Australia (and New Zealand) via Tariff Rate Quotas is increasing and overall demand is projected to stagnate. Therefore, some weakening of prices is projected towards year-end although values are forecast to remain above the historical average.



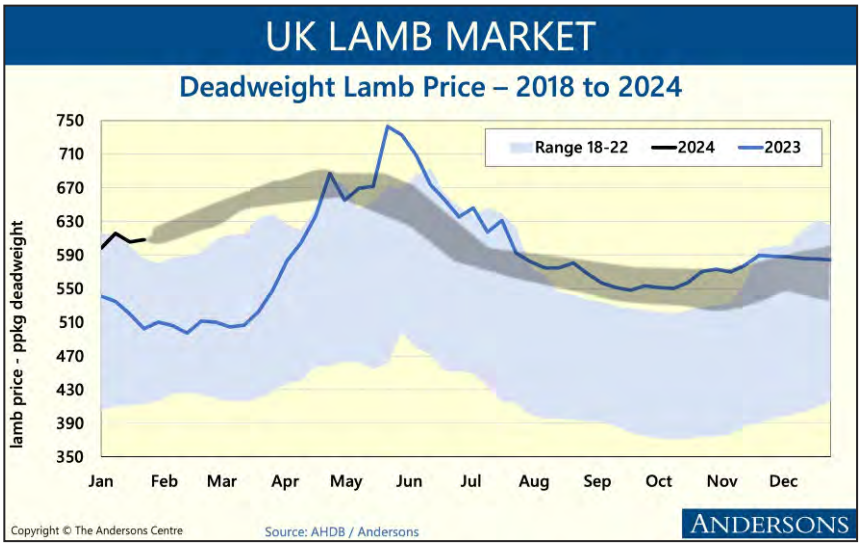
This chart shows how deadweight prices compare with retail prices for beef cuts. It is true that there are some cuts that have significantly higher prices, but these typically comprise a small percentage of the carcase. Diced beef and mince can be taken from various cuts and their proportion varies depending on demand and carcase balancing but, based on the above breakdown, account for about half of the carcase. Other key point is that bones, fat and dripping will be sold at prices much lower than the deadweight beef price. Therefore, the overall profit margins being made at a processor and retail level are lower than some perceive, but profits are made based on the selling price minus costs. For beef farmers of course, they typically make a production loss and need support.



This Sankey Diagram provides a breakdown of global sheepmeat trade in tonnage terms based on an annual average over the 2020 to 2022 period. Sheepmeat trade is dominated by Australia and New Zealand which, combined, account for nearly two-thirds of global trade. The UK is also sizeable, accounting for 12% of global exports. Whilst 17% of sheepmeat exports are from EU Member States, most of this is exported from one Member State to another as intra-EU trade. Exports to the EU account for 91% of UK sheepmeat exports in tonnage terms, and 93% of total exports in value terms. Markets elsewhere remain small and growing such markets should be a core focus for the UK in the years ahead. For Australia, exports to the UK account for a relatively small proportion of sales and it is much more reliant on sales to China (which includes mainland and Hong Kong) and Asia. Such trade could become disrupted in the event of a major geopolitical crisis, which could add further pressure on the UK, although current disruption in the Red Sea area will impinge upon the ability of Australia and New Zealand to supply the UK and the EU to some degree.



The production of UK sheepmeat in tonnage terms has remained relatively constant over the past two decades, with annual changes in the region of 2-3% for most years. The value of production is more variable although it has exhibited real-terms growth (circa 27%) over the past decade. Breeding ewe populations have been much more stable since 2010 in comparison with 2000-2009. That said, populations are trending downwards due to a combination of profitability challenges and the increase in tree planting which has affected the upland flocks in particular. Looking ahead, reduced supply should help to uphold prices although there will be increased competition from Australia and New Zealand in higher value cuts (e.g. legs of lamb). This could signify a greater exportable surplus to the EU in the years ahead.



The sheep sector has a very seasonal price pattern. Record prices were achieved during 2021 due to tight supplies and 2022 prices generally matched these. In 2023, markets started slowly as there was a large carry-over of old season lamb. However, as 2023 progressed prices rose due to lower supply and in the latter stages of the year, this was partly linked to wet weather delaying the finishing times for store lambs. For 2024, supply looks to remain relatively tight and there are some indications that in Australia, there might be fewer lambs available in the latter part of the year. Given Australia's importance in global lamb trade, this would support UK lamb prices and projections suggest that prices would be at the upper end of the historical 5-year range.

MEADOW FARM MODEL

- 154 Ha mixed lowland farm (114 Ha owned, 40 Ha FBT)
- Beef (suckler cows plus finishers, finished bulls, sheep and arable)
- Proprietor, 1FT family worker & casual

£ per Ha	21/22①	22/23①	23/24②	24/25③
Output	1,501	1,619	1,609	1,526
Variable Costs	600	871	699	756
Total Gross Margin	901	748	910	770
Overheads	545	631	650	652
Rent, Finance & Drawings	328	325	337	341
Margin From Production	28	(208)	(77)	(223)
BPS + CS/SFI	219+22	184+22	150+22	115+171
Business Surplus (Deficit)	269	(2)	101	63

Source: Andersons ① Result ② Estimated ③ Budget
④ SFI payment is shown ***gross*** - costs of compliance are in farming costs

ANDERSONS

'Meadow Farm' is a notional 154-hectare (380 acre) beef and sheep holding in the Midlands. It consists of grassland, with wheat and barley mainly for livestock feed. There are 60 spring-calving suckler cows with all progeny finished, a dairy bull beef enterprise and a 500-ewe breeding flock. The 21/22 year produced a positive margin from production which is unusual. 2022/23 was much more challenging as costs rose substantially (feed costs were especially expensive). Further cuts to the BPS meant the overall farm made a loss. In 2023/24, the gross margin falls – largely due to lower crop prices. Overhead costs continue to drift upwards. The farm again makes a loss from production although it is lower than the previous year. The budget for the 2024/25 year shows a deterioration in the margin once more – mainly through lower budgeted crop prices. With another drop in the BPS the farm would have returned to a loss-making position. For the 23/24 year the farm's CS has ended and the business has gone into the SFI (2023 version). This brings in significant income (£26,400) – but the costs are included in the farming margins. Adding the SFI income means that that the farm is projected to generate a business surplus.

MEADOW FARM MODEL - SCOTLAND

- 154 Ha mixed lowland farm (114 Ha owned, 40 Ha SLDT)
- Beef (suckler cows plus finishers, finished bulls, sheep and arable)
- Proprietor, 1FT family worker & casual

£ per Ha	21/22①	22/23①	23/24②	24/25③
Livestock Gross Margin	922	696	983	1,197
Crop Area Gross Margin	910	1,037	685	760
Total Gross Margin	919	768	921	873
Overheads	553	642	660	661
Rent, Finance & Drawings	325	322	333	337
Margin From Production	42	(196)	(73)	(126)
Basic Payment & SSBSS	258	258	258	258
Business Surplus	300	63	186	133

Source: Andersons ① Result ② Estimated ③ Budget
ANDERSONS

Scottish 'Meadow Farm' is a notional 154-hectare (380 acre) beef and sheep holding in the Scottish Lowlands. It consists mostly of grassland, with barley grown mainly for livestock feed. There is a 60-cow suckler herd with all progeny being finished, a dairy bull beef enterprise and a 500-ewe breeding flock. Fundamentally, this farm has too many enterprises and the manager has not been clever with the assets or working with other farms - it is too self-sufficient. 2021/22 was an exceptional year but 2022/23 was challenging due to increased costs resulting in a significant loss from production. In contrast to England, support has not changed, meaning it still generates a business surplus for both 2022/23 and 2023/24. For the latter, the improved livestock gross margin due to strong prices has eclipsed the reduced crop area gross margin, meaning that the overall gross margin is similar to 2021/22. However, overhead costs have increased since then, so a loss is made from production. Next year, even with support remaining constant, the surplus is forecast to fall slightly.

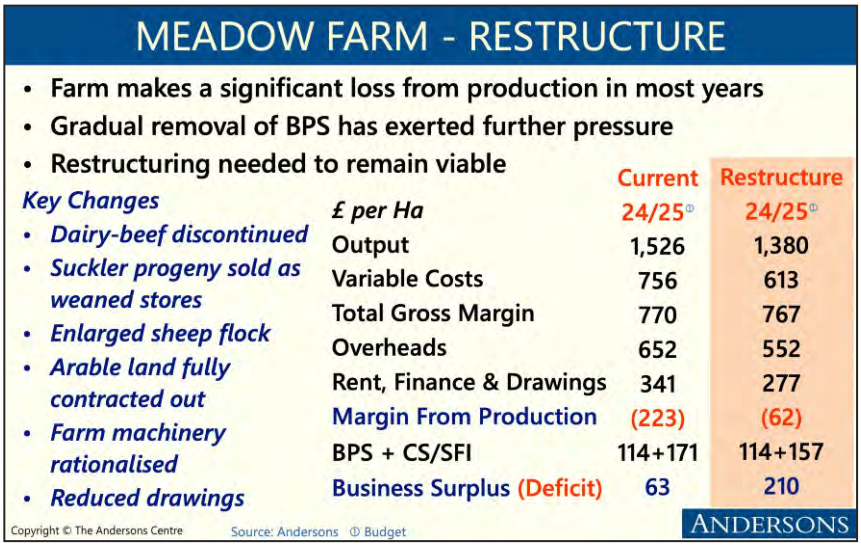
MEADOW FARM MODEL - WALES

- 154 Ha mixed lowland farm (114 Ha owned, 40 Ha FBT)
- Beef (suckler cows plus finishers, finished bulls, sheep and arable)
- Proprietor, 1FT family worker & casual

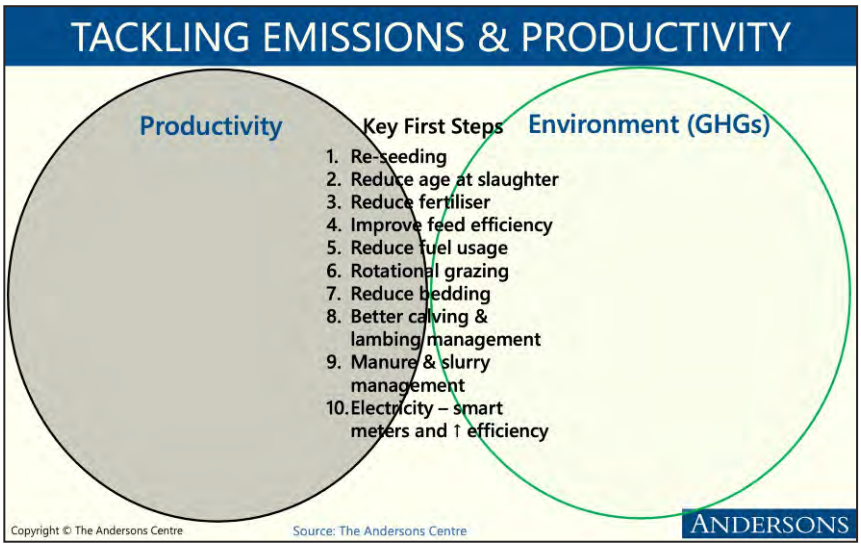
£ per Ha	21/22①	22/23①	23/24②	24/25③
Livestock Gross Margin	781	642	908	1,072
Crop Area Gross Margin	910	1,037	685	760
Total Gross Margin	808	725	862	798
Overheads	545	631	650	652
Rent, Finance & Drawings	328	325	337	341
Margin From Production	(65)	(231)	(125)	(194)
Basic Payment	158	158	158	158
Business Surplus (Deficit)	93	(74)	33	(36)

Source: Andersons ① Result ② Estimated ③ Budget
ANDERSONS

The Welsh 'Meadow Farm' is a notional 154-hectare (380 acre) beef and sheep holding. It consists of grassland, with spring barley mainly for livestock feed. There are 60 spring-calving suckler cows with all progeny finished, a dairy bull beef enterprise (35 head) and a 500-ewe breeding flock. Despite the strong grain and livestock prices in 2021/22, the farm still did not make a margin from production. 2022/23 was much more challenging as costs rose substantially and a large loss from production was incurred. The situation steadied somewhat in 2023/24 due to strong livestock prices and the farm generated a business surplus of just over £5,000. Next year, the overall gross margin is forecast to fall and costs continue to creep up. A larger loss from production is forecast. The BPS compensates for some of this loss, but the farm is still projected to have an overall deficit. Clearly, such losses are unsustainable. There may be opportunities in the Sustainable Farming Scheme from 2025, but a more fundamental review of the business may be required.



For nearly every year in the past decade, Meadow Farm has made a loss from agricultural production and has been reliant on support (BPS/CS/SFI etc.) to make a business surplus. With the phased removal of the BPS, and the CS and SFI being inherently less profitable, the farm is becoming unsustainable. The proprietors have undertaken a farm business review under the Future Farming Resilience Fund (FFRF) and have assessed what changes will be made for the 2024/25 year. The numbers show that the farm can be restructured to make a better overall return. The restructuring sees the dairy beef enterprise discontinued and suckler progeny are sold as weaned stores, rather than being finished. The sheep enterprise is increased from 500 ewes to 700 ewes and the arable land is fully contracted out. Farm machinery is rationalised. In addition, the proprietors' time is freed-up and so there is opportunity to earn more income off-farm (as a result, drawings reduce). Although there is still no margin made from agricultural activity the business does make a good overall profit. In future, the options entered into under the SFI/CS should also be seen as an enterprise in its own right, although the current options are intrinsically linked to farming.



Tackling emissions and other environmental issues (e.g. ammonia, water pollution) has, in many ways, become the central challenge for grazing livestock farmers. Traditionally, many saw that better productivity and improving environmental impact were mutually exclusive. However, this is not so for many farms. Indeed, improved productivity across a range of areas can deliver significantly reduced emissions on a per Kg of output basis. The most common of these are listed above. These should be seen as an essential first step towards reducing emissions as they can also help the bottom-line financially speaking. Other technologies (e.g. methane inhibitors) are expected to play a major role, once approved. Plus, the burden of reducing emissions is not solely down to farmers. Innovations in other industries (e.g. green hydrogen, renewable electricity etc.) will also be crucial.

GRAZING LIVESTOCK ISSUES

- **Output prices have been high for a couple of years**
  - but, generally, not translated into profits on-farm
- **Loss of the BPS** – has supported profitability in this sector
  - should be opportunities in the SFI/CS – but far more complex (is the sector ready for this?)
- **Creating efficient production systems** – grassland management, lower N use, minimum scale, consistent specifications etc.
- **Lowering GHG emissions from red-meat supply chain**
  - stagnating (UK) demand; long-term decline in per capita consumption?
- **Greater competition from imports (trade deals with Aus + NZ)**
- **Some export opportunities in higher value niches**
- **Structural change in the sector – getting 'there' from 'here'**
  - many businesses without succession; joint-ventures not widely understood

ANDERSONS

Although prices have been high recently, profitability remains a major challenge for the sector. This has traditionally been due to relatively high production costs versus global competitors. In England, and elsewhere in the UK over time, the reduced profitability of support will also be a challenge. In England, whilst the SFI and CS will present opportunities, it will be complex to navigate for some farmers who will also have to incur costs to meet the requirements of this support. This, coupled with the increasingly urgent requirements to reduce emissions, will create a greater impetus to improve efficiency. Some cattle and sheep farms will not be viable commercially over the longer term which signifies more restructuring than has been the case in recent decades. Again, this will create opportunities for the more efficient and innovative farms but presents headwinds for the sector overall.

FINAL THOUGHTS

CONCLUSIONS

- **Costs: down, but still elevated** – overheads likely to be 'sticky'
- **Farming profits varied in 2023**
  - lower than the exceptional year of 2022 for crops and dairy
  - higher finance costs – threatening for some, immaterial for most
- **Market outlook 'mixed'**
  - combinable crops – poor; dairy - average; meat sectors – OK
- **Support changes accelerating** – England ahead, but others too soon
  - Public goods payments offer opportunities but less profit for most
- **Policy focus on the environment** – Government seems comfortable leaving food delivery to the market
  - efficiency gains can produce win-wins for profits and the environment
- **Accelerated structural change in UK farming likely next 5 years**
  - change = opportunity

ANDERSONS

Economic conditions are changing in farming, favouring some sectors and not others, meaning profits look likely to be varied in 2024. Higher finance costs are immaterial for the majority of farmers, and manageable for most of the rest. We expect 2024 to be a poor year for arable businesses, moderate for efficient dairy farms, and a reasonable year for other livestock units, particularly the housed pig and poultry farms. Farm profits may be pressured by the progress of the Transition Period in England and start of policy change in other regions. Yet, the offer of public goods in exchange for public cash is a more defendable way to support any business sector. The policies of all the administrations across the UK is environmentally-focused. There seems little appetite to become involved in the food system. For some, the challenges of the next decade may be too great to accommodate and trigger business termination, but for others, the opportunities will be great and substantial. We hope to be working with all our clients for the long-term and make a success of the transition.

Please get in touch if you have questions relating to this presentation

Graham Redman
07968 762390
gredman@theandersonscentre.co.uk

Richard King
07977 191427
rking@theandersonscentre.co.uk

Michael Haverty
07900 907902
mhaverty@theandersonscentre.co.uk

James Webster
07717 0884089
jwebster@theandersonscentre.co.uk

Notes

Notes

GLOSSARY OF ACRONYMS

AD	Anaerobic Digestion
AECS	Agri-Environment and Climate Scheme (Scotland)
AHDB	Agricultural and Horticultural Development Board
AONB	Area of Outstanding Natural Beauty (now 'National Landscapes')
ASF	African Swine Fever
BCP	Border Control Post
BoE	Bank of England
BPS	Basic Payments Scheme
Brexit	British Exit (from the EU)
BSE	Bovine Spongiform Encephalopathy
BSP	Beef Sustainability Package (NI)
CAP	Common Agricultural Policy
CCC	Committee on Climate Change
CGT	Capital Gains Tax
CH4	Methane
CPD	Continuing Professional Development
CO2	Carbon Dioxide
CoP	Cost of Production
CPI	Consumer Price Index (Inflation)
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership
CSO	Central Statistics Office (Ireland)
CS	Countryside Stewardship
CU	Customs Union
DAERA	Department of Agriculture, Environment & Rural Affairs (NI)
Defra	Department for Environment Food & Rural Affairs
DIT	Department for International Trade
ECB	European Central Bank
ELM	Environmental Land Management
ELS	Entry Level Stewardship
ES	Environmental Stewardship
ESS	Environmental Standards Scotland
EU	European Union
FAO	Food & Agriculture Organisation (of the UN)
FBI	Farm Business Income
FBS	Farm Business Survey
FBT	Farm Business Tenancy
FETF	Farm Equipment and Technology Fund
FFRF	Future Farm Resilience Fund
FIF	Farming Investment Fund
FiPL	Farming in Protected Landscapes
FIT	Feed-In Tariff
FSA	Food Standards Agency
FSP	Farm Sustainability Payment (NI)
FTA	Free Trade Agreement
FTF	Farming Transformation Fund
GB	Great Britain
GCC	Gulf Cooperation Council
GDT	Global Dairy Trade
GHG	Green House Gas
GVA	Gross Value Added (economic output)
HMRC	His Majesty's Revenue and Customs
IHT	Inheritance Tax
IPM	Integrated Pest Management
KPI	Key Performance Indicator
K	'000 Tonnes
LFA	Less Favoured Area (Uplands)
LFASS	Less Favoured Area Support Scheme (Scotland)
L/L	Lowland
LRS	Landscape Recovery Scheme
LULUCF	Land Use, Land Use Change and Forestry
MFN	Most Favoured Nation
Mt	Million Tonnes
N	Nitrogen (fertiliser)
N2O	Nitrous Oxide
NFI	Net Farm Income
NFU	National Farmers Union
NI	National Insurance
NI	Northern Ireland
NLW	National Living Wage
NTM	Non-Tariff Measures
NZ	New Zealand
OBR	Office of Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office of National Statistics
OSR	Oilseed Rape
PPL	Pence per Litre
PV	Photovoltaic (Solar)
QNIG	Qualifying NI Goods
R&D	Research and Development
RD	Rural Development
RICS	Royal Institute of Chartered Surveyors
RoW	Rest of World
RPA	Rural Payments Agency
RPI	Retail Price Index (Inflation)
SAWS	Seasonal Agricultural Workers Scheme
SFI	Sustainable Farming Incentive
SFP	Sustainable Farming Payment (Wales)
SFS	Sustainable Farming Scheme (Wales)
SLDT	Short Limited Duration Tenancy (Scotland)
SQQ	Standard Quality Quotation (sheep price)
SPS	Sanitary and Phytosanitary
SSBSS	Scottish Suckled Beef Support Scheme (Scotland)
TB	(Bovine) Tuberculosis
TCA	Trade and Cooperation Agreement
TFP	Total Factor Productivity
TIAH	The Institute for Agriculture and Horticulture
TIFF	Total Income From Farming
TRQ	Tariff Rate Quotas
UA	Universal Actions
UAE	United Arab Emirates
UK	United Kingdom
UKGT	UK Global Tariff
UKSPF	UK Shared Prosperity Fund
UN	United Nations
US	United States
USD	United States Dollar
USDA	United States Department of Agriculture
WFP	Whole-Farm Plan
WG	Welsh Government
WMP	Whole Milk Powder
WTO	World Trade Organisation

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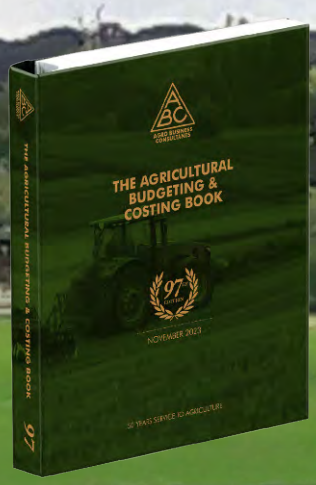

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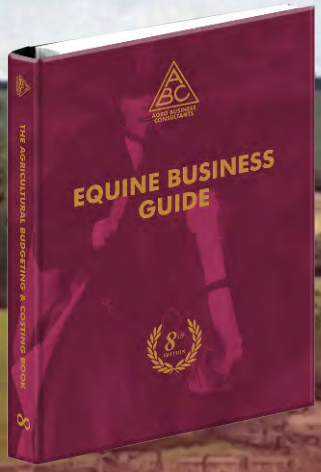

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Farm Consultancy
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Tel: 07956 870263
jscarratt@theandersonscentre.co.uk

Business Research
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Tel: 07977 191427
rking@theandersonscentre.co.uk

Corporate Consultancy
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