

UK AND NI AGRICULTURAL OUTLOOK

Michael Haverty

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LMC

Livestock & Meat Commission

IRISH
**FARMERS
JOURNAL**

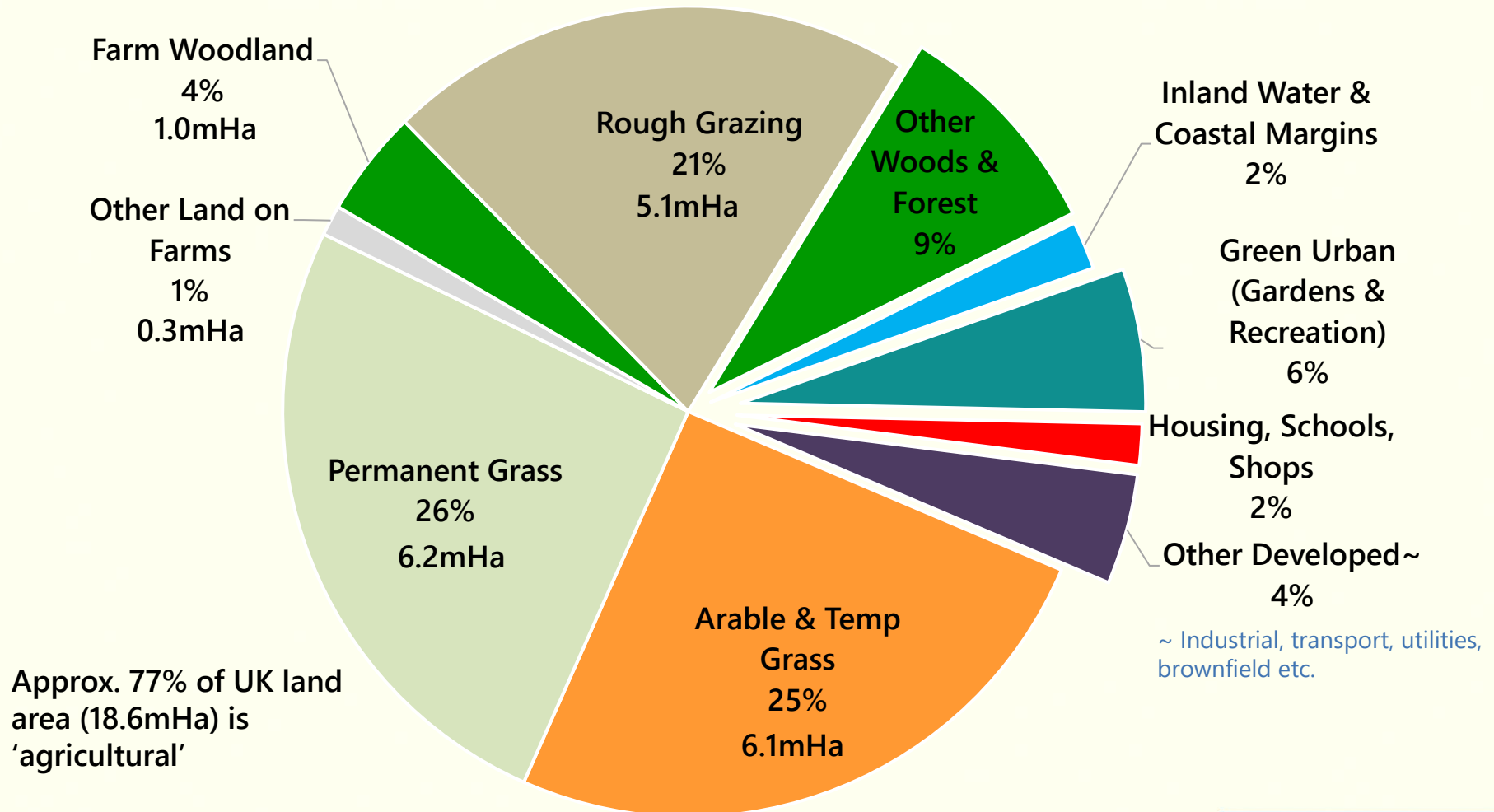
THE
ANDERSONS
CENTRE

AGENDA

- **Financial Performance of UK and NI Farming**
- **Trade Update**
- **UK Farm Policy**
- **Future Food and Land Use**
- **Arable**
- **Dairy**
- **Grazing Livestock**
- **Pigs and Poultry**
- **Implications and Conclusions**

FARM PROFITABILITY AND PERFORMANCE

UK LAND USE - 2020



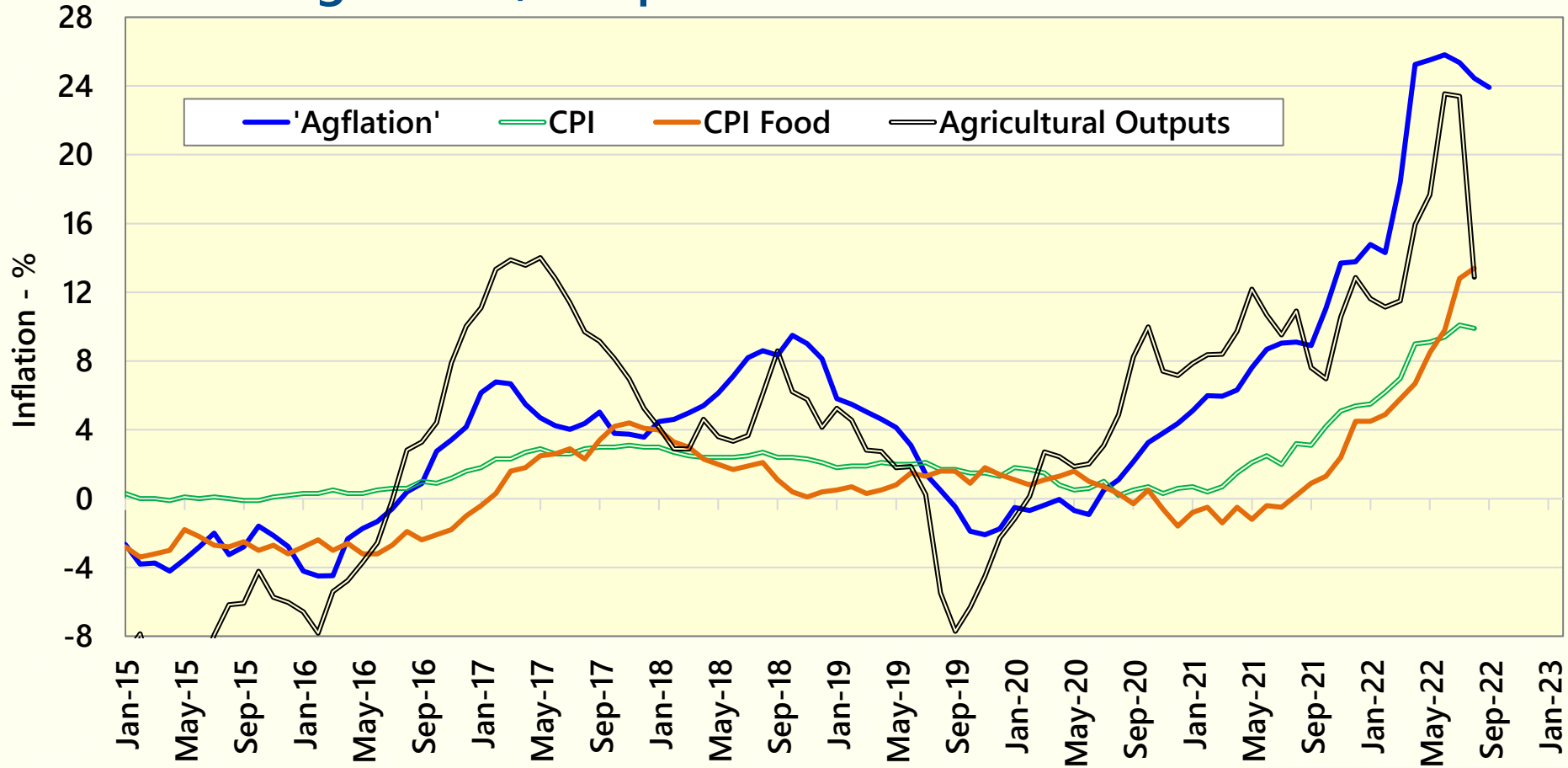
NI LAND USE - 2021

Northern Ireland Land Use by Land Category, 2021

Land Use Category	'000 Ha	% of Total NI
Crops	46	3.4%
Grass	855	63.2%
Rough grazing	141	10.4%
Farm woodland	19	1.4%
Oth. land on farms	11	0.8%
Forestry / oth. woodland	100	7.4%
Other land	181	13.4%
Total	1,353	

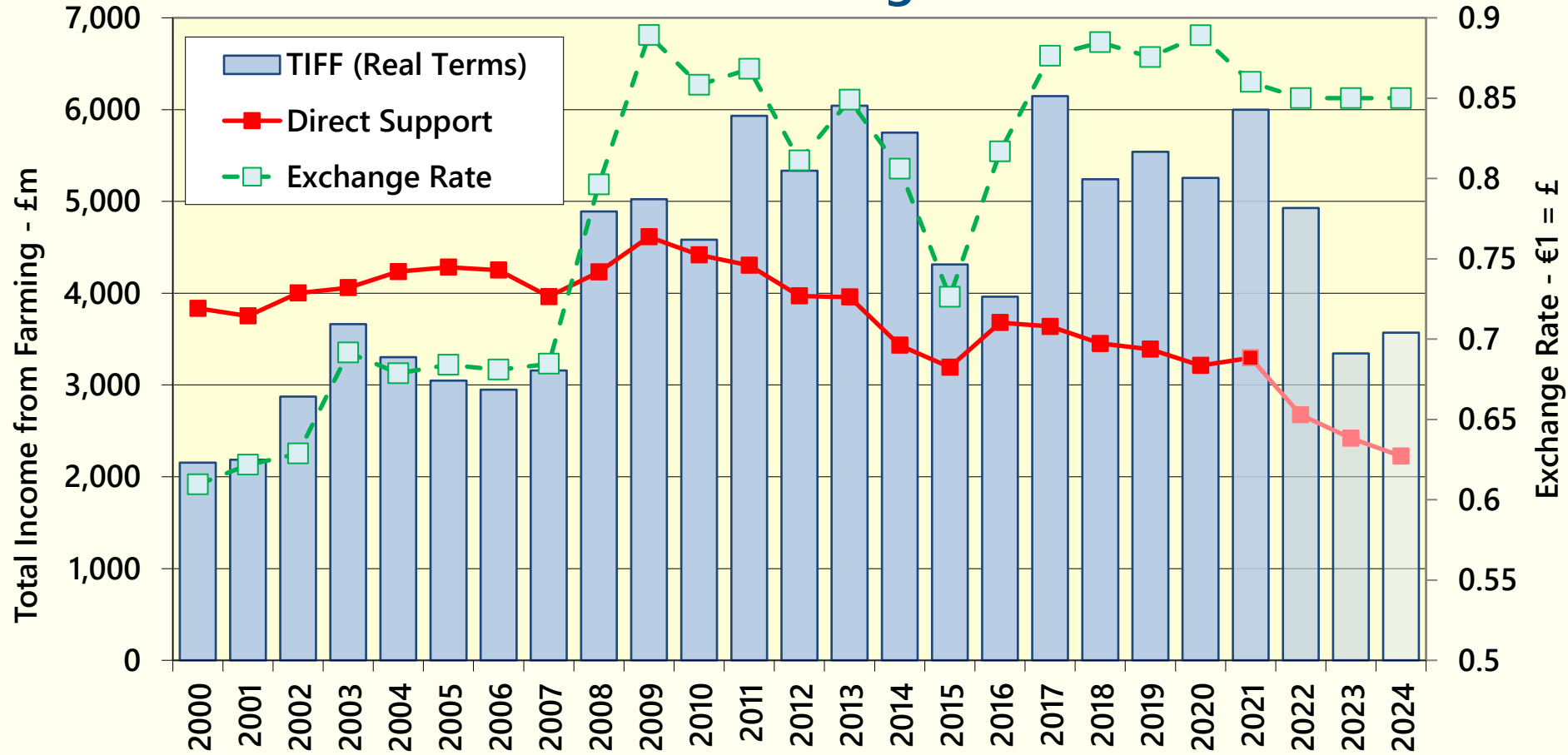
PRICE INCREASES

'Agflation', Outputs and CPI – 2015 to 2022



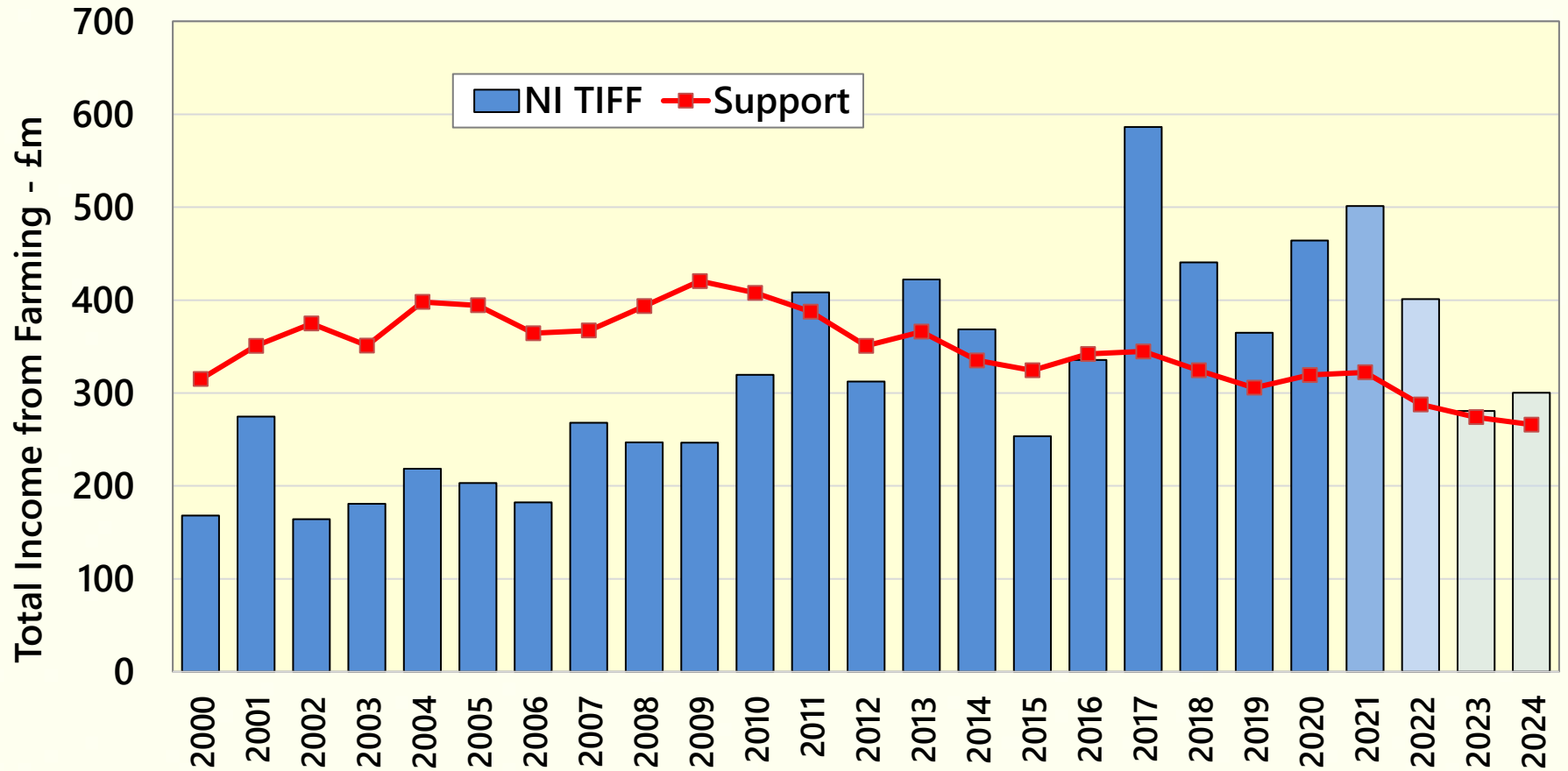
UK FARM PROFITABILITY

Total Income From Farming* – 2000 to 2024



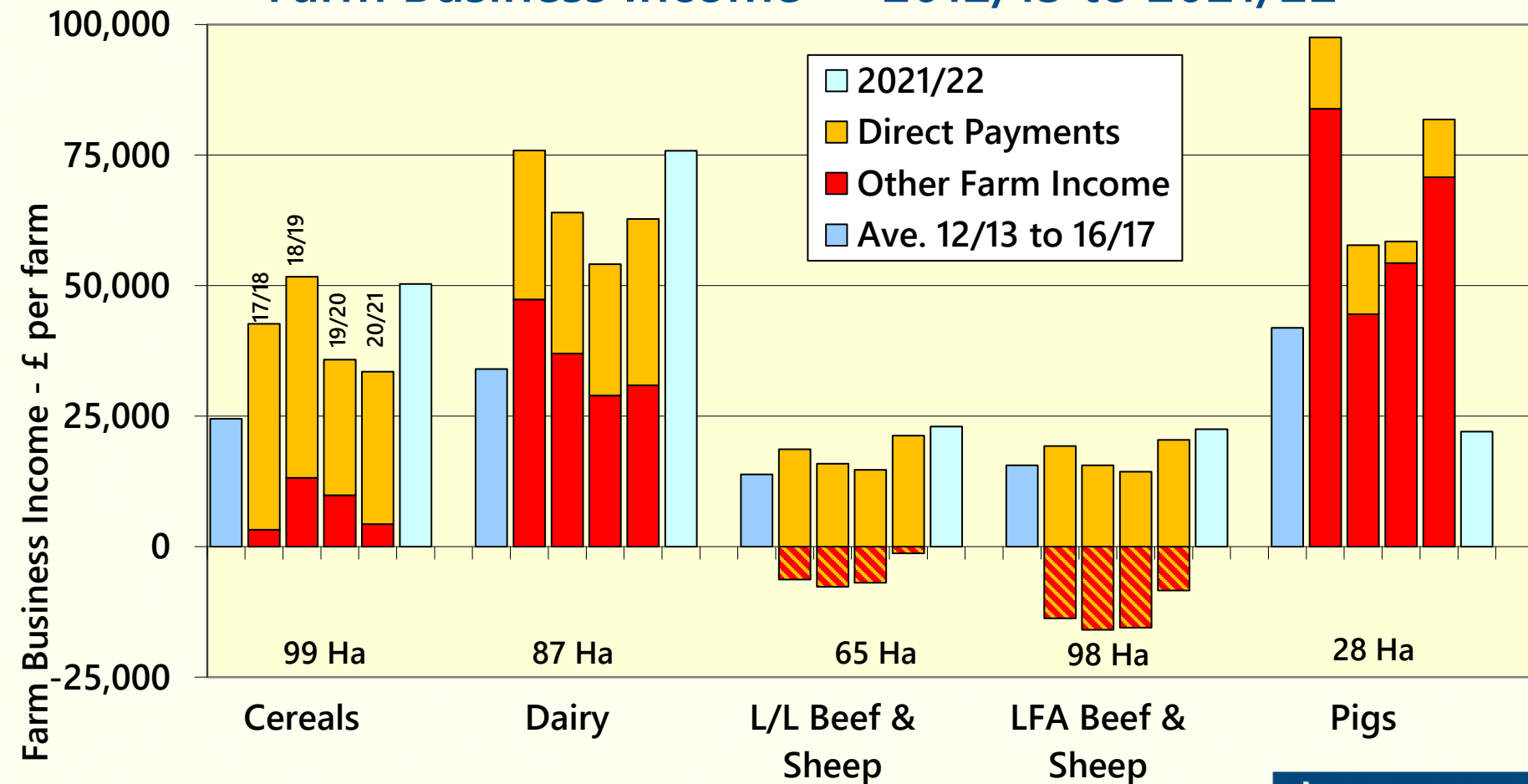
NORTHERN IRELAND FARM PROFITABILITY

Total Income From Farming* – 2000 to 2024



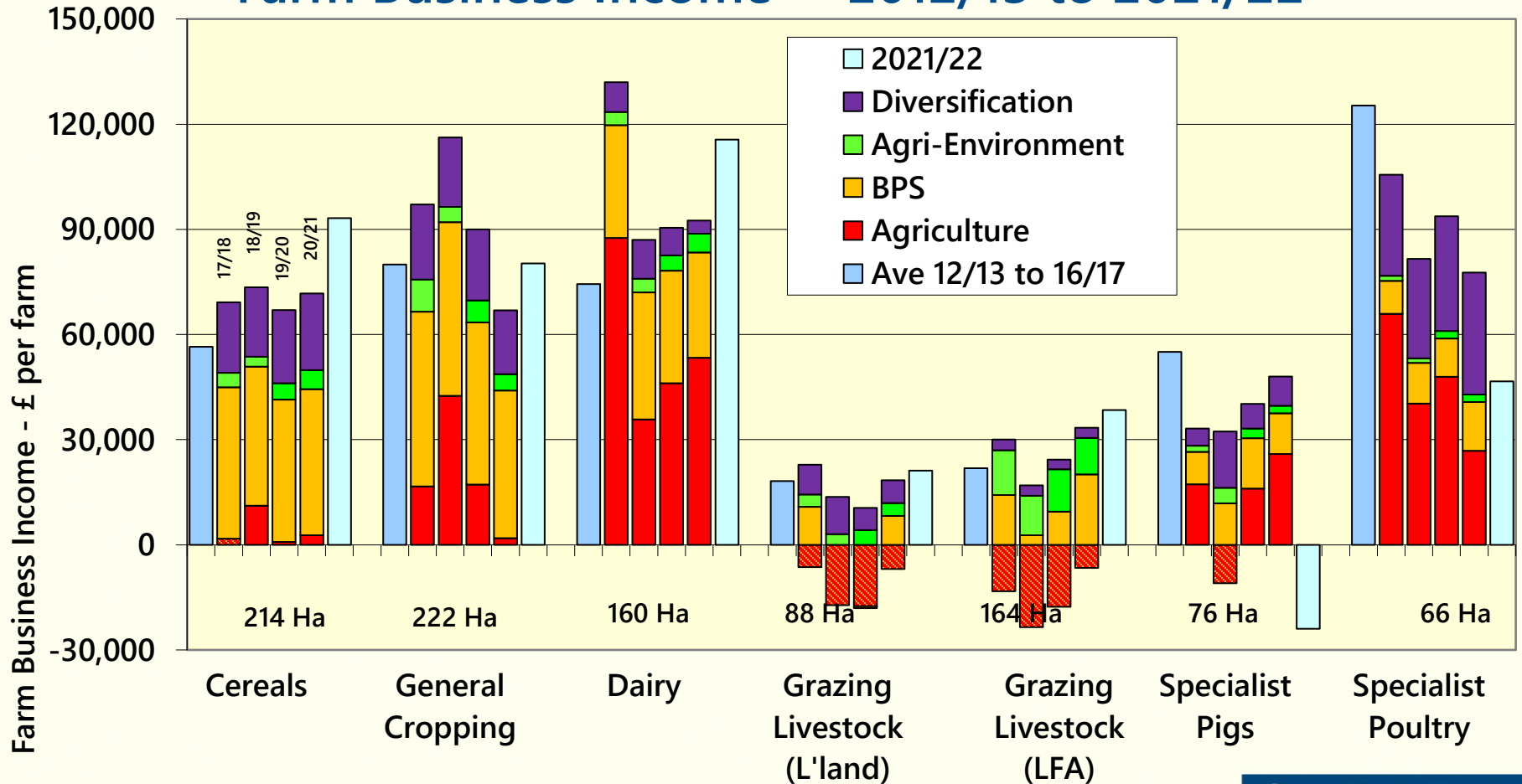
NORTHERN IRISH SECTOR PROFITABILITY

Farm Business Income* – 2012/13 to 2021/22



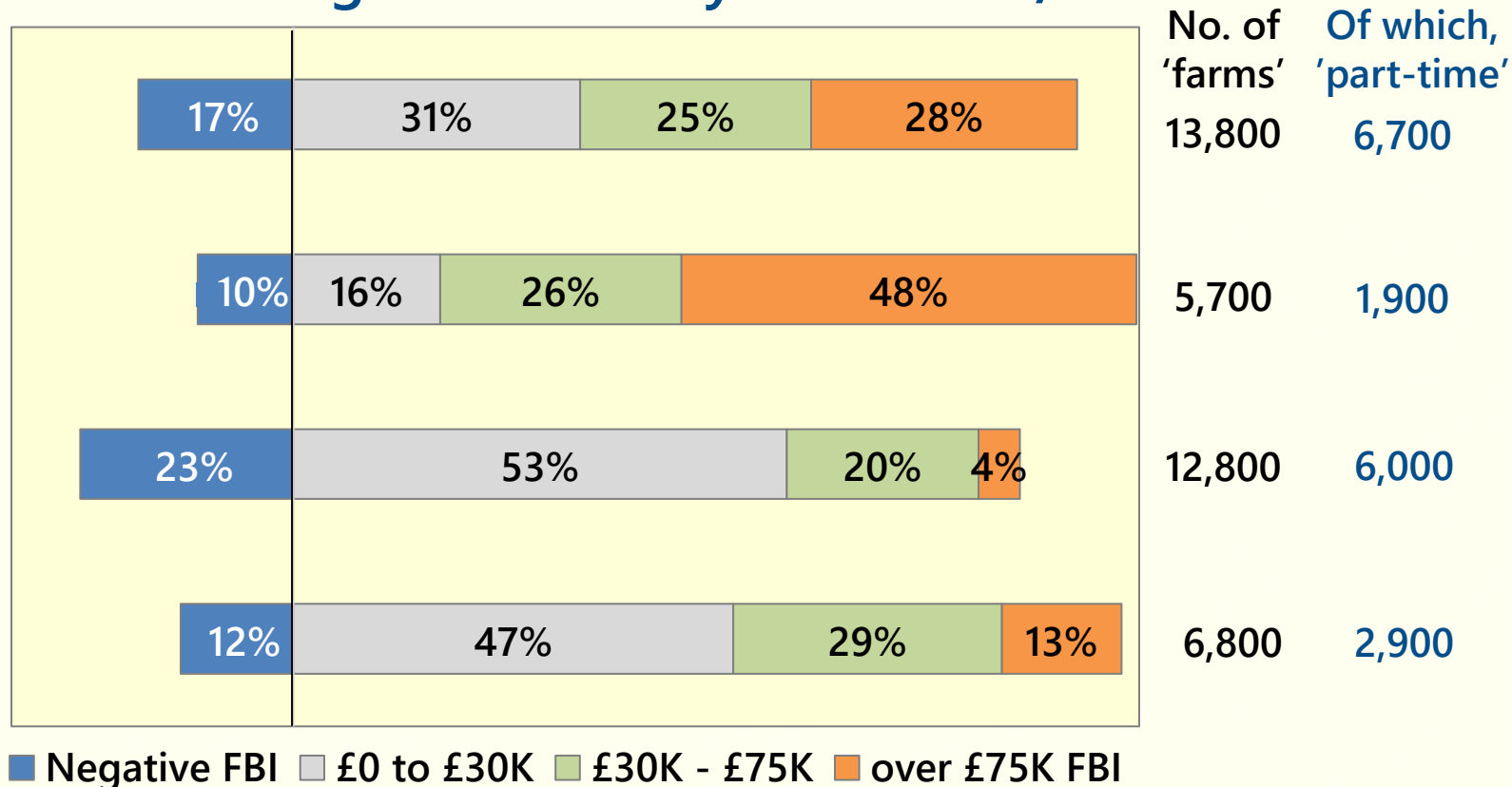
ENGLISH SECTOR PROFITABILITY

Farm Business Income* - 2012/13 to 2021/22



RANGE IN PROFIT - ENGLAND

Percentage of Farms by FBI – 2020/21



Note: 'farms' are all the total no. of holdings that the FBS samples from. Business with less than €25,000 of output are excluded.

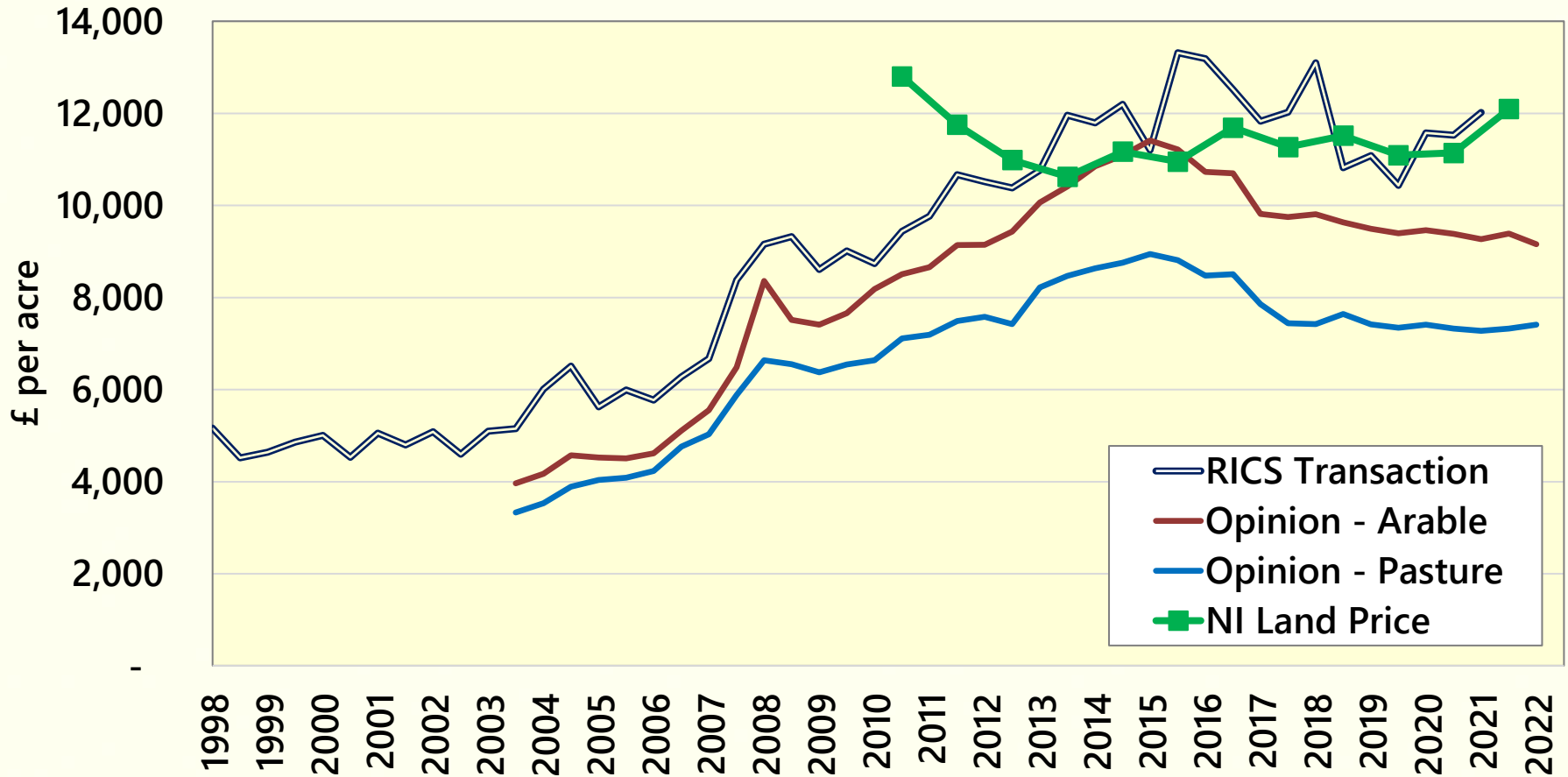
'Part-time' is calculated from the output of the farm and does not relate to proprietor's actual time use.

PRODUCTIVITY

- **A key policy goal for Defra and devolved administrations**
 - statistics show stagnation over the last 20 years
- **Frees-up land for other uses**
 - National Food Strategy (Dimbleby Report) states 20% of English farmland produces 3% of calories
 - *likely to be more 'no-land', high productivity farming in future – substrate farms, vertical farms, insect protein, cultured meat, etc.*
- **Plus, benefits on GHG, higher GVA, reduced support for ag. etc.**
 - Gov't focus is often on investment – grants for 'stuff'
 - More important are skills and structures
- **Traditional measures of productivity tend to ignore environment**
 - looks at output versus *purchased* inputs – not soils, biodiversity etc.
 - natural capital approach better, but complex to implement

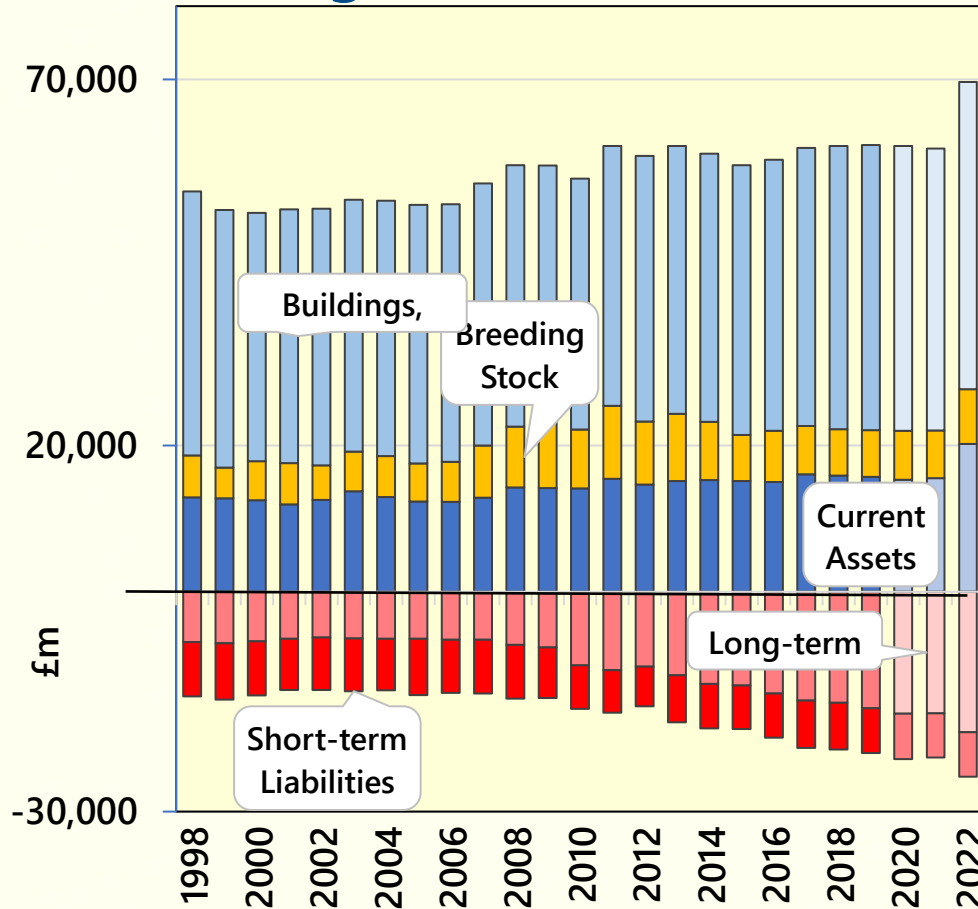
LAND PRICES

NI, England & Wales (Real Terms) – 1998 to 2021



FARMING BALANCE SHEET – NO LAND

UK Agriculture: Assets and Liabilities* – 1998 to 2022



- Land dominates B.Sheet for land owners, but only paper-value as seldom sold
- Working Capital issues in some farming sectors
- Cost of borrowing going up too
- Can profit service debt?
- Debt centred in few farms

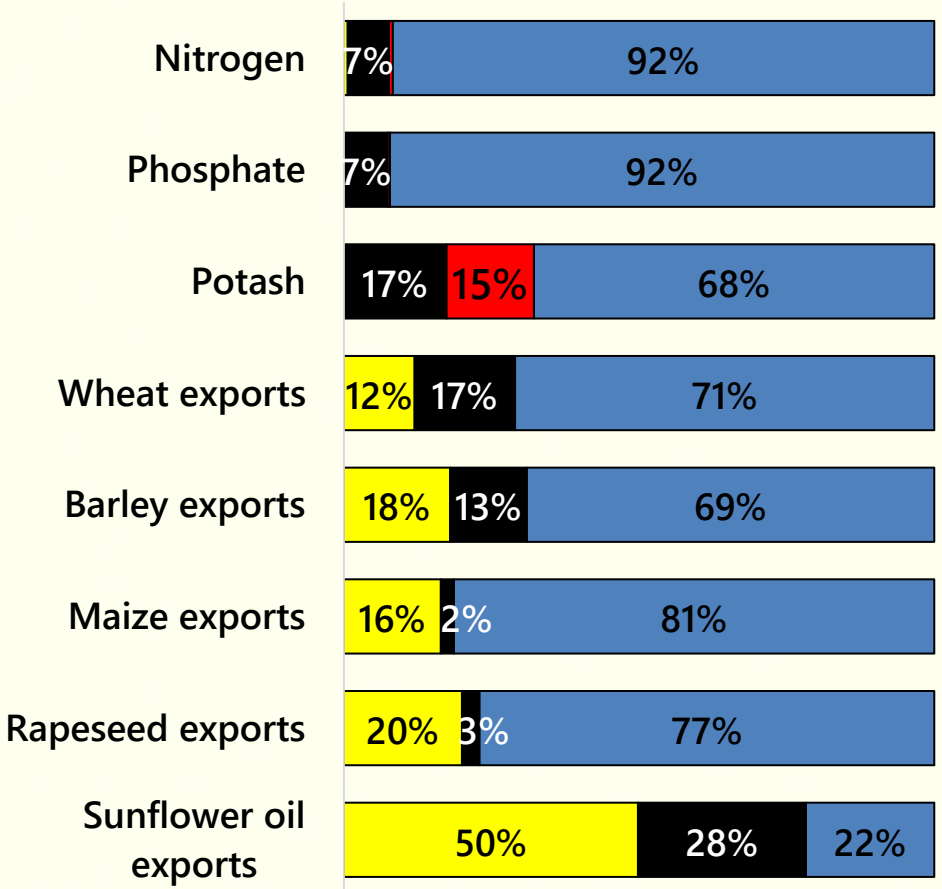
OUTPUT PRICES / INPUT COSTS

- **General weakening of output prices through 2023?**
 - markets adjusting to Ukraine conflict / world economic slowdown
 - but, drops limited by underlying S & D – e.g. grains
 - currency changes – strong \$ (weak £) boosting UK farmgate values
 - *lower grain prices helps feed costs, but imported inputs more expensive*
- **Fuel, fertiliser and electric all linked to oil/gas prices**
 - little change evident though this winter and into spring
 - Govt help on electricity – how far does this go for businesses?
 - ‘pivot’ away from Russia and fossil fuels – higher prices longer-term?
- **Inflationary pressure on other costs**
 - wage rates, services, and product costs up as individuals and businesses try to catch-up with inflation
 - further interest rate rises

TRADE UPDATE

RUSSIA-UKRAINE – IMPACT ON INPUTS & PRICES

RU & UKR Share of Output & Trade



Conflict Impact on Wheat Prices

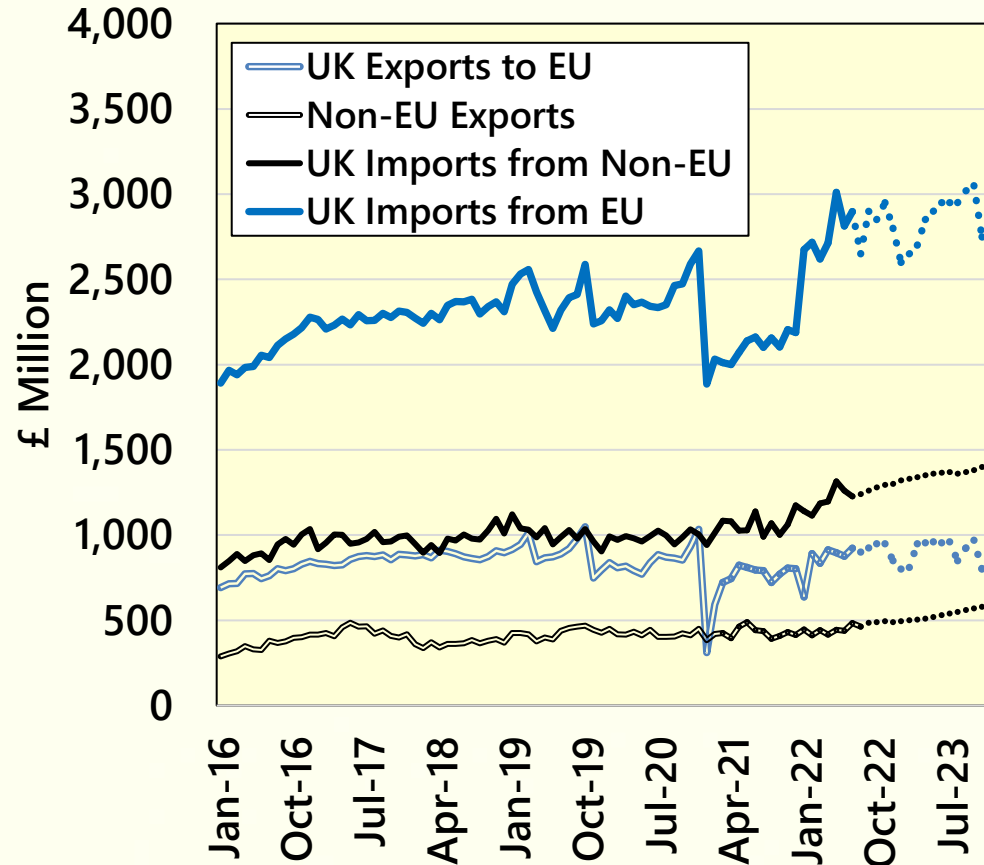
- 22-23 Ukraine crop production projected 35-45% decline
- wheat export declines greater
- ongoing impacts on fertiliser trade, notably nitrogen & potash

		Restriction of wheat exports by Russia				
		0%	-10%	-25%	-50%	
Reduction in Ukraine exports	0%	0%	2%	5%	11%	
	-25%	4%	6%	10%	16%	
	-50%	9%	11%	15%	21%	
	-100%	19%	22%	26%	34%	

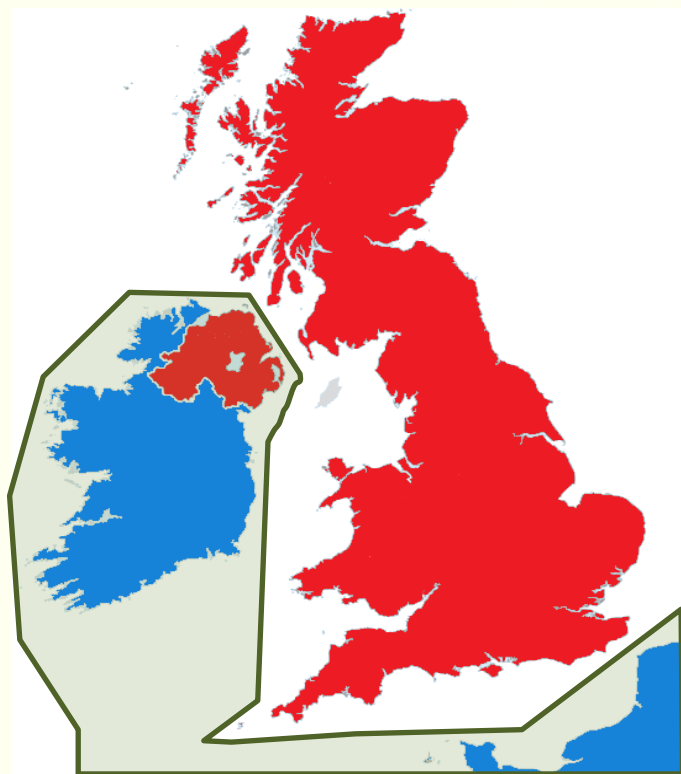
TRADE OVERVIEW

- **UK-EU TCA applied in Jan '21**
 - Controls on UK exports to EU
 - UK Import controls deferred until late 2023
 - Fewer logistics/HGV drivers and other agri-food workers
- **Trade with non-EU**
 - 67 'roll-over' deals agreed
 - FTAs with Australia and NZ
 - UK application to join CPTPP
 - Other new FTAs (India, GCC) could present opportunities

UK Food & Live Animals Trade



NORTHERN IRELAND PROTOCOL

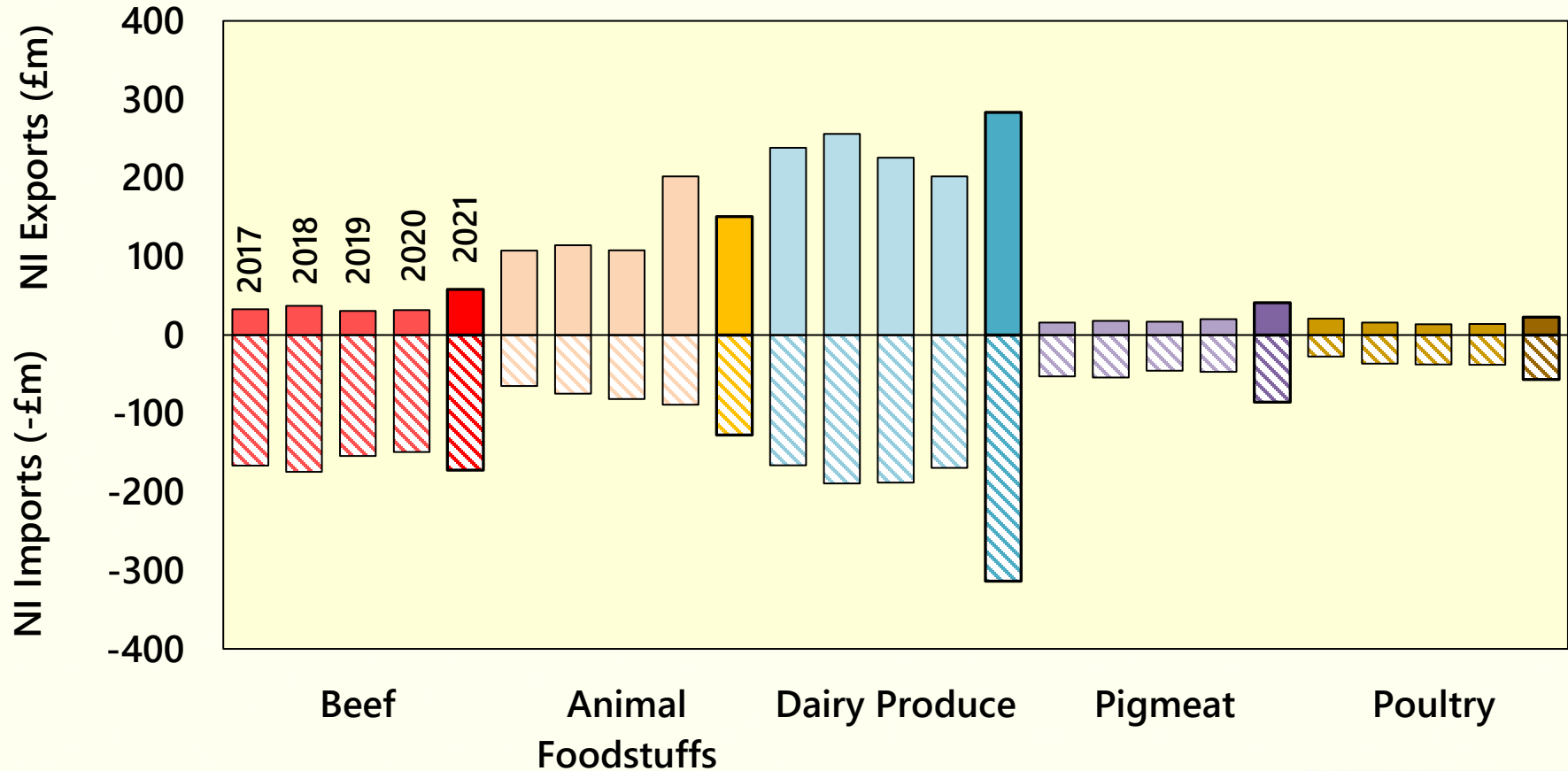


- Customs and Regulatory Zone (EU-aligned) (Agri & industrial goods)
- EU Customs Territory
- UK Customs Territory

- **NI within EU-aligned Regulatory Zone**
 - removes regulatory/customs checks on island of Ireland but creates Irish Sea border
- **Implementation difficulties, talks ongoing**
 - EU proposals claim to reduce customs checks, by 50%, and SPS checks by 80%. UK disputes this.
- **UK Government keen to resolve issues but needs to be seen to meet UK requirements**
 - GB-NI checks; disputes system (ECJ); state aid
- **Technical talks resuming to resolve issues**
 - window of opportunity between now & April
- **NI Assembly Executive**
 - End October deadline or (another!) election
 - Consent needed for Protocol (vote every 4 years)

NI TRADE WITH REPUBLIC OF IRELAND (ROI)

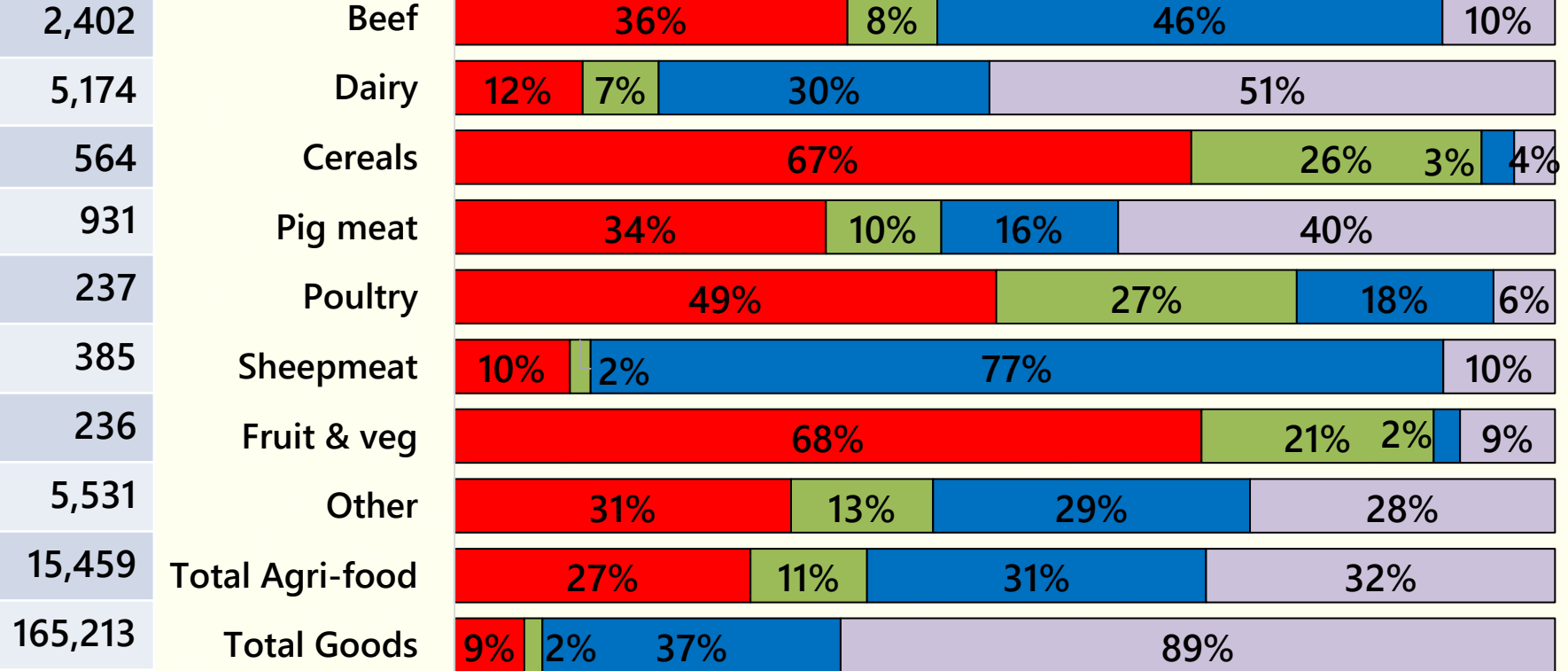
NI-ROI Trade 2017 to 2021 (£m) – Selected Products



IRELAND'S AGRI-FOOD EXPORT TRADE

Share of Ireland's Agri-Food Export Trade 2021 by Geography

€ Million



■ GB ■ NI ■ EU ■ Rest of World

Sources: CSO / Andersons

ANDERSONS

UK-AUSTRALIA TRADE DEAL

TRQ Access for Selected Agri Products Under UK-Australia FTA

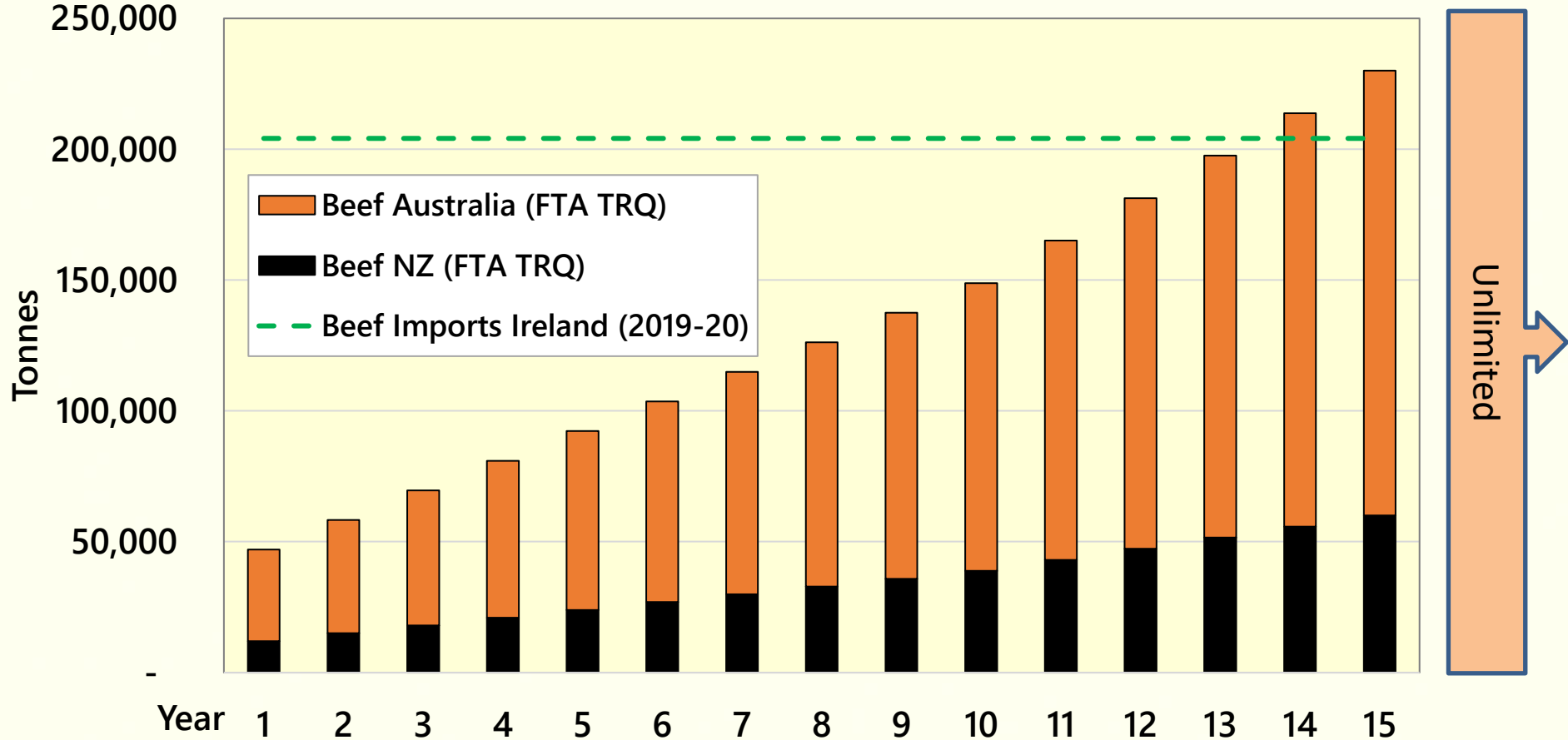
Product	Year 1	Year 5	Year 10	Year 15	Unlimited Access	2018-20 Imports (Global)
Beef*	35,000	68,333	110,000	170,000	Year 16	333,000
Lamb*	25,000	47,222	75,000	125,000	Year 16	85,000
Cheese	24,000	48,000	Unlimited	Unlimited	Year 6	505,800
Butter	5,500	11,500	Unlimited	Unlimited	Year 6	78,200
Other dairy	20,000	20,000	Unlimited	Unlimited	Year 6	754,500
Sugar	80,000	160,000	Unlimited	Unlimited	Year 9	895,800
Wheat^	80,000	Unlimited	Unlimited	Unlimited	Year 5	1,937,000
Barley^	7,000	Unlimited	Unlimited	Unlimited	Year 5	87,100

* UKGT applies for imports above these limits (to Year 10), for Years 11-15, a 20% tariff applies.

^ Excludes seed

UK FTAs – BEEF ACCESS

Australia + NZ Beef Market Access Under New FTAs



Note: Beef imports from Ireland based on GB trade only

Sources: Department for International Trade / CSO / Andersons

TRADE OUTLOOK

- **The TCA is a 'hard Brexit'; *but Brexit is not finished***
 - ongoing negotiations on NI Protocol, fish access and other issues
 - more challenges as rules diverge – Level Playing Field
 - UK Border Operating Model from late 2023 – greater friction for imports
- **Short-term:** Limited competition from Australia & NZ but this will increase for beef & sheepmeat and dairy to some extent
- **Medium-term:**
 - trade talks with US stalled, will resume at some point
 - talks with Gulf Cooperation Council & India may create opportunities
- **Long-term:** Cumulative impacts of FTAs with possible further deals (e.g. Mercosur) will heighten competitive pressure
- **Meanwhile, UK migration policy curtailing UK agri-food; price inflation also a major concern for UK Government**

FARM POLICY

UK FARM POLICY

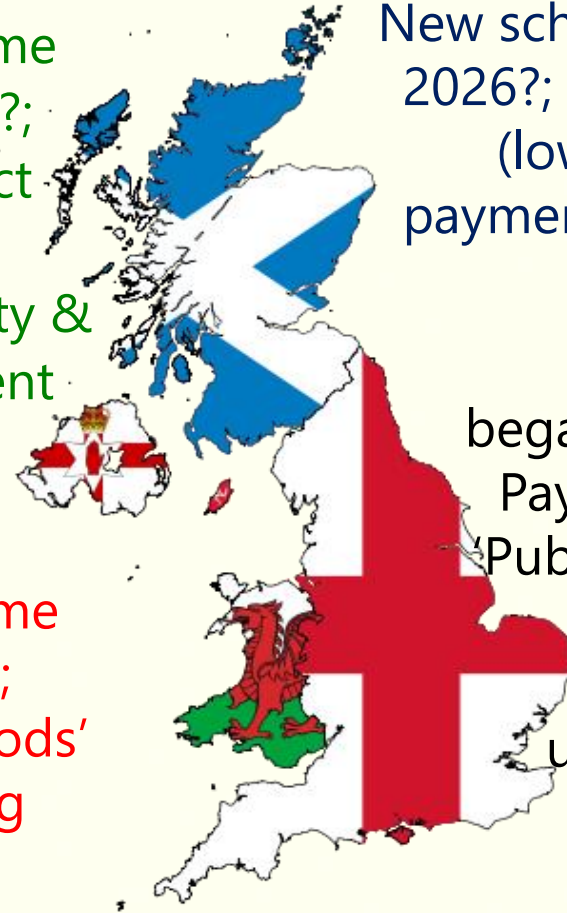
- Budget for 'farm support' maintained until 2024
- Thereafter, Treasury funding set just like other Ministries
 - Barnett formula for devolveds
 - top-ups possible (unlikely?)
- 'Policy' covers all Govt interaction with farming
 - not just support
 - regulation (technology), taxation, tenancy law, market structures, etc.
- Divergence in policy -

New scheme from 2024?; lower direct payments. Productivity & environment focus

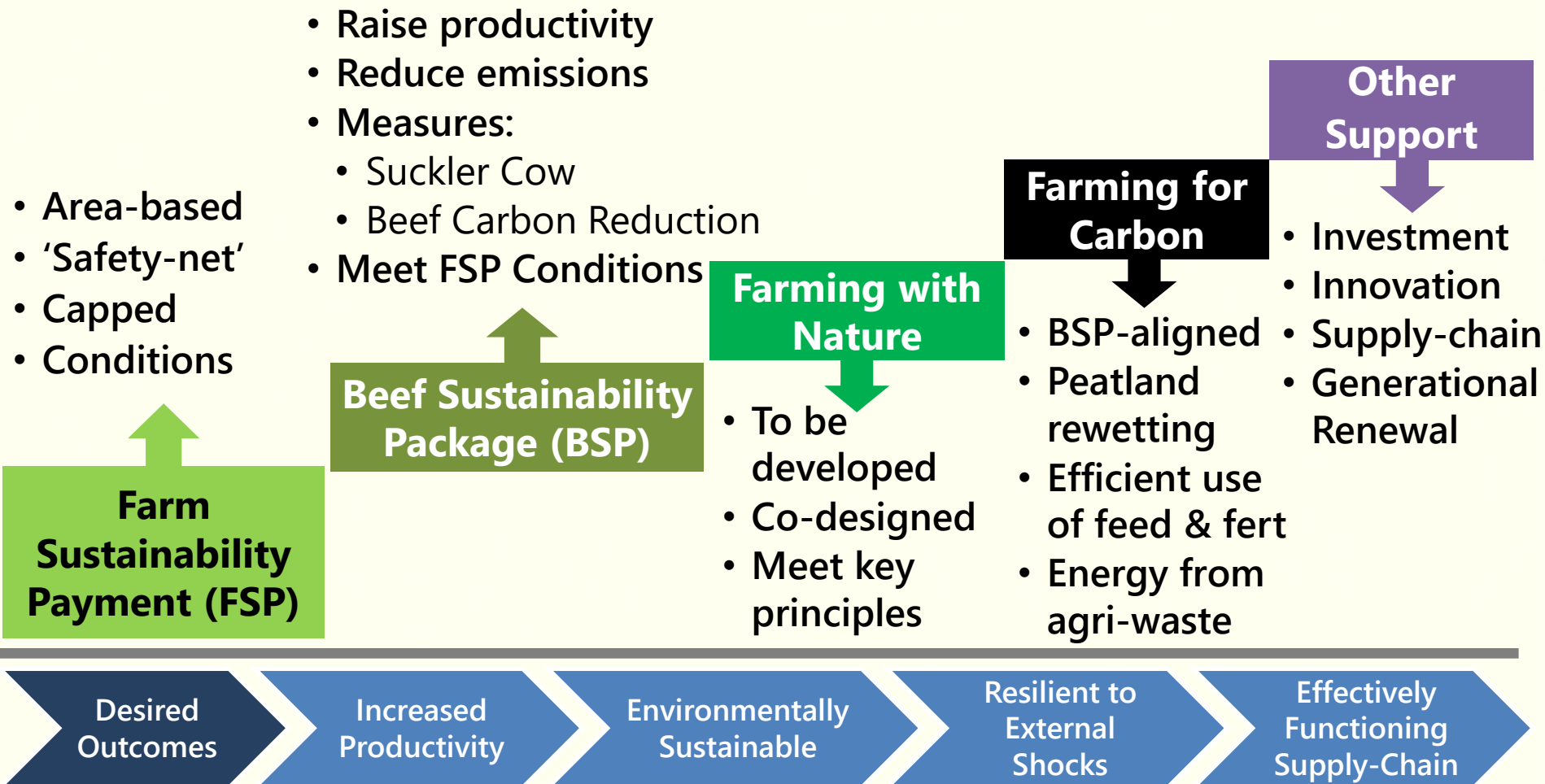
New scheme from 2025; 'public goods' but with ag focus

New scheme from 2026?; continued (lower) direct payments? Focus on GHGs

Ag. Trans. began in 2021
Payments on 'Public goods' basis.
U-Turn underway?



NI – AGRICULTURAL POLICY FRAMEWORK



NI POLICY – FARM SUSTAINABILITY PAYMENT

- **Area-based ('safety net');** replaces BPS.
- **Progressive capping from 2024**
- **Minimum claim: 5 Ha**
- **Conditions:**
 - meet Farm Sustainability Standards,
 - participation in Soil Nutrient Health Scheme
 - develop Nutrient Management Plan
 - recording of sire identity on APHIS/NIFAIS for all dairy and beef herds.
- **Eligibility - need to have either;**
 - registered agricultural animals (excludes horses) during 2020 and 2021; or
 - ≥ 3 Ha of arable or horticultural crops on the Single Application (BPS claim)

Payment Band	% Reduction
> £190k	100%
£150k-£190k	80%
£100k-£150k	60%
£80k-£100k	40%
£60k-£80k	20%
\leq £60k	0%

NI POLICY – BEEF SUSTAINABILITY PACKAGE

- Must be an FSP recipient to be eligible
- Headage-based; must meet productivity & environment criteria
- Based on two key measures;
 - Suckler Cows – payment predicated on giving birth to live, registered calves; farm-level quotas and other rules to be developed
 - Beef Carbon Reduction – clean beef animals; APHIS registered; maximum of 352k animals to meet WTO requirements

Suckler Cow Targets

Year of Scheme	Max. age at first calving	Max. calving interval
1	34 months	415 days
2	32 months	405 days
3	30 months	395 days
4	29 months	385 days

Beef Carbon Reduction Targets

Year of Scheme	Max. age at slaughter
1	34 months
2	32 months
3	30 months
4	29 months

SCOTLAND AND WALES POLICY 2022 →

- Current BPS to continue to at least 2024 (Scotland could be later)
- Scotland: LFASS to continue 2021-24 at full (2018) payment levels
- Gradually increase in 'conditionality' attached to direct payments
 - GHG emissions, soils & water, biodiversity etc. – 50% by 2025
 - 'baselining' commencing in 2022 and development of new schemes
- Consultation (autumn 2022) proposes 4-tier structure
- **New 'Sustainable Farming Payment' will be the main Welsh farm support from 2025 onwards – three 'layers'**
 - 1. Universal – 10% woodland + 10% habitats + soils, animal health etc.
 - 2. Optional – actions to enhance environment 3. Collaborative
 - Sustainability Review required; up to 5-year contracts; payments not set
- **4-year transition from 2025; Plus advice, skills, & capital grants**

ENGLISH POLICY OVERVIEW

- **Agricultural Transition underway** – no BPS by 2028 (<50% by 2024)
 - elements of ELMs slowly being launched; but limited until 2024
 - Countryside Stewardship continues; also various 'productivity' grants
- **Environment Act 2021** – statutory Biodiversity Net Gain (Nov 23); Local Nature Recovery Plans (effect on ag?); Environmental Improvement Plan
- **Other environmental issues**
 - nutrient neutrality and Nutrient Mitigation Scheme
 - carbon codes for hedges & soils being developed - boost carbon markets?
- **Balancing competing demands for land** – new Land Use Framework
- **New Government** - assumed overall policy direction maintained, although it is being reviewed.
 - recession and budget for farm support (after 2024)
 - taxation regime (and regulation)

ENVIRONMENTAL LAND MANAGEMENT



- **Three components;**
 1. Sustainable Farming Incentive (SFI)
 2. Local Nature Recovery (LNR)
 3. Landscape Recovery (LR) Scheme
- **Schemes launched in stages**
- **Capital and revenue grants in all components** (no paid advice)
 - multi-annual commitment
- **A payment for 'public goods'**
 - needs to be worthwhile to sell them
 - high output prices have made this more challenging

ELM ROLL-OUT PROGRESS

- **Sustainable Farming Incentive (SFI) has been launched**
 - Arable Soils; Grassland Soils; Moorland and Animal Welfare 'Standards'
 - coming (early?) 2023 – Hedgerows; IPM; Soils (advanced Standards) & Nutrient Management
 - payment rates not high (arable: £22-40 per Ha; grass: £28-£58 per Ha)
 - *there is a cost to deliver option (circa 50%) – makes most sense where Standards can be accommodated with little change to systems*
 - *total sums potentially unattractive (especially on small farms) until extra Standards added*
 - *land being used for CS generally cannot also be used for SFI – makes the choice between CS and SFI complex*
- **Local Nature Recovery (next level of ELMS) – Pilots launching soon**
- **Future Farm Resilience Fund (FFRF) available from Sept**
 - free farm advice until March 2025

SFI ANALYSIS - 2023

	Loam Farm 600 Ha	Small Loam 200 Ha	Friesian Farm 200 cows	Small Friesian 80 cows	Meadow Farm 200 Ha	Small Meadow 90 Ha	Uplands Farm 300 Ha
<i>Net SFI Income~:</i>							
Arable Soils	£10,965	£3,459	£214	-	£549	-	-
Grassland S.	-	-	£1,453	£802	£3,025	£1,731	£3,250
Total SFI 22	£10,965	£3,459	£1,667	£802	£3,574	£1,731	£3,250
BPS Loss*	-£63,465	-£17,155	-£10,162	-£4,049	-£17,232	-£7,347	-£18,686
Net Loss	-£52,498	-£13,696	-£8,495	-£3,246	-£13,658	-£5,616	-£15,397
In CSS?	x	x	x	x	✓	✓	x

~ farms assumed to enter Introductory level under each Standard over entire farm. Moorland and Animal Welfare Standards not included

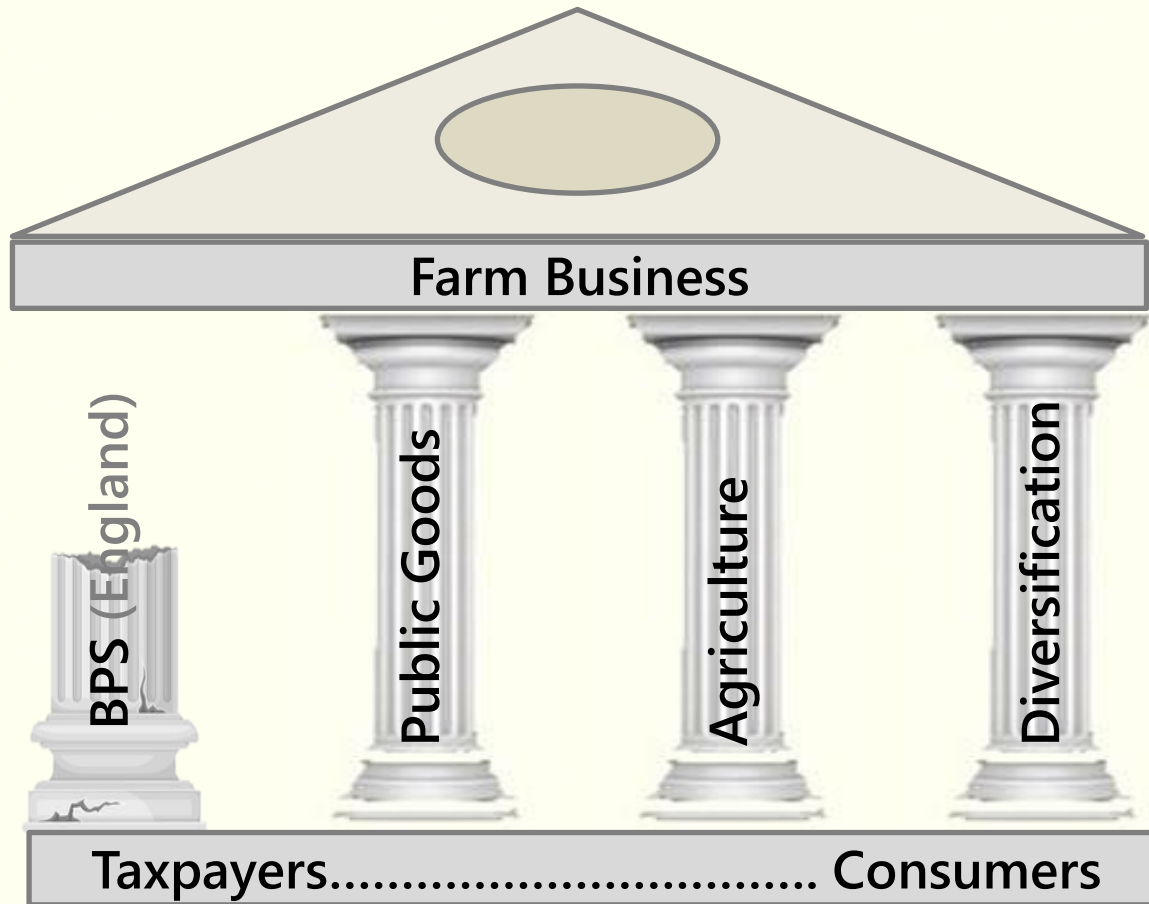
* BPS loss in 2023 year compared with 'baseline' 2020.

SO WHAT?

- BPS at least halves for English farmers by 2024 - a simple sum
- Support may nominally remain unchanged elsewhere, but Treasury will be much more influential from 2025.
- Long-term, what is the ability to 'recover' lost BPS?
 - timing gap between reduction in BPS/FSP and availability of new schemes?
 - even if revenue under new schemes is the same as BPS, profit will be lower – 'public goods' need to deliver something – has a cost
- Other ways to make up the shortfall?
 1. better farming efficiency? Including a change in costs (rents + others)
 2. other income sources? *Is there any sort of 'plan' to do this?*
- Some businesses will need an 'exit strategy'
- Opportunities for the best businesses – expansion and growth

FUTURE FOOD AND LAND USE

THE FARM BUSINESS



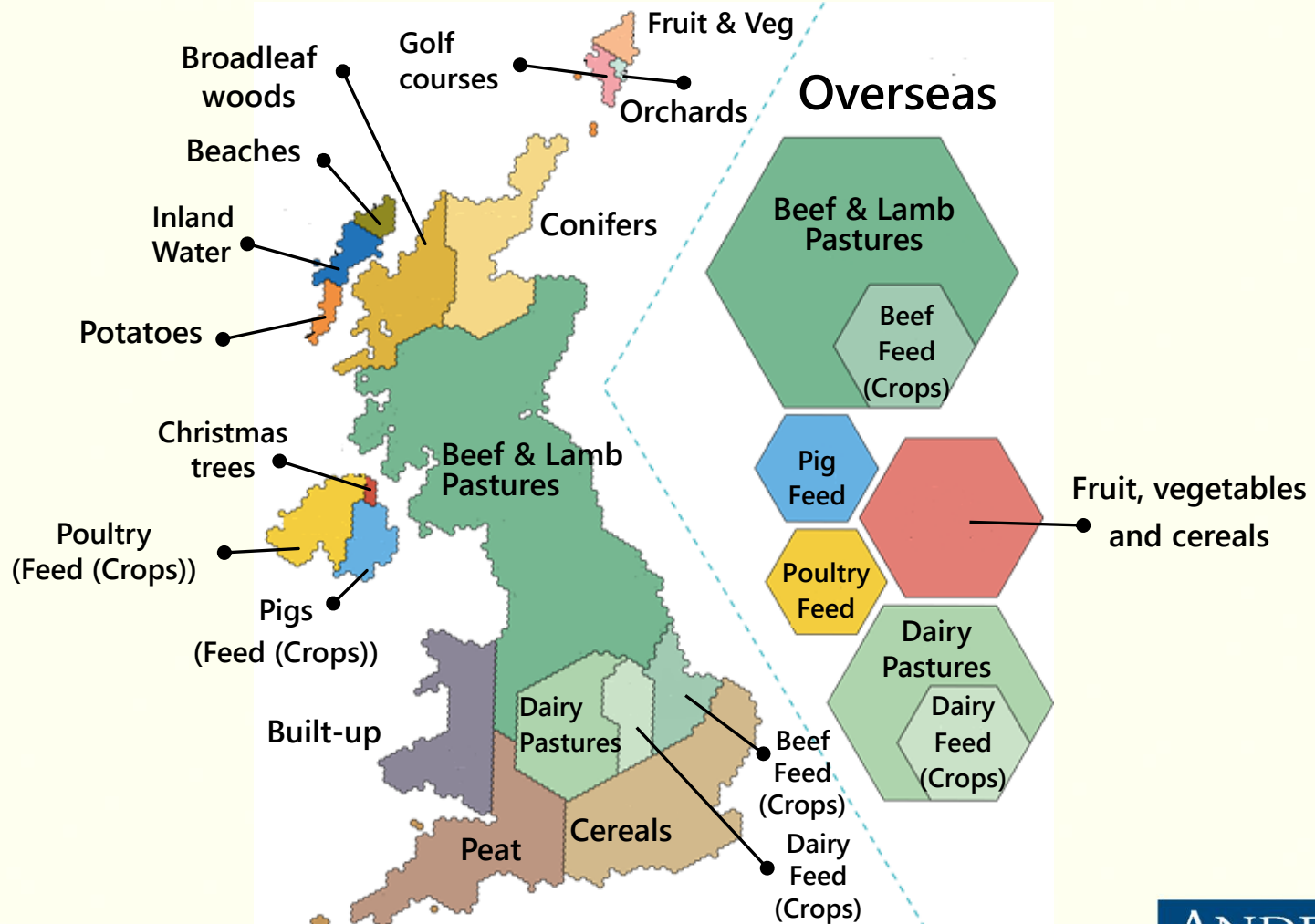
- As one revenue stream dries up, the others should grow to replace the lost income
- Alternatively, costs should fall accordingly
- The 3 remaining pillars of the farm business are all land-based and become more important

The primary resource is land; demand for it is changing

LAND USE DEMANDS

- **Global food demand continues to rise** – plus climate change effects
- **Little change in UK food needs** – no drive for ↑ self-sufficiency
 - change in types of food more important e.g. 85% of land devoted to livestock production once feed grain accounted for (NFS)
- **Ongoing development (houses, transport etc.), but this has a relatively small effect on overall UK land use**
 - although very noticeable in specific localities (S.E. England)
- **Climate change agenda (carbon) – woodland, solar, peatland**
 - CCC (2020) states 22% of current agricultural land should be released for other uses
- **UK Gov commitment to have 30% of land 'protected' by 2030**
- **Biodiversity (Public + Private), re-wilding, public access and more...**
- **Policy and innovation to 'free-up' land**

UK DEMAND FOR LAND



END USE OF UK GRAIN AREA

Wheat, Barley & Oats – 2016 to 2021 Ave*

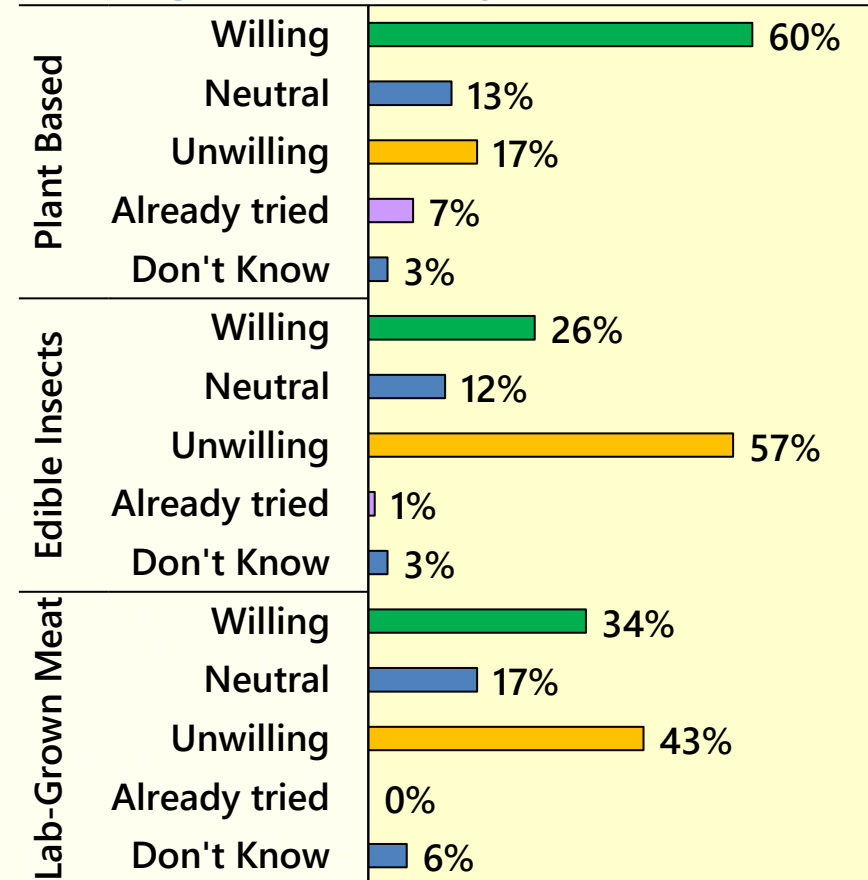


*Due to data availability milling and industrial are partly based on 2015-20 averages

ALT. PROTEINS – UK CONSUMER ATTITUDES

- **Safety Perceptions** – highest for Plant-Based (77%); Edible Insects (50%); Lab-Grown Meat (30%)
- **Reasons for Trying**
 - **Plant-Based:** safe (44%), health (39%)
 - **Edible Insects:** sustainability (31%)
 - **Lab-Grown:** sustainability (40%)
- **What would tempt the unwilling?**
 - **Plant-Based:** nothing (42%); if it looks appetising (21%)
 - **Edible Insects:** nothing (67%); safe to eat (13%); if it looks appetising (11%)
 - **Lab-Grown:** nothing (42%); safe to eat (27%); properly regulated (23%)

Willingness to Try Alternatives



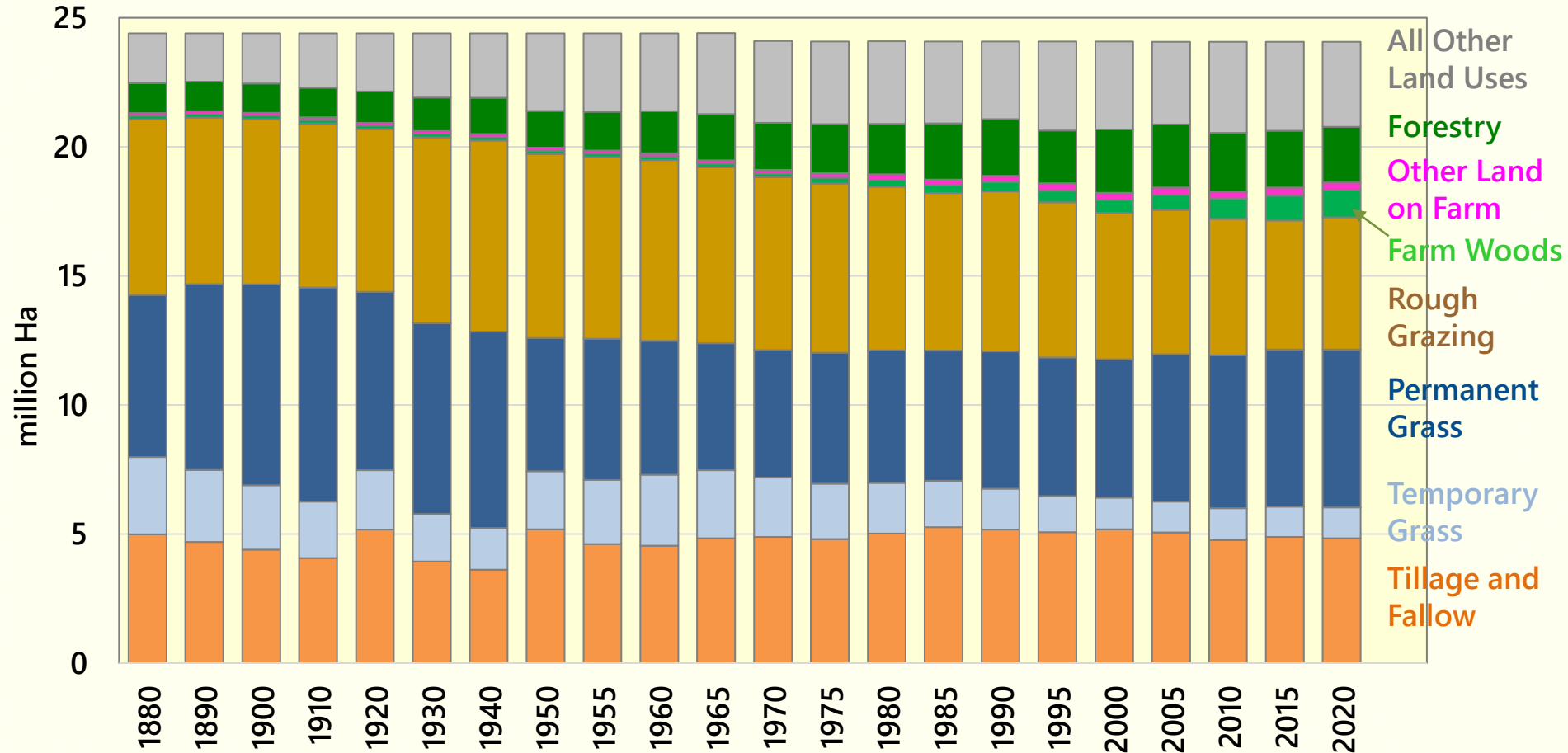
LAND MANAGEMENT CHANGE

What Can be Sold?

- **Carbon Reduction:** *received the most publicity, but perhaps the least attractive market*
 - permanence, additionality and verification issues
 - and the fact that agriculture might need the reductions itself – Net Zero
- **Biodiversity Improvements:**
 - Biodiversity net gain (BNG) for developers in England – Scotland later?
 - other markets – companies wanting to be seen to be ‘doing good’
- **Nutrients:** nitrates & esp. phosphates – to enable development
- **Others:** water management (flooding), water quality, access etc.
- **Government** will be a buyer (of last resort?) through ELM/AECS etc but private funding may offer more ££s
- Unclear how different elements can be ‘stacked’

LONG-TERM LAND USE CHANGE

UK Land Areas – 1880 to 2020



LAND USE CHANGE - 2030

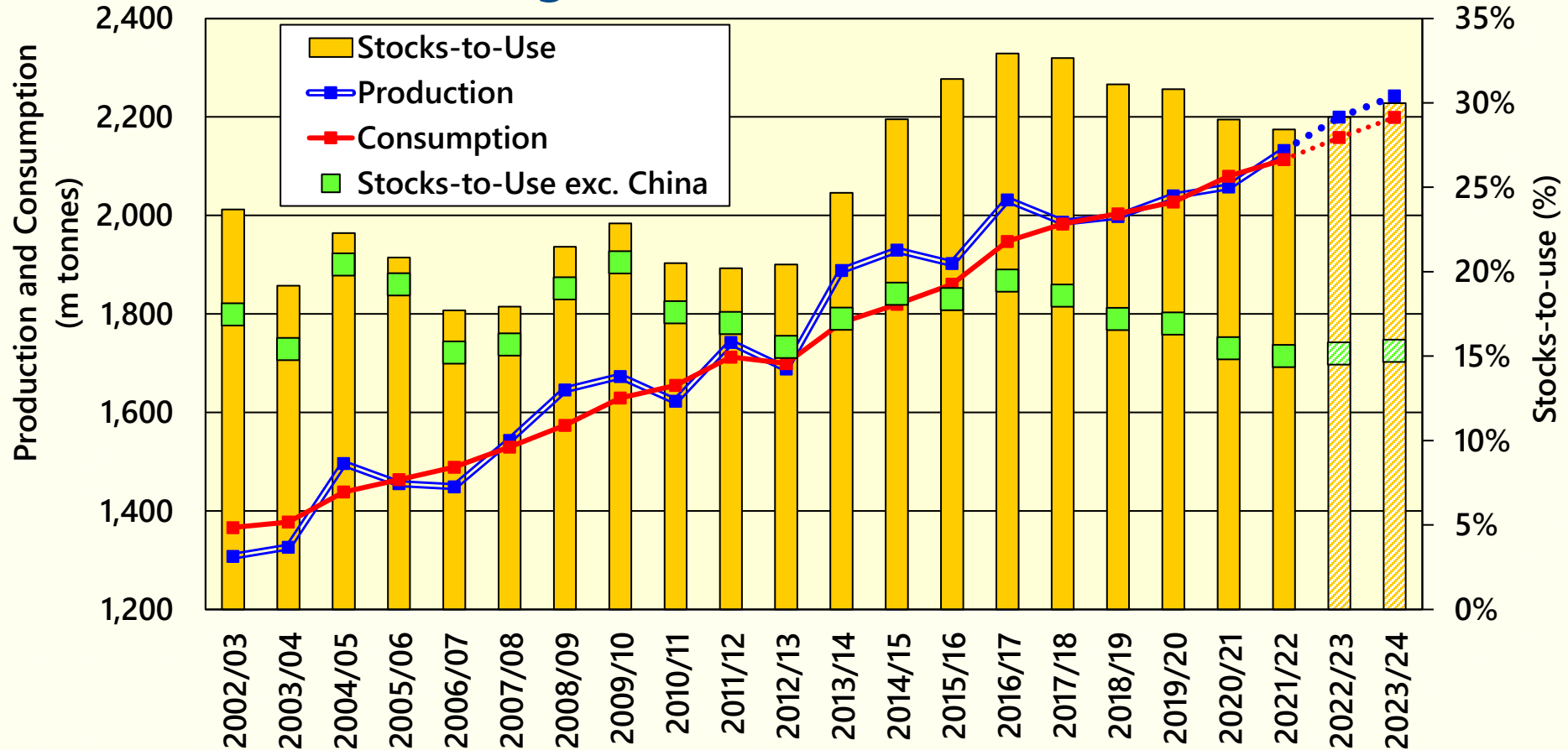
Land Use	Direction	Comments
Cereals (animal feed)	↓	Less meat, more grass-based regimes
(human and industrial)	↑	Biofuels
Oilseeds	=	Little change
Proteins (peas, beans)	↑	More demand for plant protein
Horticulture/Root Crops	=	<i>Should</i> rise, but labour constraining factor
Temporary Grass	↑	More grass in arable rotations
Permanent Grass	↓	To 'environmental' uses
Rough Grazing	↓	To 'environmental' uses
Biodiversity Uses	↑	ELM, BNG, rewilding etc.
Diversification (inc. energy)	↑	Solar PV and also leisure uses
Woodland (farm & other)	↑↑	Plantings for carbon + timber & amenity
Wetlands (peat)	↑↑	Restoration

COFFEE

ARABLE SECTOR

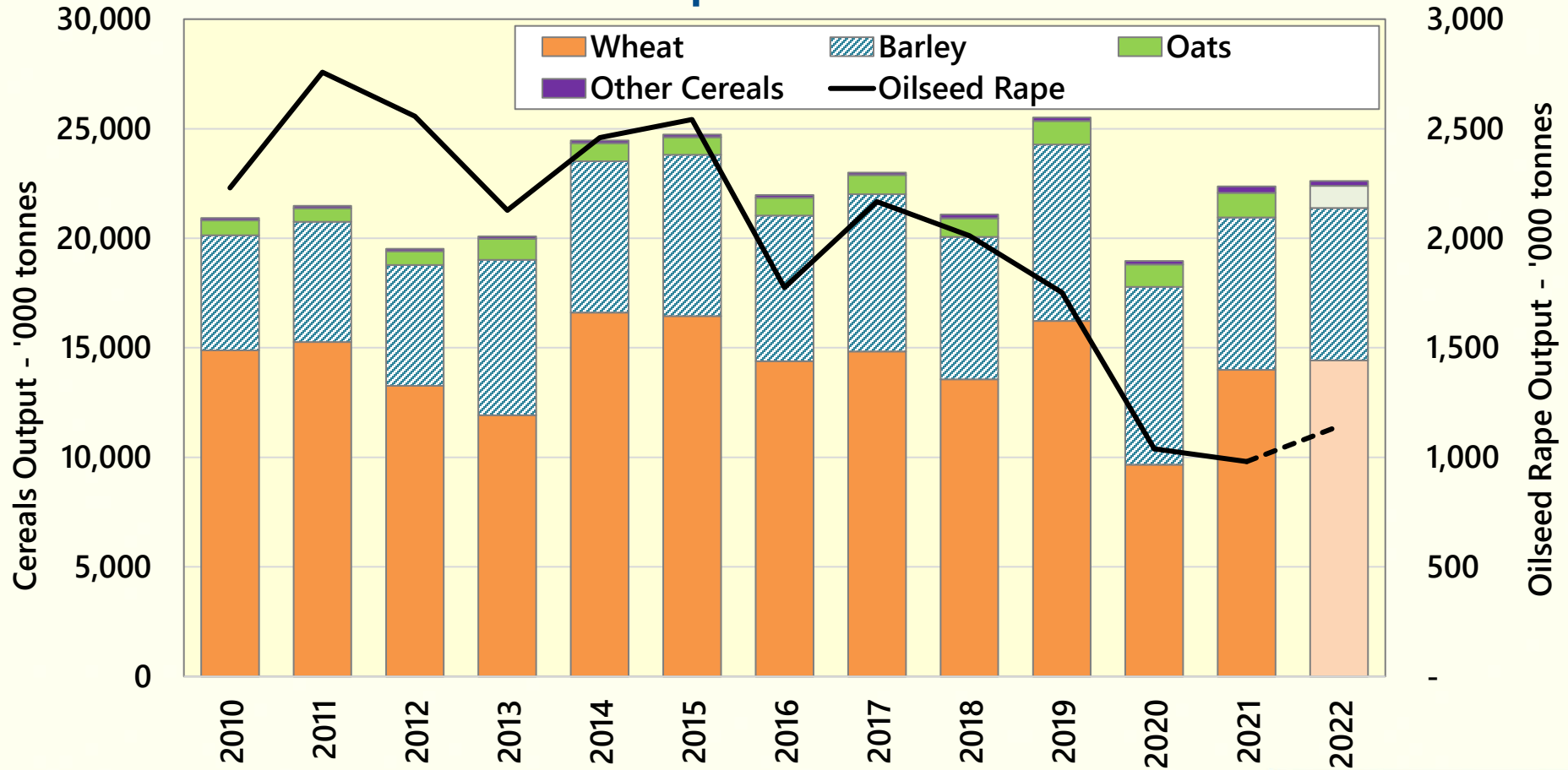
GLOBAL GRAINS MARKETS

Production, Usage & Stocks of Grains - 2002 to 2023



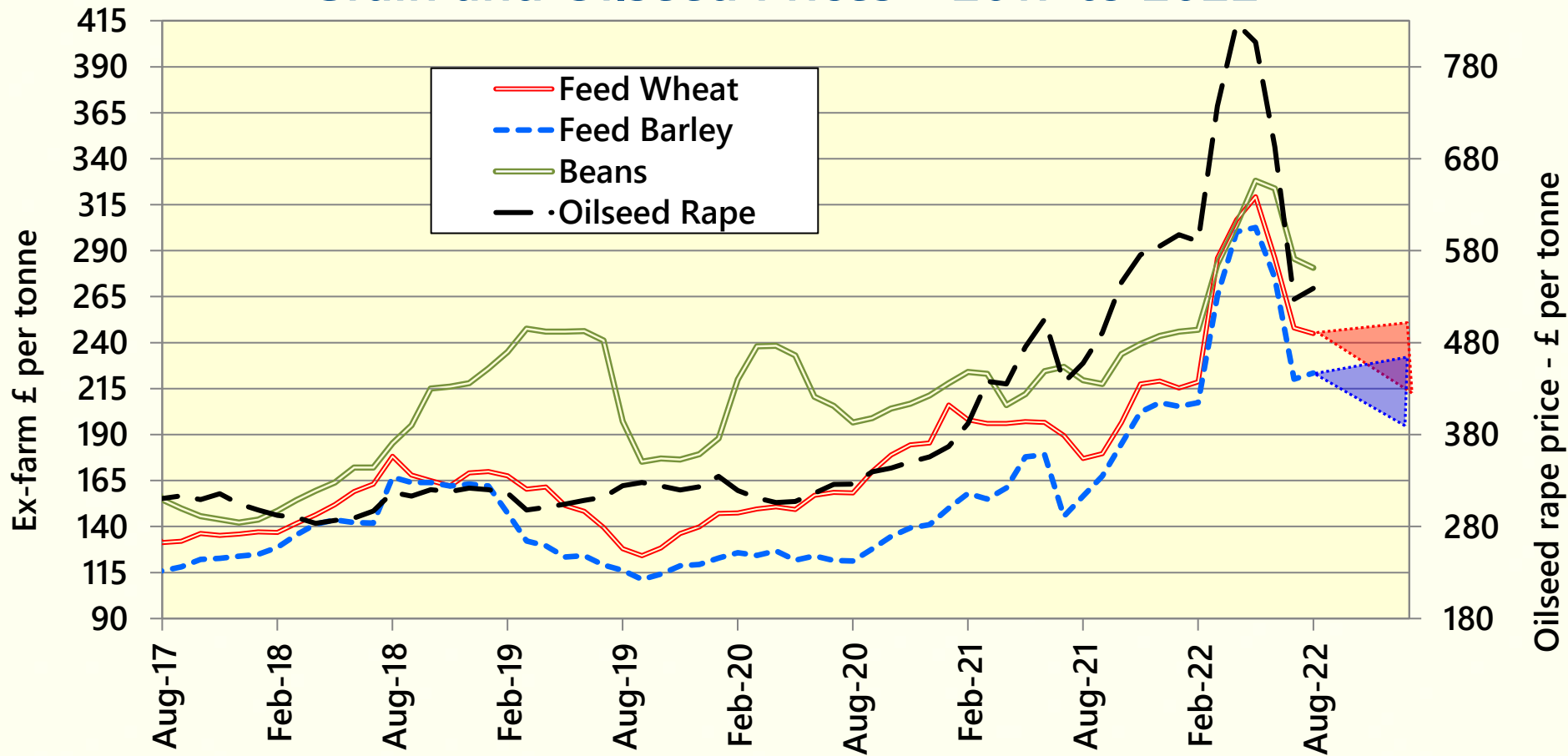
UK HARVEST SIZE

UK Combinable Crop Production – 2010 to 2022



COMBINABLE CROP MARKETS

Grain and Oilseed Prices – 2017 to 2022



LOAM FARM MODEL

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

<i>£ per Ha</i>	2020 ^①	2021 ^①	2022 ^②	2023 ^③
Output	1,165	1,523	2,133	1,956
Variable Costs	370	390	460	758
Gross Margin	795	1,133	1,672	1,199
Overheads	436	437	507	561
Rent and Finance	238	242	243	256
Drawings	75	78	80	82
Margin From Production	46	376	843	300
Basic Payment (+ SFI)	233	197	163	128+40
Business Surplus	279	573	1,006	467

COMBINABLE CROP ISSUES 2023 →

- **Global gains markets likely to adjust over time**
 - expansion of output and pressure on prices in short-term (2023) muted by cost levels
 - also underlying market fundamentals (non-Ukraine) supporting prices
- **Will costs fall in line with output prices**
 - 'ratchet effect' on inputs
- **Environmental pressures** – shift in support payments to this area
 - producing 'low-carbon' grain and improving biodiversity
 - 'regenerative' farming – an 'investment' required to shift systems?
 - more volatile weather affecting cropping
- **High cost of land rental** – post-BPS shift, but new competing demands?
- **Profitable business without direct payments**
 - achievable, but significant structural change

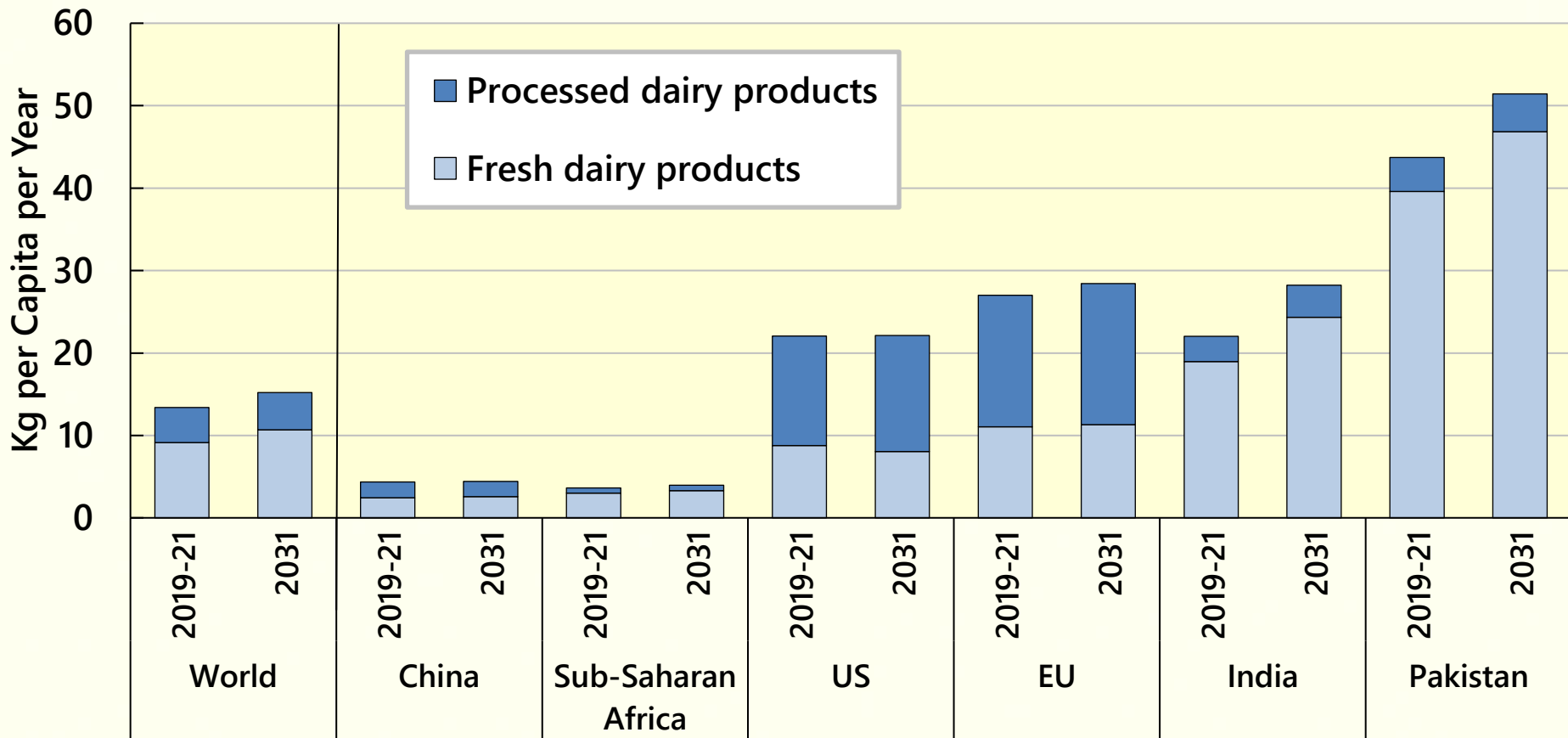
POTATOES AND HIGH-VALUE CROPS

- **Potatoes in now a highly-specialist sector, with large capital costs**
 - mainly grown on contract – some contracts not reflecting costs – area down
 - loss of market visibility with end of AHDB Potatoes
- **Access to and cost of labour the key challenge**
 - Seasonal Workers Scheme (SWS) extended to 2024 (30k visas (plus 10k))
- **Horticulture to remain at the forefront of a drive for innovation**
 - how achievable for businesses? And at what cost? Capital intensive...
- **Energy costs – especially for protected crops**
- **Environment challenges and opportunities**
 - soils and water – scope for increases in hydroponics, indoor and vertical farming. Water abstraction issues. Challenges for peatlands
- **Big opportunities for the sector to replace imports and improve diets – but large 'structural' barriers**

DAIRY

LONG-TERM GLOBAL DAIRY DEMAND

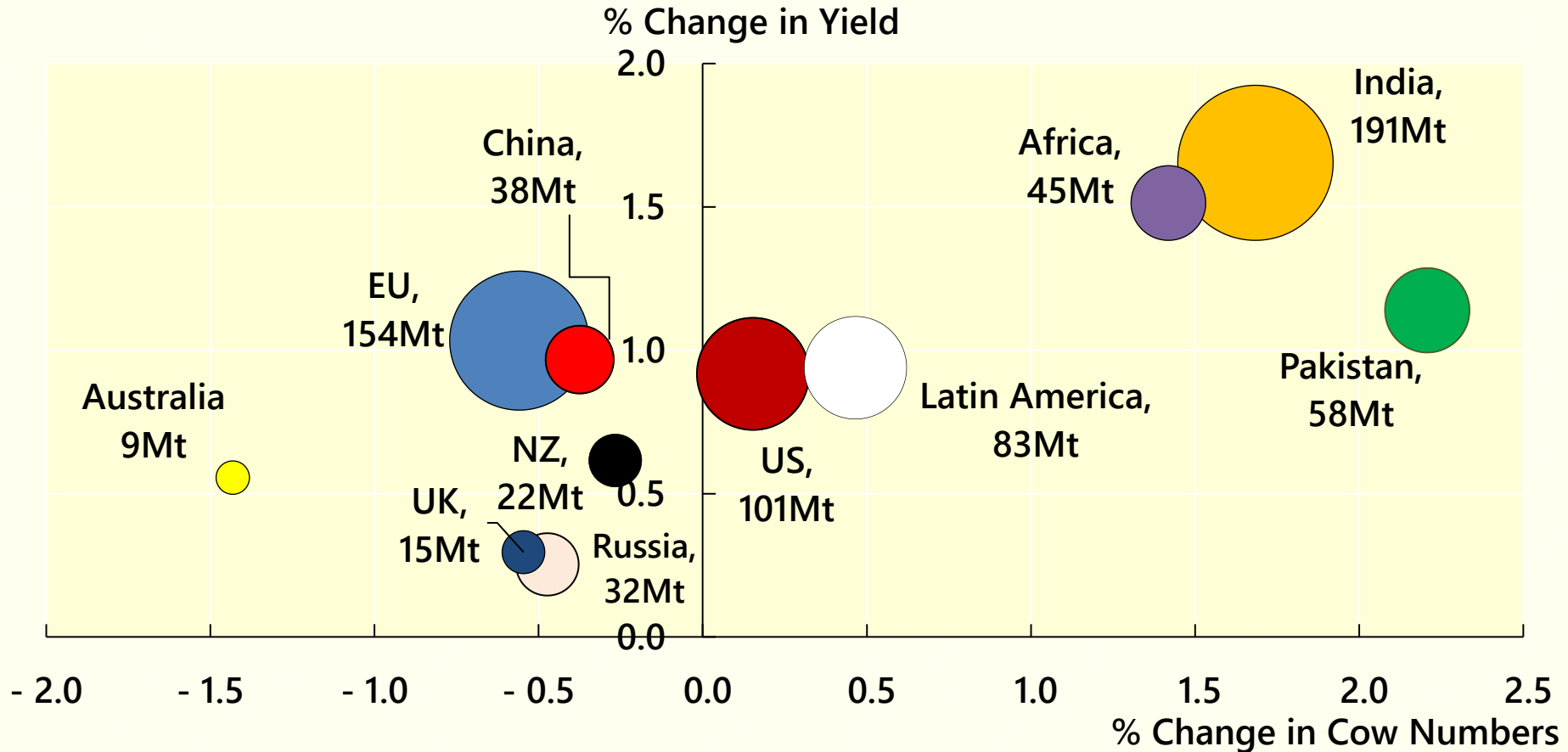
Dairy Products - Per Capita Consumption in Milk Solids Terms



Note: Processed dairy products include butter, cheese, skim milk powder and whole milk powder.

GLOBAL MILK PRODUCTION TRENDS

Milk Production, Annual Change in Dairy Cows & Yields 2019-21 to 2031



Note: The size of the bubbles refer to the total milk production (Million Tonnes (Mt)) in 2019-21.

ENVIRONMENT: THE NEW QUOTAS?

- High costs (feed, fertiliser, fuel) constraining output in all regions
 - marginal litres not profitable even at high prices

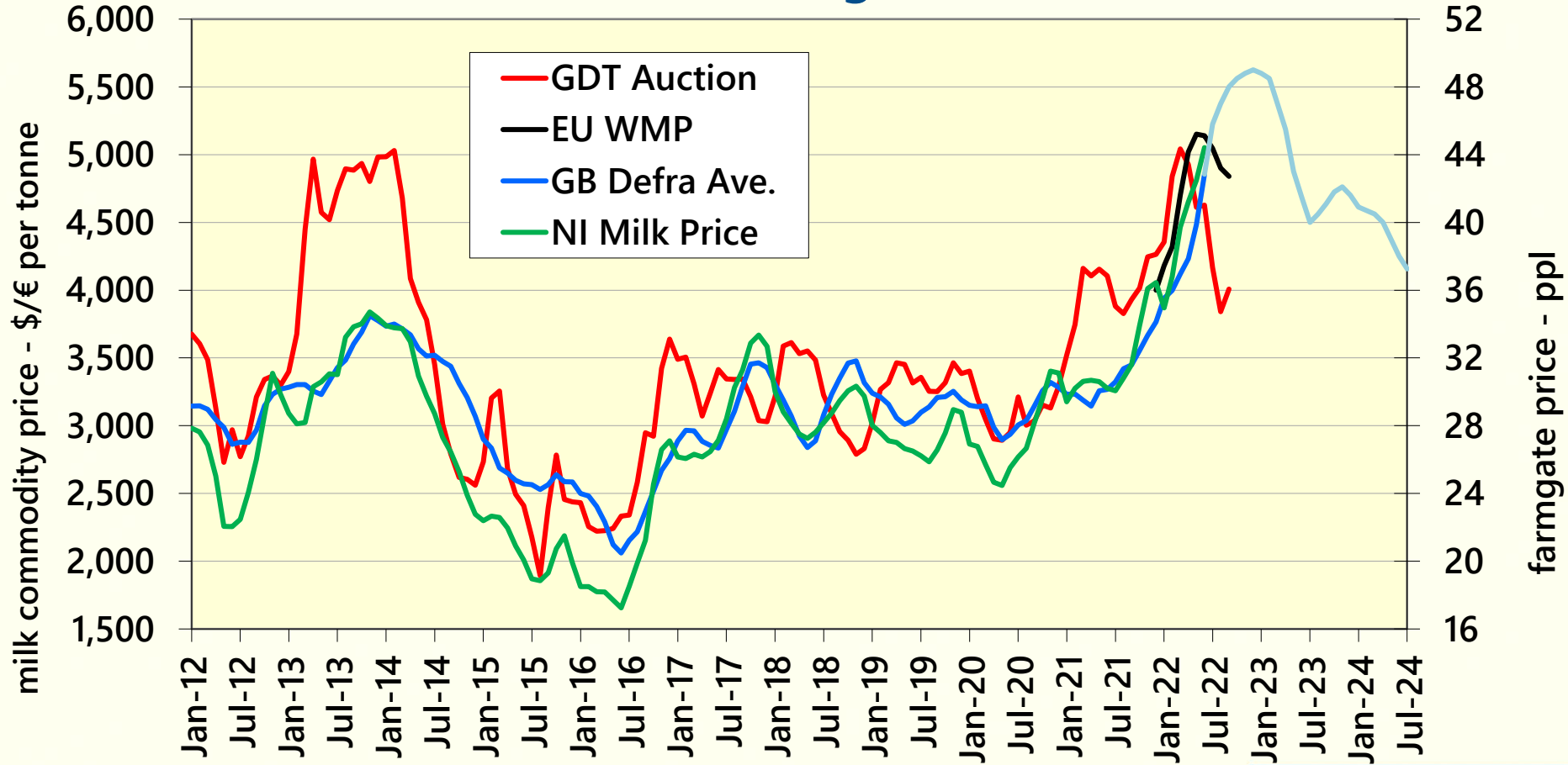
Country	% World Milk	% Milk Trade	Annual Growth 2010-19	<i>Annual Growth 20 & 21*</i>	Growth Constraints
UK	2%	5%	1.6%	0.2%	Labour, nitrates, capital cost
<i>Ireland</i>	<i>1%</i>	<i>~12%</i>	<i>5.2%</i>	<i>4.9%</i>	<i>Input costs, environmental policy</i>
All EU~	20%	36%	1.8%	0.3%	Water quality, farm structures
Argentina	1%	3%	0.9%	4.8%	Economic climate, weather
Australia	1%	5%	-0.2%	-2.4%	Drought, Cost of production
NZ	3%	26%	2.6%	-0.1%	Water quality, land availability
US	13%	17%	1.5%	1.7%	Water (California), labour, input costs

* Not full year data for 2021 ~ EU includes Ireland figures

Sources: USDA / CLAL / CSO / Andersons

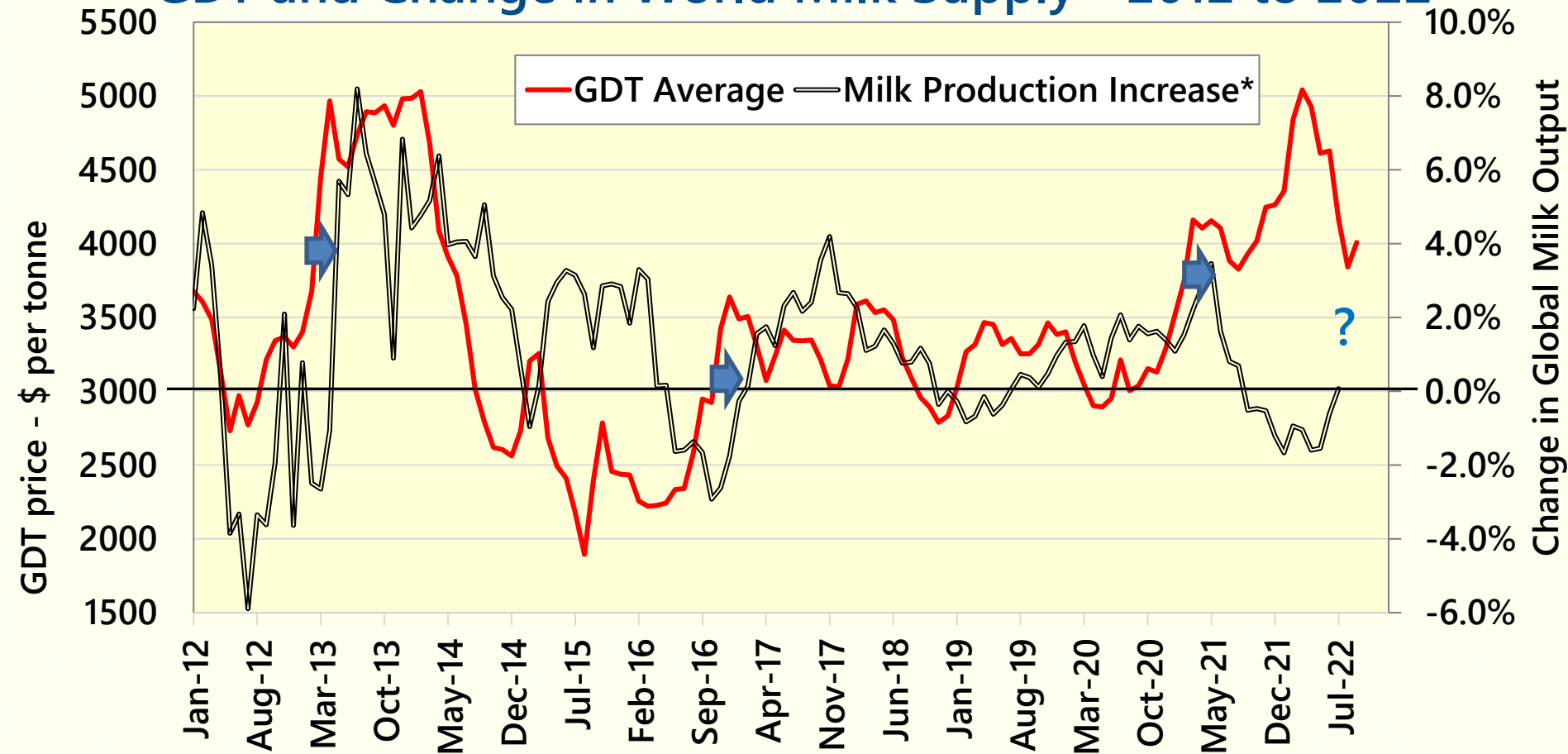
GLOBAL & UK MILK PRICES

GDT Auction and Defra Average Prices - 2012 to 2024



GLOBAL MILK PRICE FALL COMING?

GDT and Change in World Milk Supply - 2012 to 2022



* Production in the six major dairy exporters. Year-on-year monthly change, 3-month rolling average

LABOUR AND CAPITAL

Labour

- Dairy businesses have grown from family to employed labour
- Recruiting, training and retaining good labour is difficult
 - costs rising – Dairy Manager salary - £42,000*; Herdsperson - £28,000*
- Some large, profitable, dairy enterprises have quit as the proprietors failed to employ a team
 - good time to retire at present as the market is buoyant

Capital

- Cost of concrete, steel, timber and labour has risen massively
- Preventing the creation of 'greenfield' units or significant expansion
- Only a 'cash' cost to ongoing businesses when investment due
 - often the trigger for business change (slurry storage)

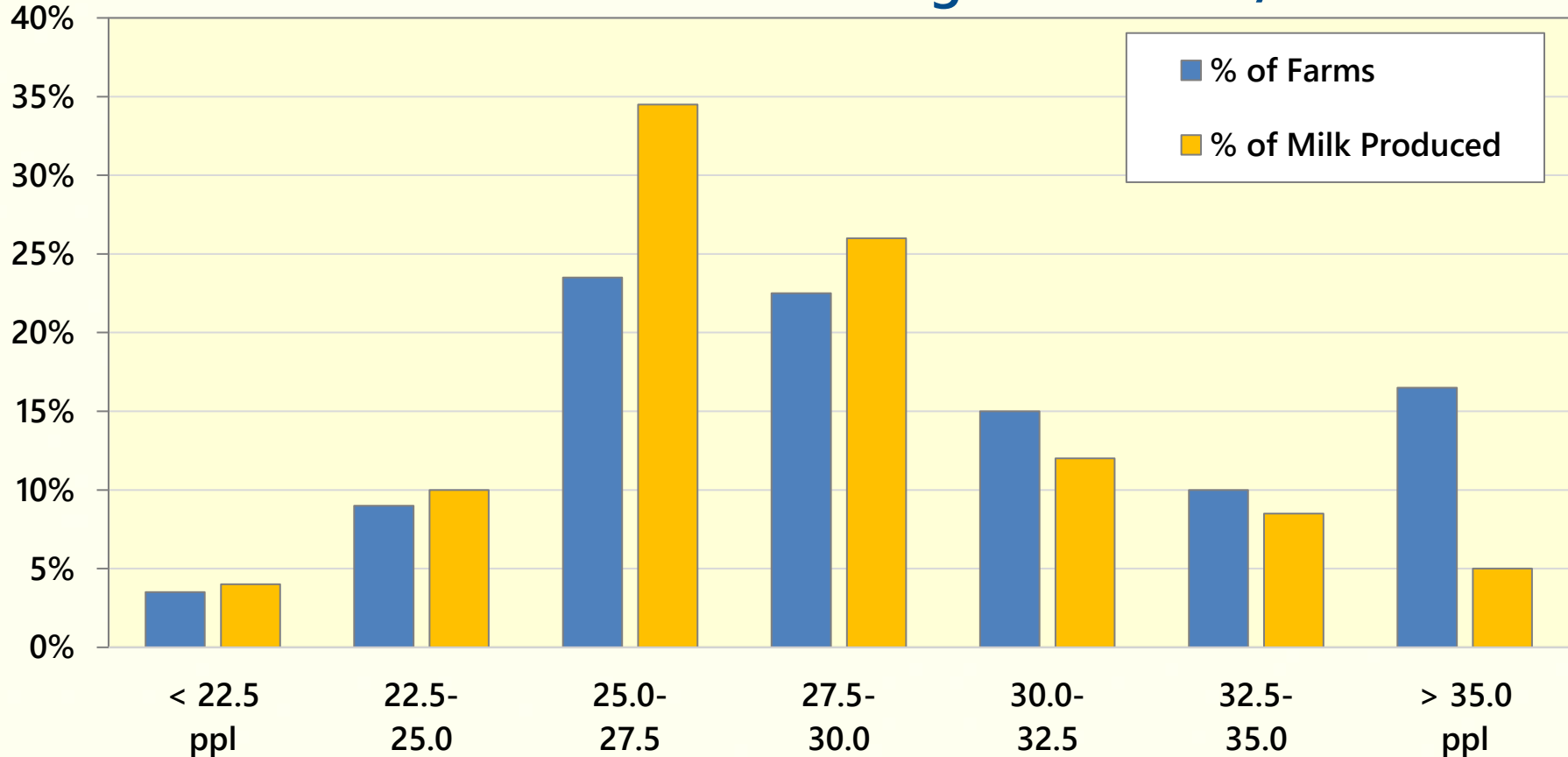
FRIESIAN FARM MODEL – NORTHERN IRELAND

- ≈150 cows plus followers on 96 Ha (part rented)
- Year-round calving. Owner, family + casual worker

<i>ppl</i>	20/21 ^①	21/22 ^①	22/23 ^②	23/24 ^③
Milk	28.1	32.1	46.6	41.6
Total Output	31.2	35.5	50.1	44.9
Variable Costs	14.1	15.3	25.3	22.9
Overheads	10.2	10.7	16.8	16.9
Rent, Fin. & Drawings	6.6	6.6	6.7	6.8
Total Costs of Production	30.9	32.7	48.9	46.6
Production Margin	0.3	2.9	1.2	-1.6
Basic Payment	1.9	1.9	1.9	1.9
Business Surplus	2.3	4.8	3.2	0.3

RANGE IN COST OF PRODUCTION

Milk Production Costs - England – 2020/21



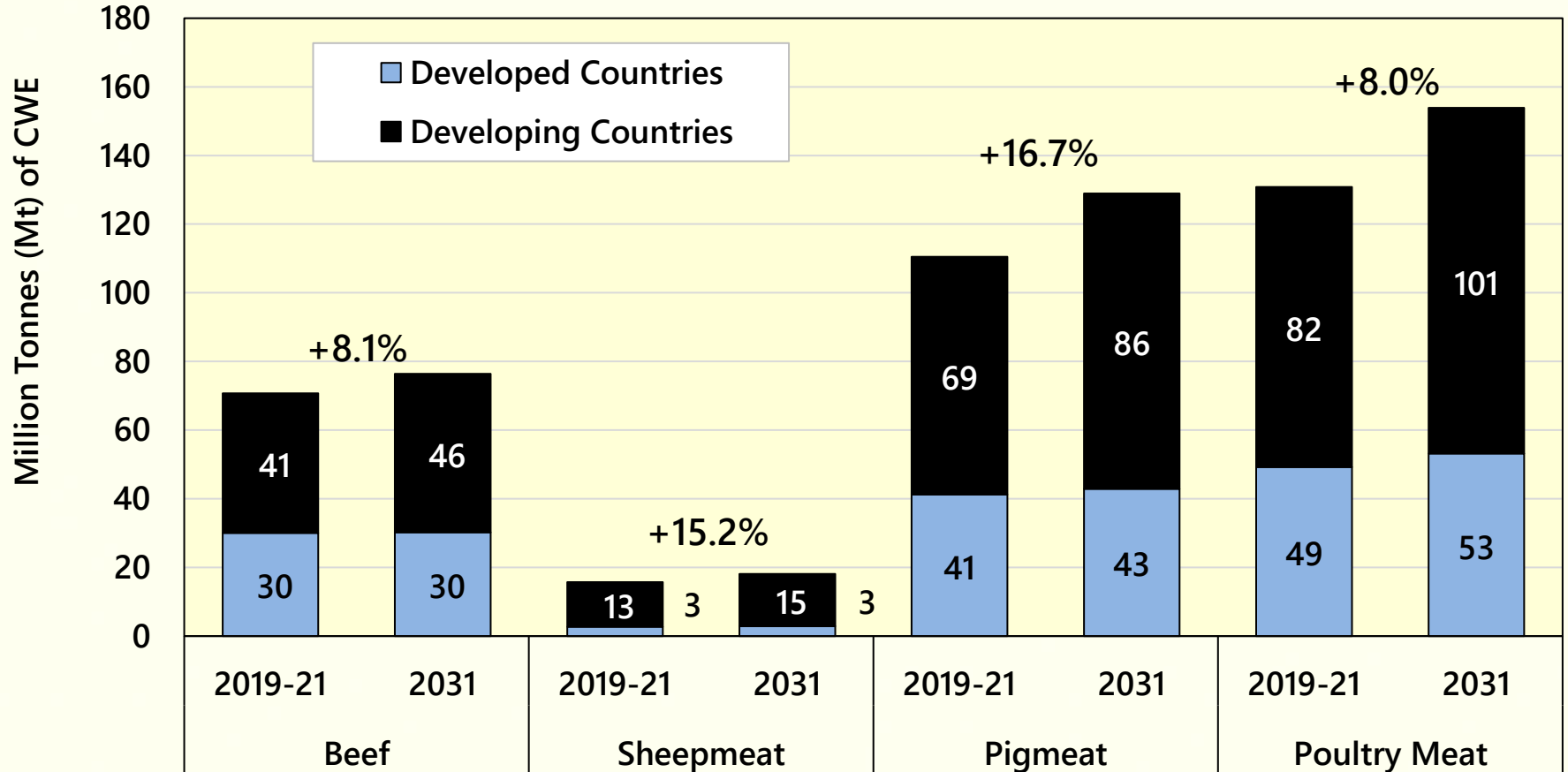
DAIRY ISSUES 2023→

- **UK farmgate prices very strong – covering costs at present**
 - milk prices to stay high into early 2023, but market showing some signs of weakness
 - are dairy businesses robust to cope with price/cost volatility?
- **Direct support disappearing in England** – difficult for intensive grass-based businesses to get £s from environmental schemes
- **Focus on emissions from dairy farming** – supply chain as much as consumers – soon GHG data just a 'cost of doing business'
- **Local environmental** – nitrates, phosphates, ammonia, biodiversity
- **Long-term investment in people and infrastructure**
- **UK dairying can compete on cost (and quality) globally**
 - opportunities to grow our market
 - good returns to be made

GRAZING LIVESTOCK

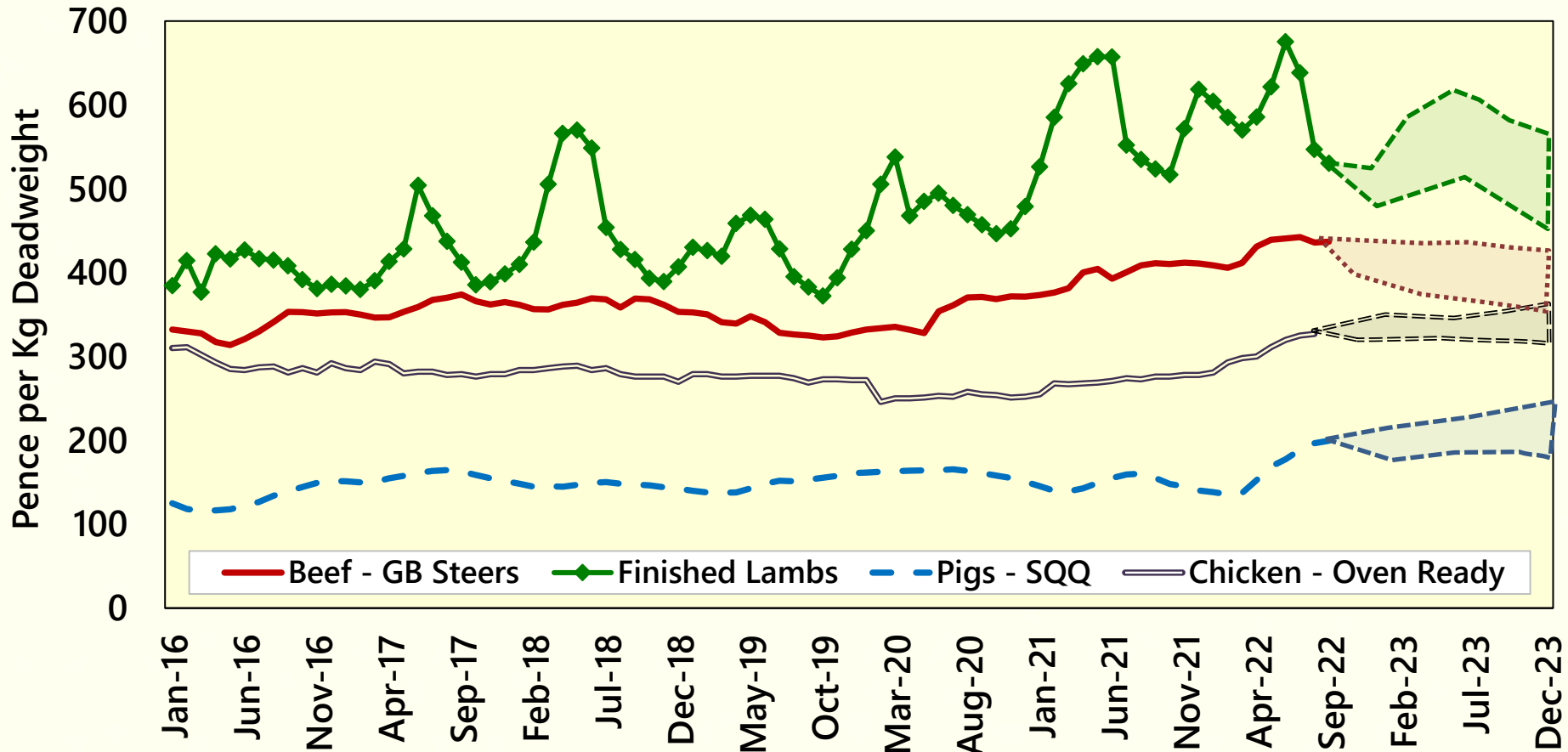
GLOBAL MEAT DEMAND PROJECTIONS

Global Meat Demand Growth - 2019-21 to 2031



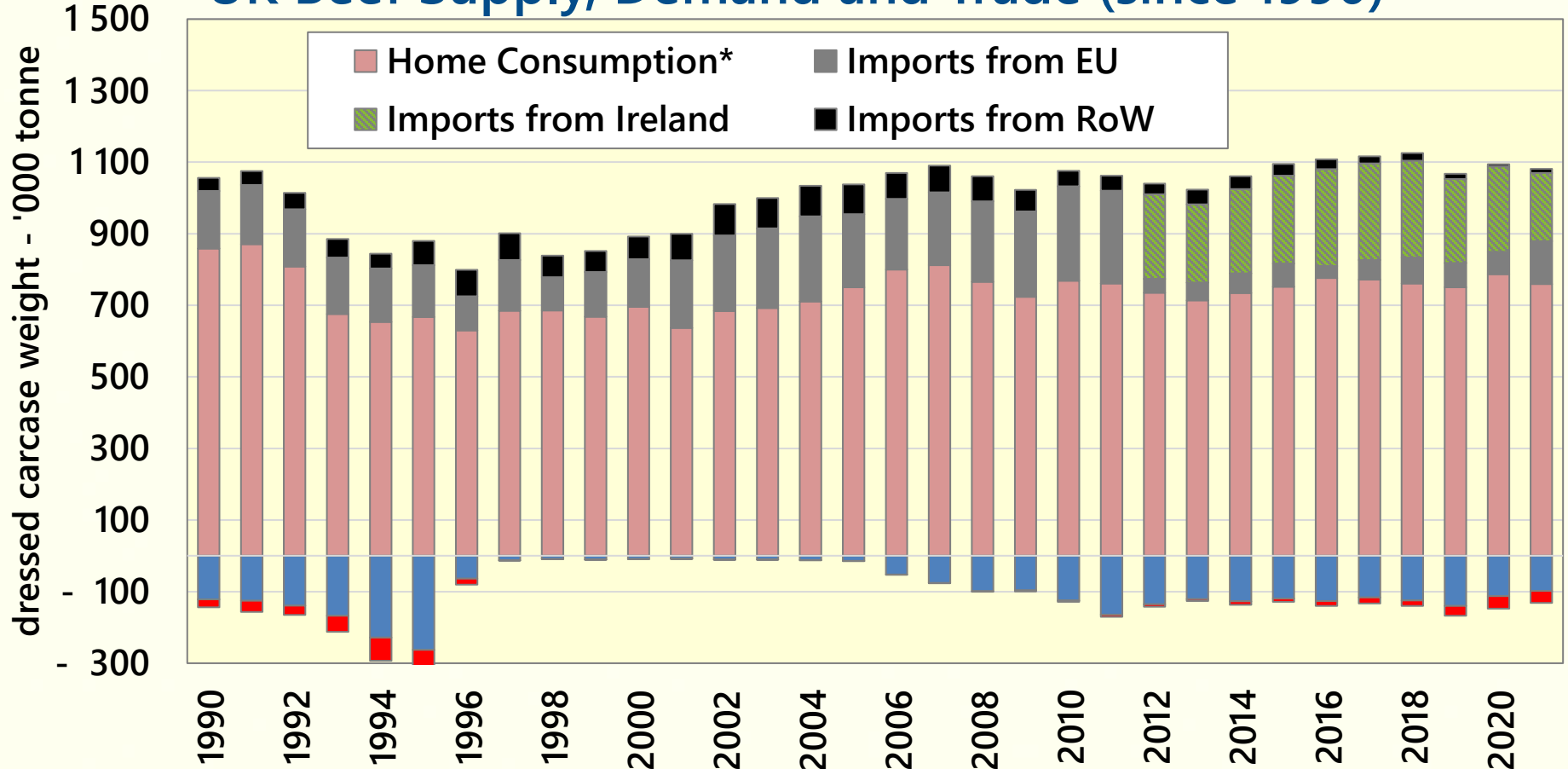
UK MEAT MARKETS

UK Monthly Meat Prices – 2016 to 2022



UK BEEF MARKET

UK Beef Supply, Demand and Trade (since 1990)

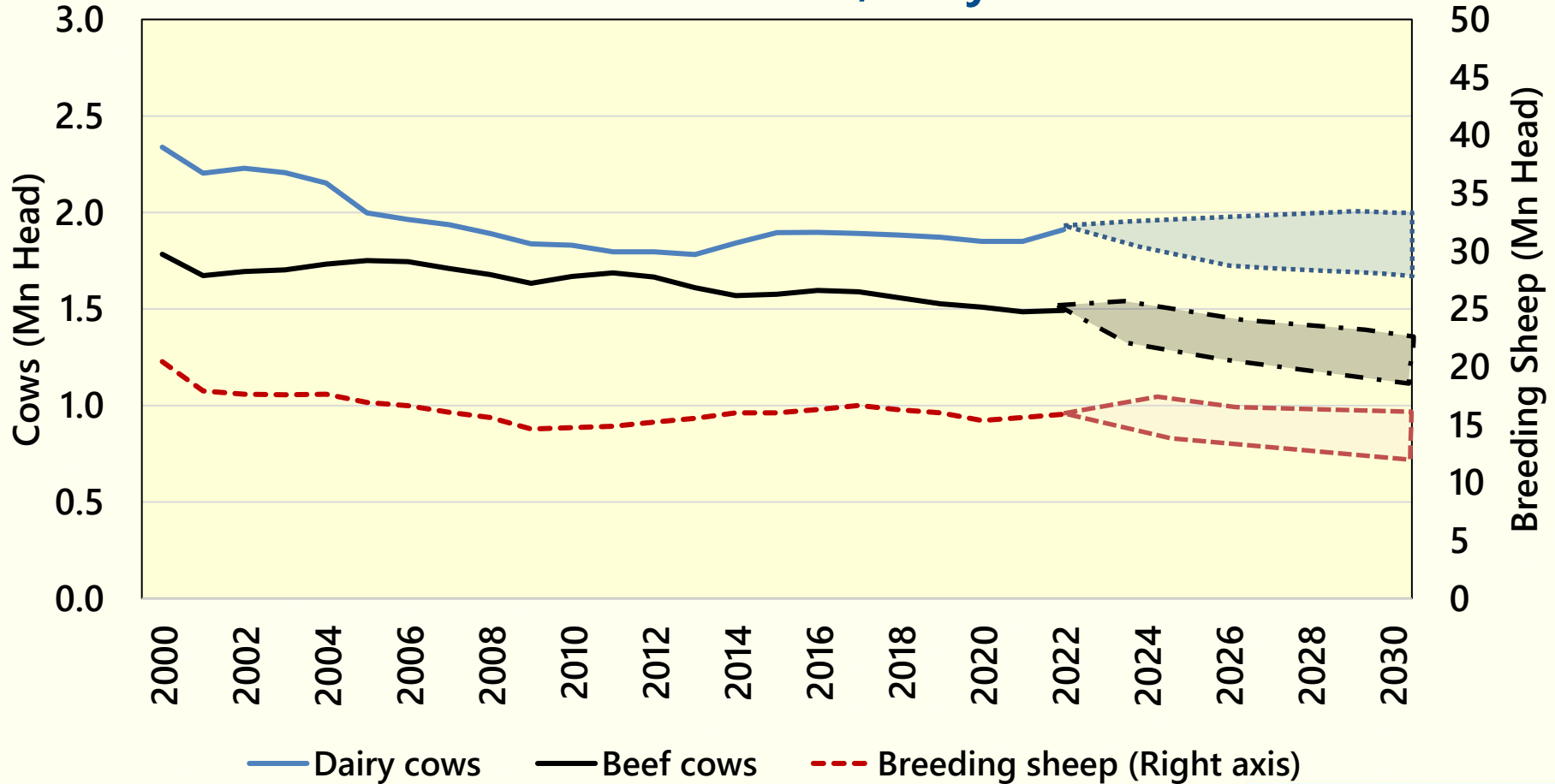


* beef both produced and consumed in the UK

Source: Defra / AHDB / CSO / Andersons

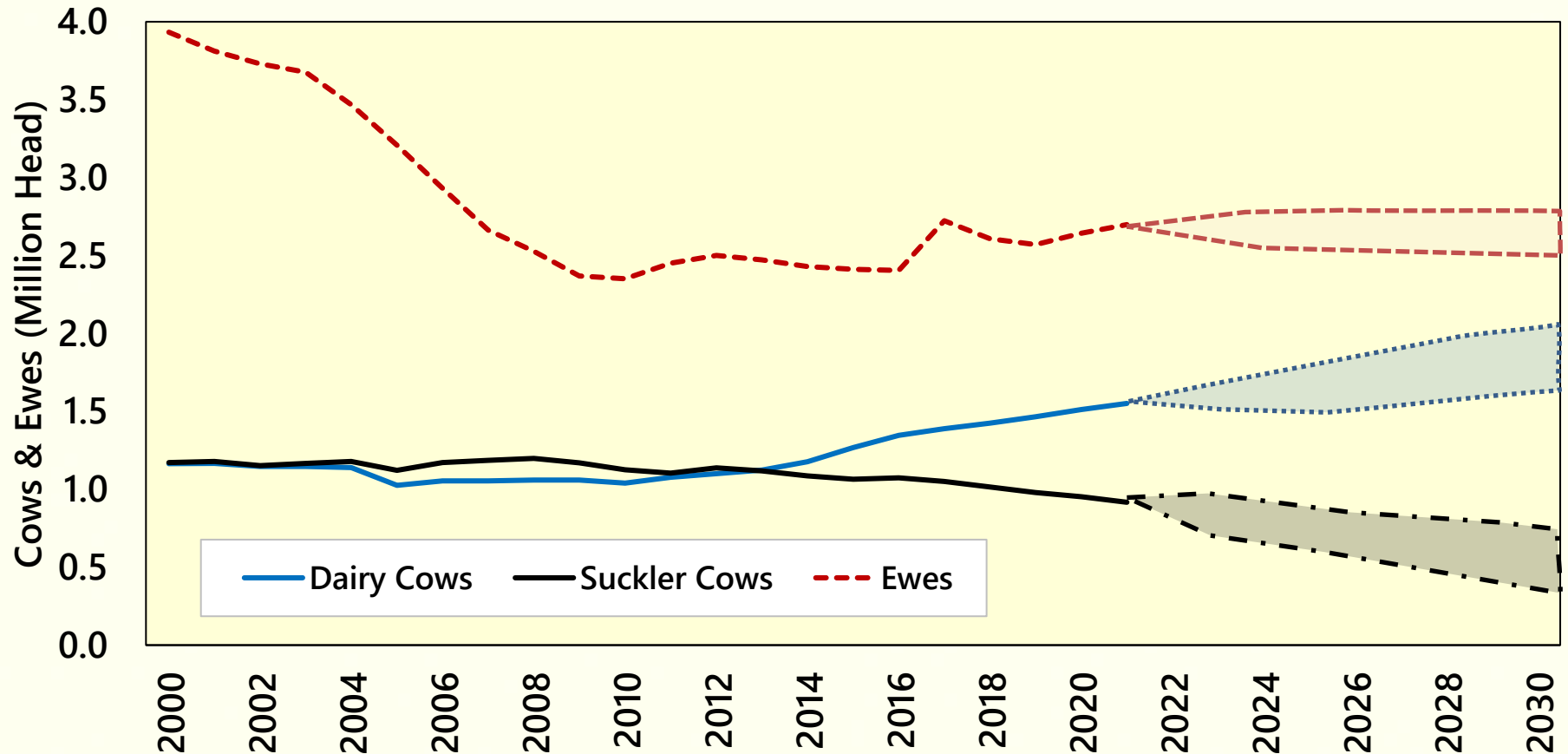
UK BREEDING HERDS & FLOCK POPULATIONS

Million Head – 2000 to 2021, Projections to 2030



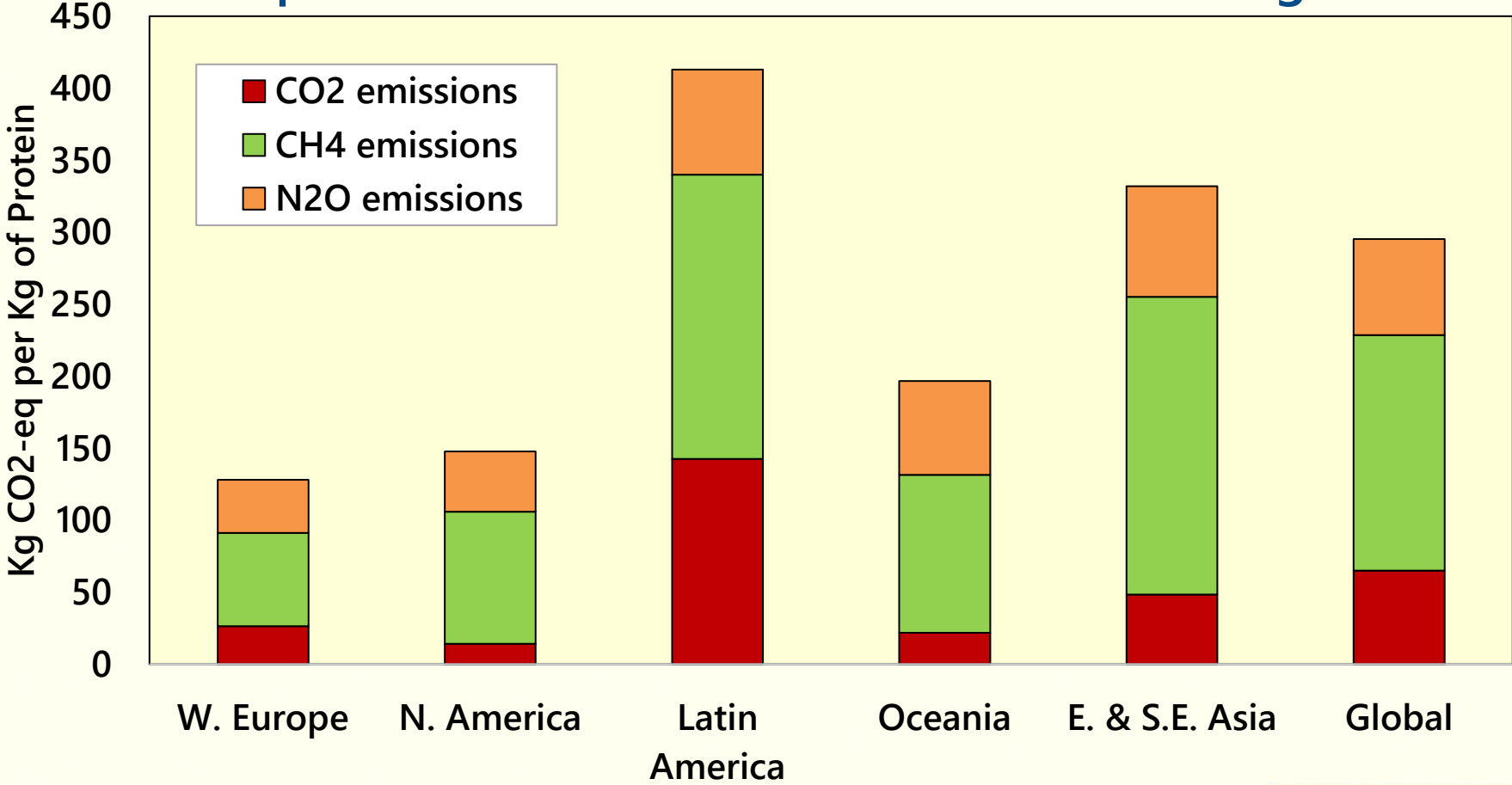
IRELAND GRAZING LIVESTOCK POPULATIONS

Million Head – 2000 to 2021, Projections to 2030



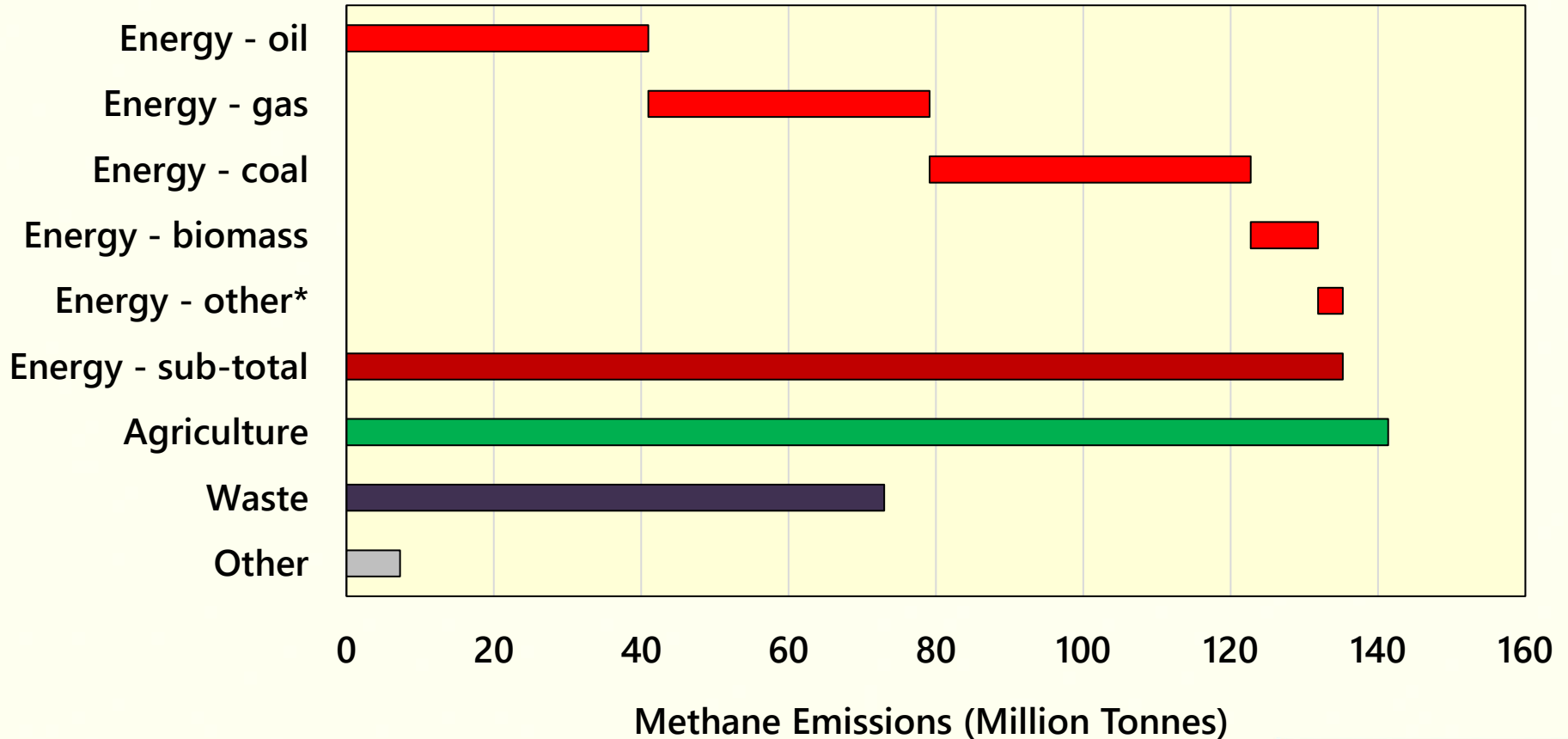
GLOBAL BEEF EMISSIONS

Comparison of Beef Emissions in Selected Regions



A GLOBAL PERSPECTIVE ON METHANE

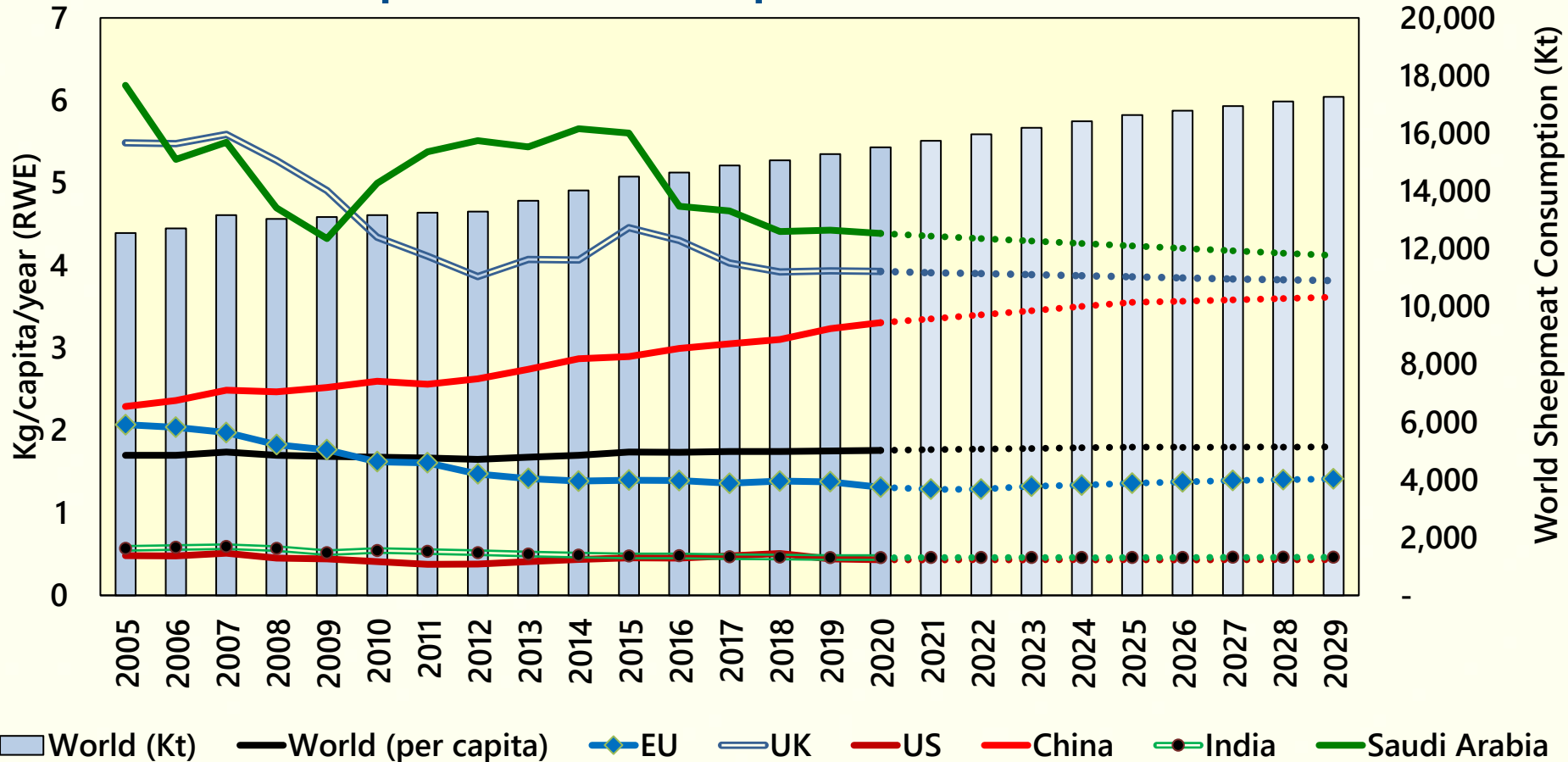
Global Methane Emissions – By Sector



Source: IEA / Andersons

GLOBAL SHEEPMEAT CONSUMPTION

World Sheepmeat Consumption Trends – 2005 to 2029

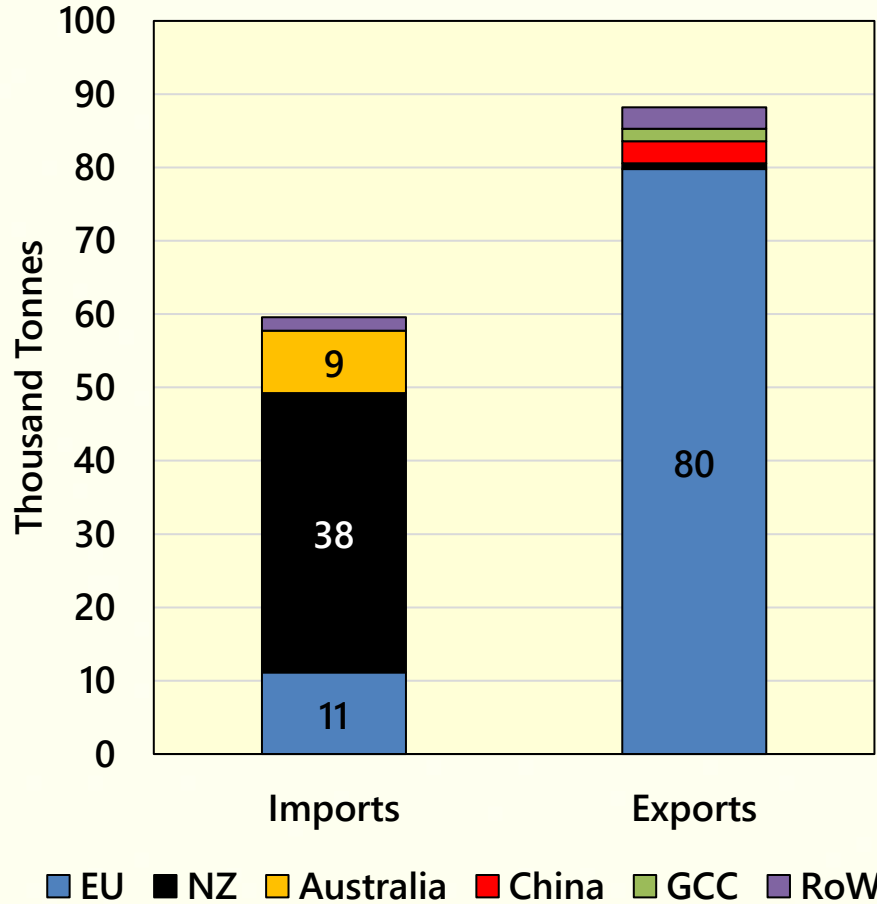


Note: RWE denotes Retail Weight Equivalent

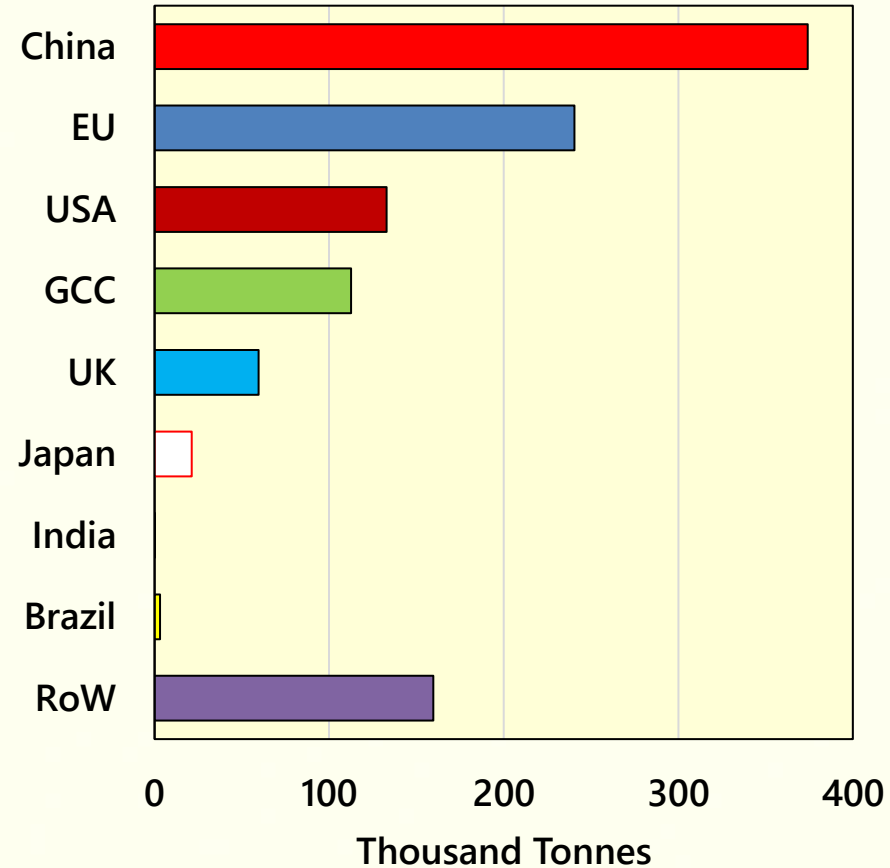
Source: FAO / OECD / EU Commission / Andersons

SHEEPMEAT TRADE - 2020

UK Trade Breakdown - 2020



World Sheepmeat Imports - 2020



NORTHERN IRELAND MEADOW FARM MODEL

- 60 Ha lowland livestock farm (52 Ha owned, 8 Ha rented)
- Beef (suckler cows, finished bulls) and sheep
- Proprietor, 1 family worker & casual

<i>£ per Ha</i>	20/21 ^①	21/22 ^①	22/23 ^②	23/24 ^③
Livestock Output	1,097	1,248	1,346	1,214
Livestock Variable Costs	507	547	818	780
Total Gross Margin	590	701	528	435
Overheads	594	621	708	706
Rent, Finance & Drawings	372	371	367	369
Margin From Production	(376)	(291)	(548)	(640)
Subsidy + Support	316	316	316	316
Business Surplus	(60)	25	(232)	(325)

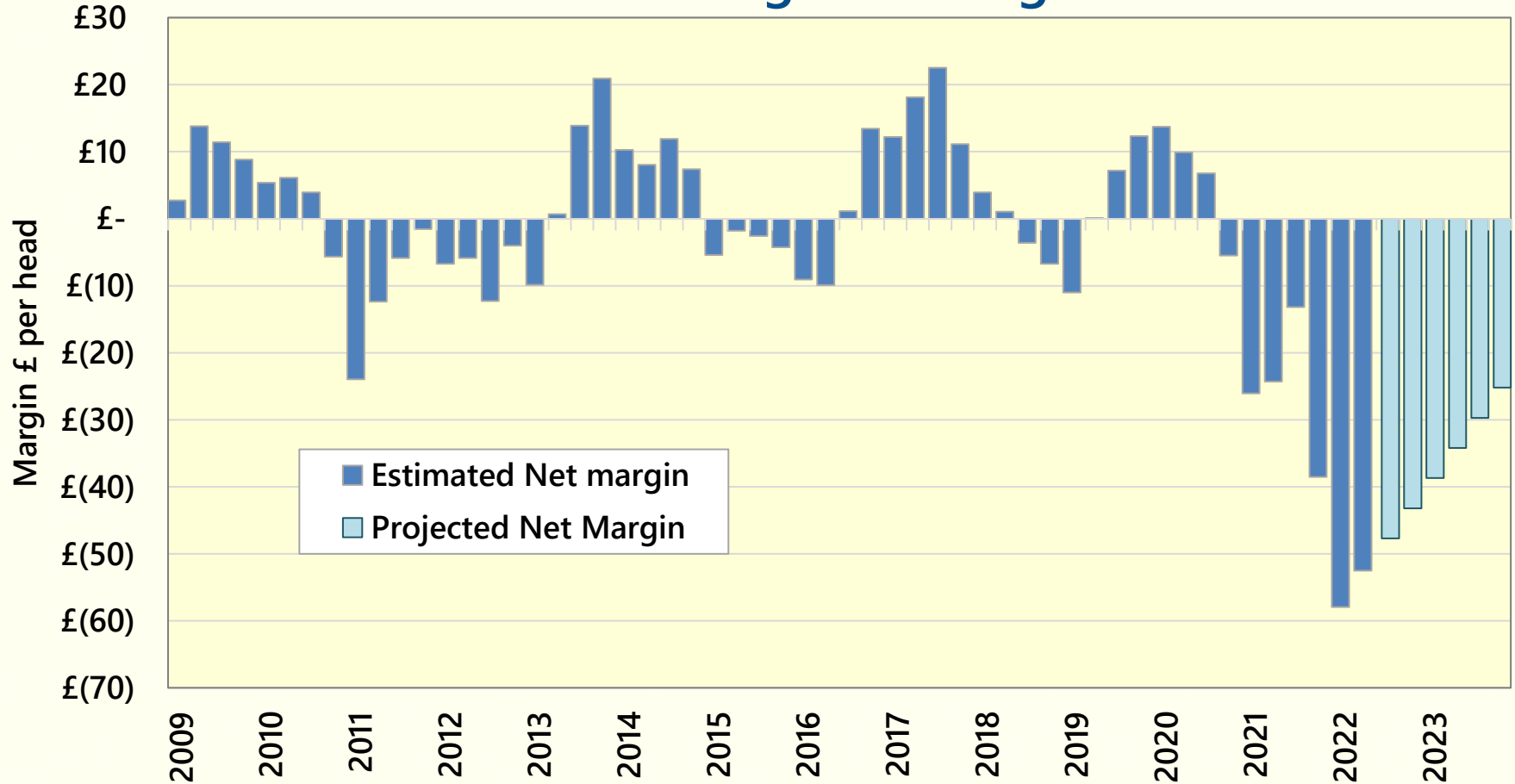
BEEF & SHEEP ISSUES 2023 →

- **Most farms in this sector are BPS-dependent**
 - new schemes will not deliver the same level of profitability
- **Markets for the product**
 - **short-term:** pressures from cost-of-living squeeze
 - **longer-term:** extra competition in beef from trade deals, shift in consumer tastes towards 'alternative meats'
- **Addressing society's concerns** – GHG, animal welfare etc.
- **Sector structure** – efficiency issues; difficulties achieving greater scale
 - number of farmers, age profile, systems, breeds etc.
 - averages hide a lot - some very good and profitable businesses in the sector. Also, figures only focus on farming operations
- **A period of significant structural change ahead**
 - economics suggest so, but, lifestyle preferences signify slower change

PIGS AND POULTRY

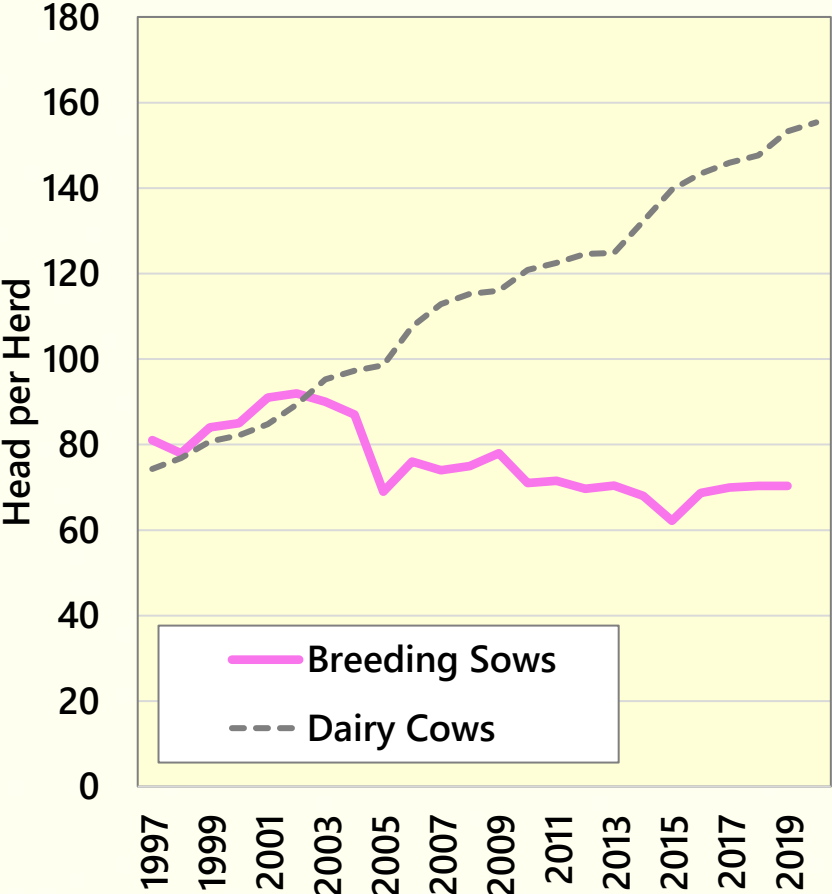
THE PIG CYCLE

Estimated Pig Net Margin

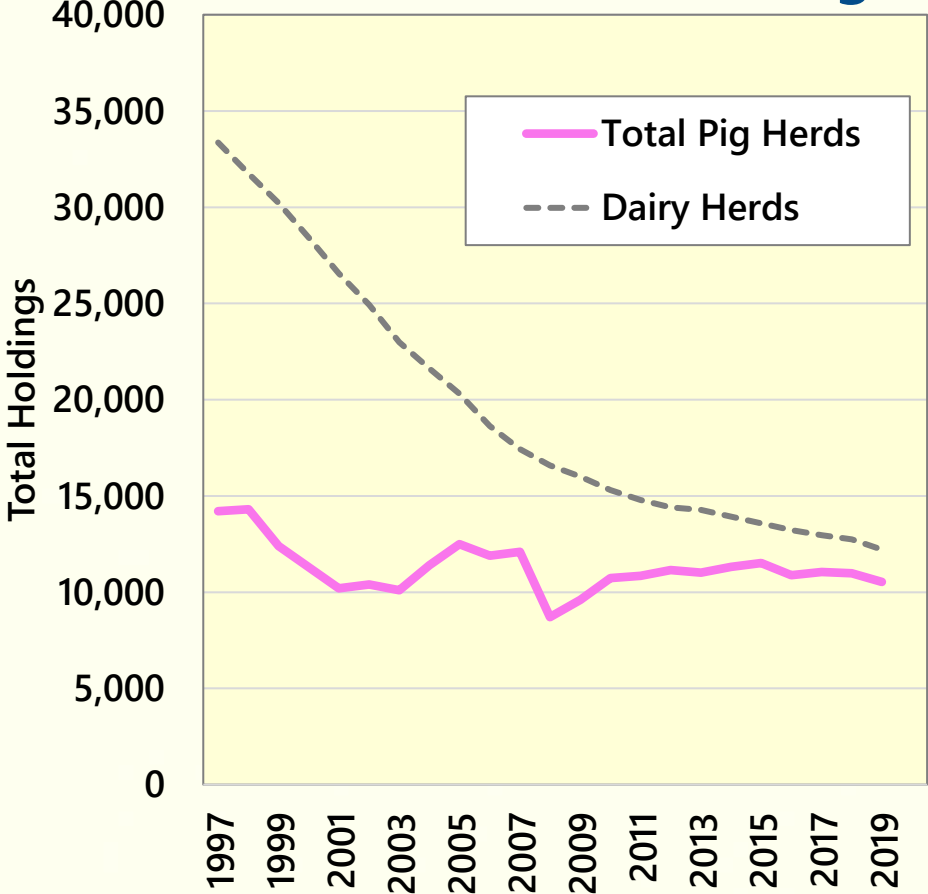


UK PIG SECTOR HAS NOT KEPT PACE

UK Herd Sizes

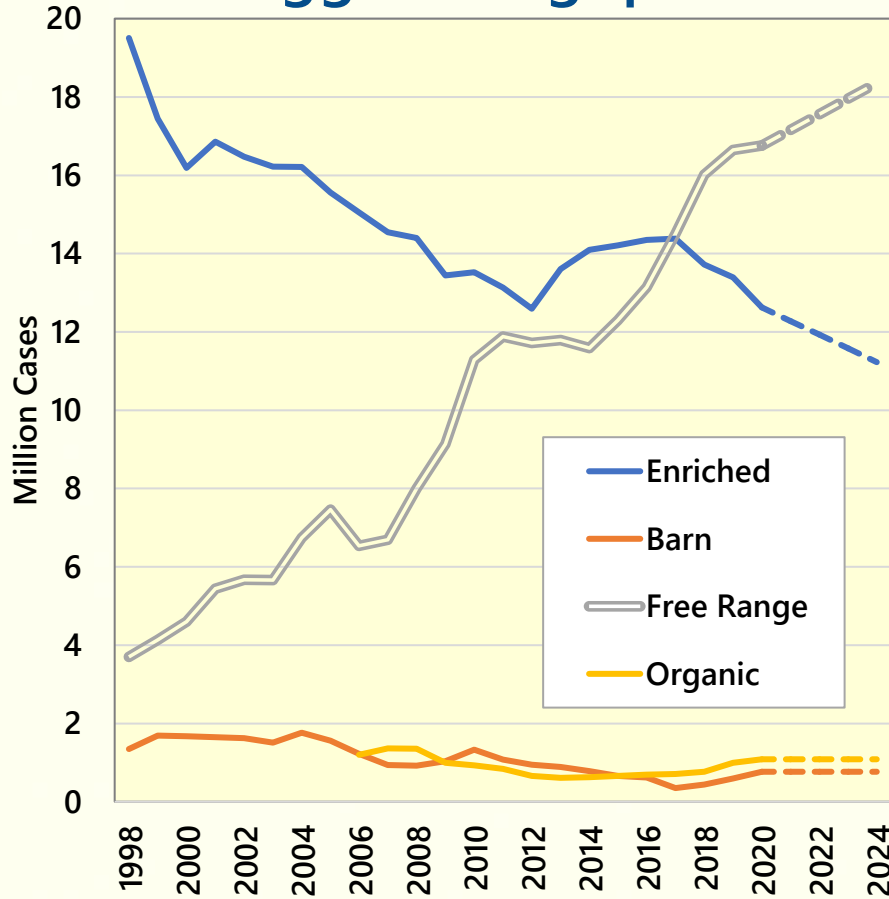


Number of UK Holdings

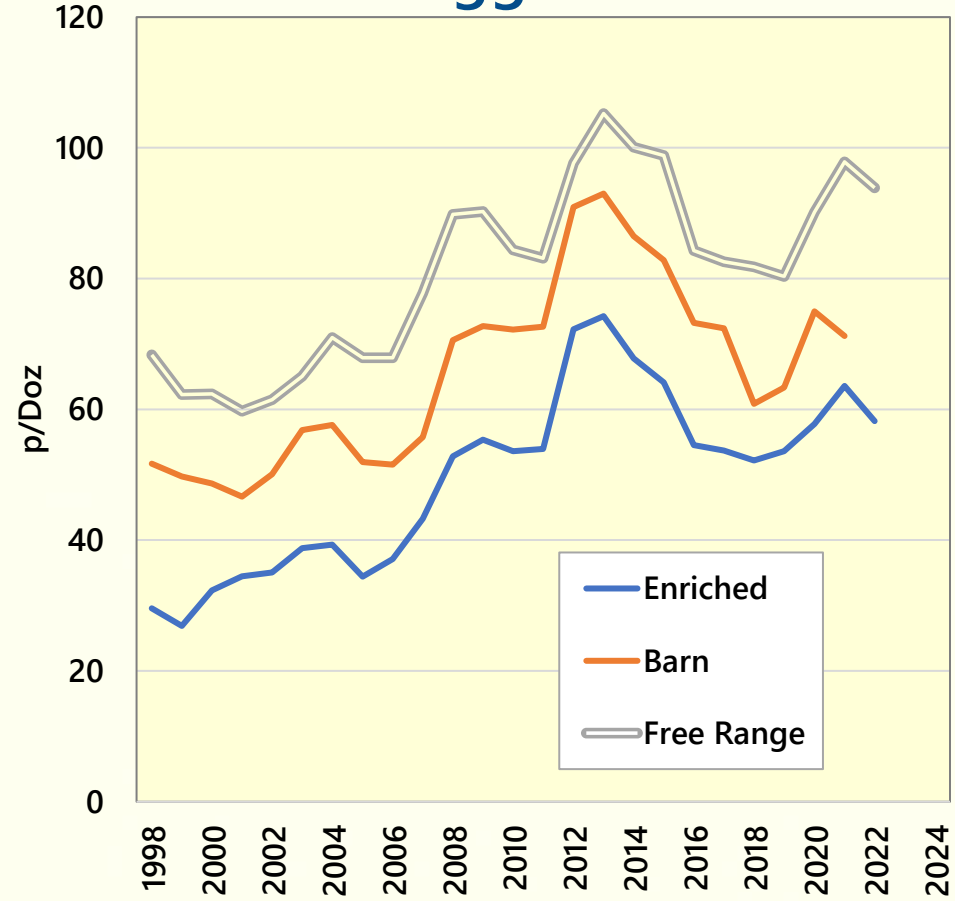


EGG PRODUCTION

Egg Throughput

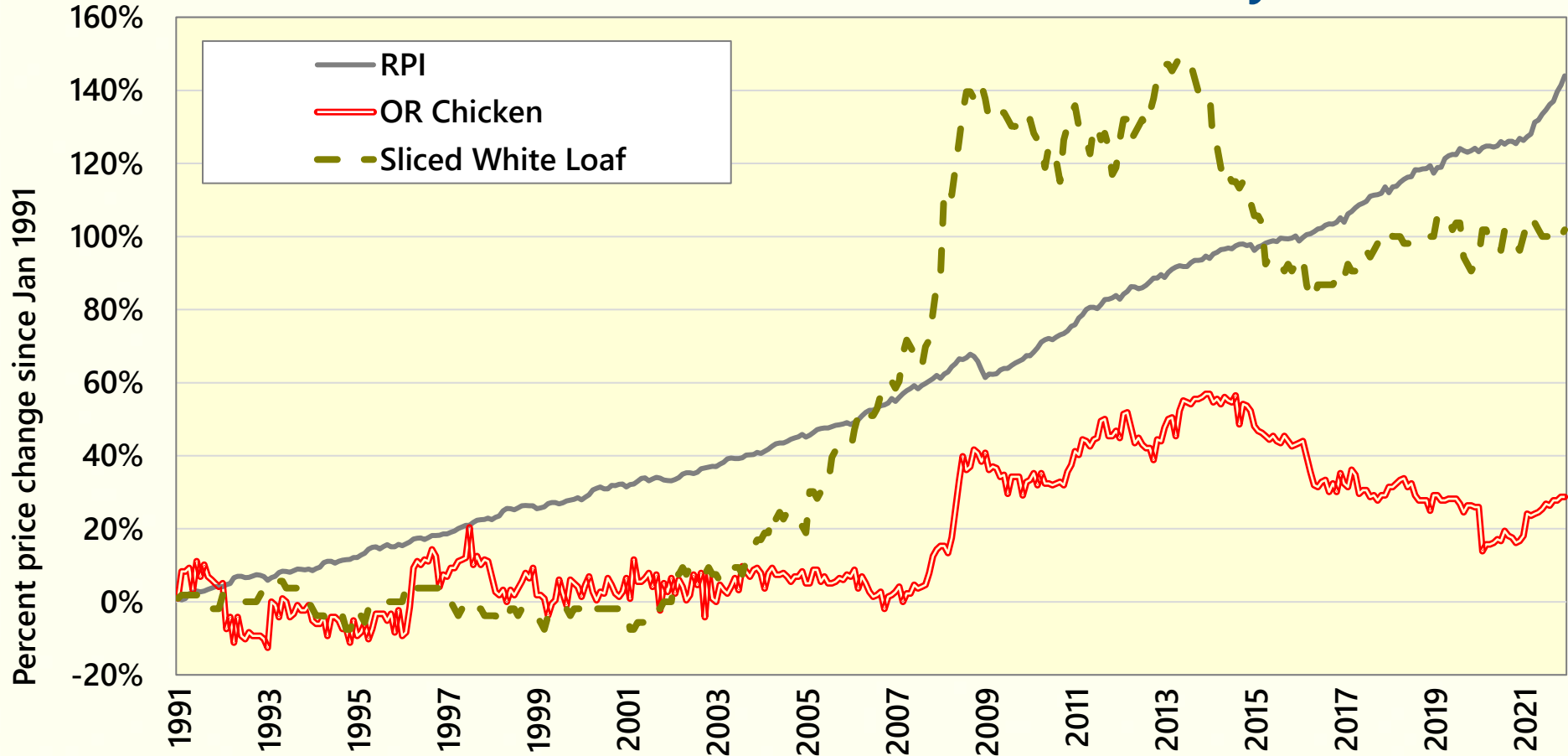


UK Egg Price



COMMODITY FOODS

Inflation: RPI, Sliced White Loaf and Oven Ready Chicken



PIG & POULTRY ISSUES

- **Labour shortages** – processing as well as farming, pork butchery and poultry no longer eligible for Seasonal Worker visas
- **Feed Cost** – up to 75% of costs of production
- **CO₂ and other input availability** – UK ammonia manufacture stopped
- **Logistics** – live animal movements are expensive to postpone
- **Trade Deals** – large producers on our doorstep. P&P currently protected
- **Public perception** – antibiotic use, animal welfare, etc.
- **Climate Change** – emissions per kg output are tiny but per Ha are huge. Beware how they are measured. Soya considered baddie
- **Capital investment** – very high, as with all other intensive farming systems
- **Disease pressure high in enclosed high-stocking-rate systems** - ASF, Avian Flu, Anti Microbial Resistance, antibiotics...
- **Range of performance amongst producers**

FINAL THOUGHTS

KEY CONCLUSIONS

- **High costs are impacting heavily; conserving working capital crucial**
 - Russia-Ukraine war is exacerbating these challenges, no easy answers
- **Focus on the 4F's – Feed, Fertiliser, Fuel and Finance**
 - need to aim for top-25% of performance to make long-term profit
 - make sure suppliers are performing, challenge them if results are poor
 - have a precision approach to inputs usage; proactively manage cashflow
- **Some outputs keeping pace, but not all – divergence in sector fortunes**
- **Farming going through a period of significant change**
 - **changes to policy**, will mean farming has to have an increased focus on profitability; BPS will only be partly replaced by new support schemes
 - **increased competition** from new trade deals in the longer term.
- **Evolving competition for land**
 - a long-term transition to food production alongside the environment

UK AND NI AGRICULTURAL OUTLOOK

Michael Haverty

October 2022

LMC

Livestock & Meat Commission

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