ANDERSONS

Outlook 2027













ANDERSONS
the FARM *business*
CONSULTANTS



CONTENTS

Introduction to Outlook 2027 3

Farm Business Outlook
- Farm Profitability Prospects 4
- Economic Prospects 6
- Farm Policy 8
- Agricultural Trade Issues 11
- Land Prices and Rents 14
- Farm Finance 16
- Topical Article: Land Use 18

Livestock
- Dairy 20
- Beef 22
- Sheep 24
- Pigs 26
- Poultry 28

Cropping
- Combinable Cropping 30
- Sugar Beet and Potatoes 32
- Horticulture 34

National Administrations
- Scotland 36
- Wales 38
- Northern Ireland 40

Contributed Article
- AI in UK Farming 42

Outlook 2027 has been compiled with contributions from Consultants within the Andersons businesses. It is published by Andersons the Farm Business Consultants Ltd, which co-ordinates the presentation of the Andersons businesses throughout the UK.

Editor: Richard King, Head of Business Research The Andersons Centre

Copyright © Andersons 5th November 2026

ANDERSONS

Andersons® is a registered trade-mark of Andersons the Farm Business Consultants Ltd

INTRODUCTION TO Outlook 2027

Welcome to the 2027 edition of Andersons' Outlook. We hope you find our publication, written by members of all the Andersons' businesses, interesting and informative.

As Outlook 2027 drops onto doorsteps (or into Email Inboxes) in December, the long, hot, dry, summer of 2026 will be receding into memory. However, the impact of the summer drought will continue to be felt both physically and financially in depleted forage stocks, emptier grain stores, and smaller bank balances. Perhaps more importantly, extreme weather seems to be becoming more frequent – many cropping businesses in the South of Britain have seen their third poor harvest in a row due to unfavourable weather. As outlined in previous editions of Outlook, this may require farming businesses to think harder about the future resilience of their operations.

UK farming also continues to be buffeted by geopolitical events. At the time of writing, the conflicts in the Gulf and Ukraine show no signs of ending – with higher input prices likely into 2027. The UK / EU summit will take place after Outlook has gone to press. The outcome is set to see a closer relationship agreed – a double-edged sword for British farming, with greater trade opportunities but with the sector subject to Brussels regulation over which we have little influence.

In economic terms, the tendency of many countries to live beyond their means by financing spending through ever-higher borrowing is being tested by the bond markets. How this will play out over the next 12 months is unknown, but the UK Government looks unlikely to have the funds to do all the things it wishes, including any extra budget for farm support. Finally, at present, no publication is complete without a mention of AI! This powerful technology may bring significant benefits to farming but it currently seems that we are in a headlong rush to an uncertain destination.

Whilst external conditions are challenging, the best farms focus on the things they can control – namely the way they set up and operate their businesses. Andersons has been working with farmers and the allied industries for over 50 years to help them achieve their objectives. We wish you all the best for a successful 2027 and beyond.

John Pelham Nick Blake David Siddle Richard King
Directors, Andersons the Farm Business Consultants Limited



Farm Profitability Prospects

JAMES WEBSTER-RUSK

Death, taxes and big revisions to agricultural profitability statistics; some things in life are guaranteed. Defra published its estimate of 2025 UK Total Income From Farming (TIFF) part way through 2026. The figures demonstrate a record year in current terms at £8.4 billion - up 20% on 2024. However, the year-on-year change was amplified by an almost £700 million downward revision to 2024 profitability. Once adjusted to real terms, 2025 profits were only beaten by 2022.

TIFF shows the return to all entrepreneurs for their management, labour and capital invested. In simplistic terms, it is the profit of 'UK Agriculture Plc'. The chart below demonstrates how farming profits have evolved since 2005.

> **"The mood surrounding agriculture in 2025 did not feel like the "best year ever"**

Whilst a record year in 2025 might have been surprising, a strong year probably wasn't. Livestock output increased by £2.1 billion compared to the previous year due to good prices in the dairy, beef, sheep and poultry sectors. This is more than five times the reduction in crop output after another challenging harvest.

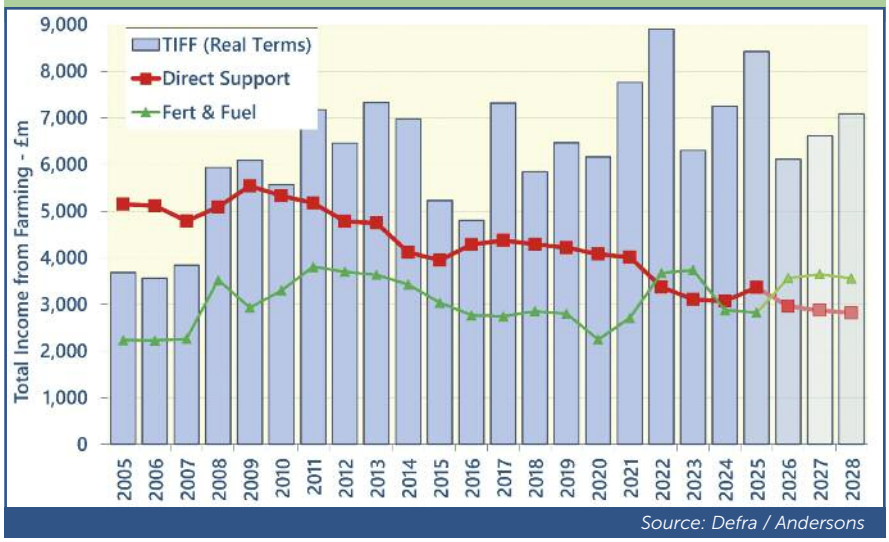
Even so, the mood surrounding agriculture in 2025 did not feel like the "best year ever". Perhaps that is due to the myriad of policy changes affecting farm businesses. Another interesting observation can be made; the fortunes of the cereals sector so often seem to dictate the mood of the whole industry.

Turning to 2026, this has been a challenging year for many sectors. Following a promising start to both crop development and forage yields, the lack of any notable summer rainfall in England significantly affected output. Weighing up reduced yields and the impact on the livestock sector, we estimate that the drought of 2026 wiped some £1.2 billion off agricultural profitability. It is worth reflecting that the consequences are not the same across all businesses. Farmers further North and in Scotland are generally expected to have had a better year for output than their counterparts in the South. Of course, these geographic generalisations mask a great deal of variability between farms.

Whilst output is down, costs have risen. The decision by the US to intervene in the Gulf resulted in large increases in the cost of fertiliser and fuel. Costs haven't hit the highs of the beginning of the Russia-Ukraine conflict, but crucially output values haven't risen to anywhere near the extent of 2022 either. The impact is a squeeze on farmers' profits that is likely to persist through the remainder of 2026 and into 2027.

Red diesel prices in particular have remained stubbornly high. Having looked like they may settle mid-way through the year, further escalations in both the Gulf and the Black Sea have kept oil prices around $100 per barrel.

Figure 1 Total Income From Farming and Support - 2005 to 2028 (Real terms, 2025 prices)



Source: Defra / Andersons

With the reductions in output resulting from drought and increases in cost, Total Income From Farming is forecast to have fallen to £6.1 billion in 2026 (real terms, 2025 prices).

For 2027, profits are forecast to increase. However, this is heavily dependent on a return to 'normal' crop yields and a recovery in forage output. Dairy prices are expected to recover slightly and red meat values remain strong.

Another key variable is how conflicts evolve. Volatility in global markets is being driven by the Iran and Ukraine conflicts. It has been assumed that, whilst oil prices will fall back from present highs, they will stay above historic levels.

Fertiliser costs are expected to remain elevated with continued disruption in the Gulf. There were fears that the Carbon Border Adjustment Mechanism (CBAM), set for introduction in January 2027, would significantly elevate prices. However, with indicative rates now published, the impact for fertiliser is far less than feared and significantly less than the inflationary impact of global conflicts. Taking all these factors into account profitability in 2027 is forecast at £6.6 billion.

If this is the case, then it would put farm profits very much within the centre of the real-terms range we have seen for the past twenty years. Whilst not spectacular, this would be a solid result. As already observed, the national financial returns from farming are probably better than the sentiment around the industry would suggest.

> **"[A] squeeze on farmers' profits is likely to persist through the remainder of 2026 and into 2027"**





Economic Prospects

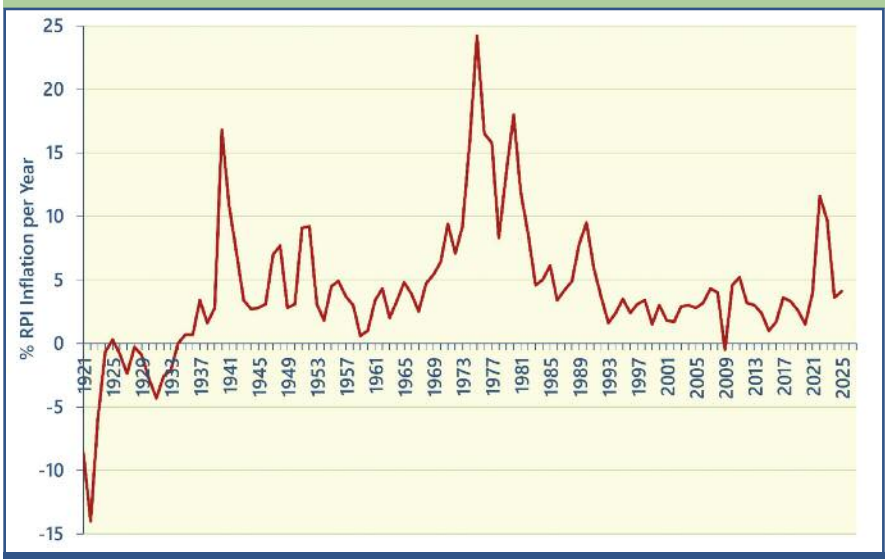
GRAHAM REDMAN

Britain enters 2027 in a curious position. Inflation, the economic villain of recent years, is mildly above target, but not out of control. Interest rates have eased from their peak, wages have risen, and the economy has so far avoided the deep recession some feared. Yet many taxpayers are convinced they are no better off. Growth remains sluggish, Government finances are stretched, public services expensive and often ineffective, and confidence amongst businesses is fragile.

The so called 'cost-of-living crisis' really isn't. Inflation in 2026 has been higher than target rates, but lower than 2022 and 2023 and, overall, not much different to the last 100 years, as Figure 2 shows. Wage growth has outstripped (and indeed fuelled) inflation so whilst costs have been going up, so have incomes of 'hard working families'. And if they earn more, so do the pensioners. Indeed, as this booklet outlines, sales of high-priced red meat have held out extraordinarily well over the last year, in fact increased protein consumption is a trend seen in several sectors of society. So where is the cost-of-living crisis? Inflation is a fact of life and it seems we have a very short memory.

The Government is financially squeezed from all directions. Welfare and 'healthcare' spending balloons, defence commitments are rising and infrastructure requires investment. The tax burden is at historic highs. Economic growth was supposed to provide the answer, but anti-growth policies such as higher Minimum Wages, National Insurance hikes, and elevated capital gains and wealth taxes have stalled much chance of that.

Figure 2 Long-Run Inflation - 1921 to 2025



Source: ONS / Andersons

The challenge is not merely one of Government finance but of economic structure. We are in a situation where excessive Government spending is on populist short term (possibly vote winning) items that do not build a country's future or prosperity. Too large a proportion of the population receives more in public spending than it contributes in tax. This creates difficult arithmetic. The country still needs to fund schools, roads, defence, policing and countless other services, while also seeking to support productive industries such as agriculture.

Pressure on Government spending shows no sign of easing. An ageing population means more older voters so spending on pensions, health and care rises. Welfare needs reform but there is no political will in Westminster to tackle it. Recent political conference speeches suggest big increases in the care component, compounding the issue further.

Defence is another growing claim on the public purse. Events in Eastern Europe, tensions in the Middle East and a less predictable global order have reinforced the need for military spending. The move towards spending 3% of GDP on defence, once considered ambitious, is now necessary. Such commitments inevitably compete with other areas of expenditure. Governments reason

that food can be imported but national security cannot (perhaps they also foresee the end of NATO).

Meanwhile, Britain's National Debt is at levels that would have been extraordinary a generation ago. Servicing that debt has become more expensive as interest rates have risen in the 2020s. For over a decade Governments benefitted from low borrowing costs and Quantitative Easing. That period has passed. Borrowing is no longer free, and financial markets are once again demanding discipline and punishing those without it. Indeed, the IMF considers the UK is best placed out of all the G7 countries to have consolidated most if its debt by 2031. It is not clear how though.

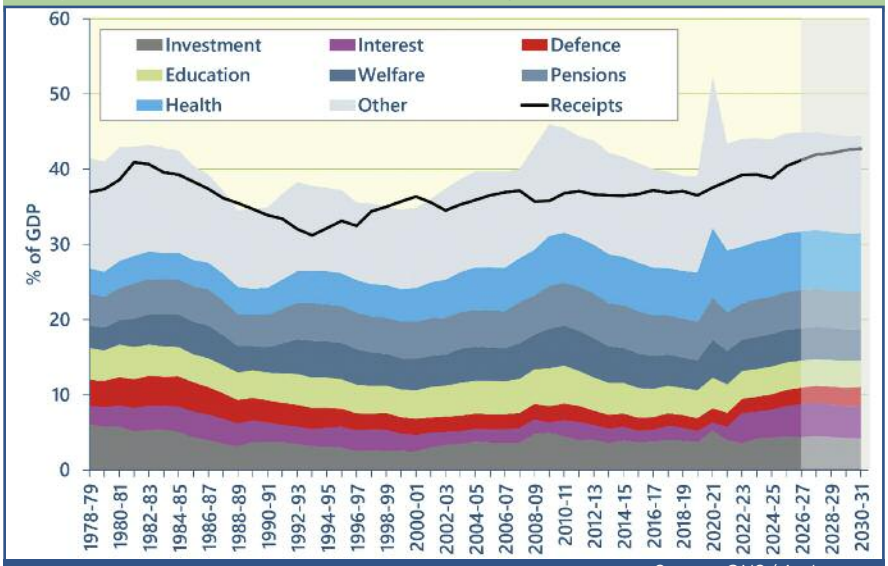
Globally, economies have proved resilient to energy price shocks, triggered by the US-Iran war. Prices at the pump keep rising, but it is not clear whether it has had an impact on its use.

There is economic unease beneath apparently strong international stock markets. Artificial Intelligence has driven enormous investment and enthusiasm, but history reminds us that periods of rapid innovation are often accompanied by speculative excess. Whether current valuations prove justified remains to be seen, perhaps as early as 2027.

Indeed, it is not the stock markets that dictate economic strength, rather the bond market. If a country starts to look slightly less financially secure, the rate at which investors and speculators are prepared to lend their Government money goes up. This squeezes the Government's financial position. For example, it was the bond market that tempered Mr Trump's tariff-rising enthusiasm when it reacted and threatened high inflation. US 10-year Treasuries experienced their worst week in almost 25 years the week tariffs were first announced. Being a market, no political leader can negotiate with, or threaten it. The bond market can intimidate everybody and perhaps 2027 might give it that opportunity.

Protectionism also shapes global trade. The trend towards tariffs, subsidies and domestic industrial policies has continued. Governments now prioritise resilience and strategic independence over pure economic efficiency. Such policies increase costs and reduce some of the benefits that globalisation delivered over previous decades.

Figure 3 UK Government Spending - 1978 to 2031



Source: ONS / Andersons

Forecasts for the UK Economy in 2027 are modest. The average of 16 independent forecasts monitored by HM Treasury anticipate growth of 1.2% in the year with inflation averaging 3.4% CPI - little different from the current level. Unemployment, they feel will rise from 4.7% now, to 5.1% in 2027. This does not necessarily mean more people will become available to work, and therefore labour costs fall. Labour is now a controlled market.

For farming, there is a sense that Government policy lacks direction. Successive changes to environmental schemes and mixed messages regarding food production leave us questioning where agriculture fits within national priorities. We know public finances are stretched and will continue to be, but food security (which surely involves at least a modicum of home production) increasingly deserves a place alongside energy security and national defence.

With consumers still wanting more protein and happy to spend on high-value food, the outlook for farming in terms of market goods remains bright overall. This does not mean every sector is in clover, nor that non-economic factors are not playing a part, but the adjustments in consumptions you would expect to see when people talk of a cost-of-living crisis, has not happened. This is good.

The costs of labour, energy and nitrogen fertiliser will remain under pressure, encouraging more efficient use for each resource. Confidence in farming is low, suggesting reinvestment might take a back seat for a while.

The fundamental task remains unchanged: produce what customers want, as efficiently as possible. Generate volume as commodity margins are, by definition, tight. Governments will continue to change direction. Environmental priorities will evolve and possibly shrink. Technology will advance. Through all of this, demand for food remains consistent.

> **Forecasts for the UK economy in 2027 are modest**

As direct support diminishes and Governments focus their resources and attention elsewhere, agriculture must prepare for a future where commercial resilience matters more than subsidy. That is not necessarily bad news. The industry's greatest strengths have always been adaptability, innovation and a willingness to invest for the long term. The economic climate entering 2027 is, as always, uncertain. Yet if history teaches us anything, it is that farming businesses which focus on efficiency, productivity and their customers tend to emerge strongest from periods of political and economic turbulence.



Farm Policy

CAROLINE INGAMELLS AND
ALEX BENBOW

Each UK nation is pursuing its own approach to farm support and environmental management, but the key question is whether these evolving policies can provide the clarity, stability and practical opportunities that farm businesses need to plan, invest and remain resilient.

As in previous years more details on Scottish, Welsh and Northern Irish agricultural support can be found in the regional articles later in Outlook. Whilst these nations are relatively early in their shift to post-Brexit support policy, England is approaching the end of its transition. However, it feels like the future of farm support for English farmers is more uncertain than ever. Funding is increasingly constrained leaving the sector frustrated, disillusioned and scrabbling for a limited pot of money.

The closure of SFI26 Window 2 on 22nd September 2026, less than six hours after opening, has become a focal point for dissatisfaction. Around 12,200 applications were submitted before the £253m budget had been allocated. Approximately 8,800 applications came from businesses whose existing environmental agreements were due to expire by the end of February 2027; Defra had identified 21,300 such agreements, demonstrating the high numbers that are likely to have missed out.

The first-come, first-served approach, the speed of closure, and widespread technical difficulties have raised questions about whether the application process was fair and accessible. Those who have missed out may have to reconsider planned environmental work, farm budgets, and future investment, particularly where an existing agreement is expiring. This leaves many questioning whether it is worth preparing for future schemes when funding and application arrangements remain uncertain.



Defra has confirmed that there will be an SFI27, with alternatives to the first-come, first-served application process being considered. That provides some reassurance, but it does not yet give farmers the information they need about scheme detail, available funding, application dates or how expiring agreements will be accommodated - we could have 35,000 potential applications in 2027. Will the £100,000 cap be lowered? What will payment rates look like? Will some actions be targeted? Following the debacle of this year, can we rely on the IT system enough to make long-term business decisions?

> **“It feels like the future of farm support for English farmers is more uncertain than ever”**

Fundamentally, with budgets lower than demand, the scheme will have to be 'rationed' in some way. Alternatives to the current 'fastest-finger' approach may be perceived as 'fairer' but there will still be farmers left disappointed.

Of course, the SFI is only the first component of Environmental Land Management (ELM). Other elements are the Countryside Stewardship Higher Tier (CSHT), Landscape Recovery (LR) and Capital Grants. CSHT is 'open' but it is focused on land with significant environmental value or potential. Applications are usually restricted to invitation-only for those with expiring CS and HLS agreements. But a new Expression of Interest route for agroforestry, woodland improvement and new single focus agreements is now available. The single focus agreements are designed to be simpler than traditional CS agreements as they only concentrate on one element of land management. Initially, these will be targeted at species-rich grassland and the management of scheduled monuments. Defra plans to extend single focus agreements to managing wet grassland and traditional orchards later in 2026.

Landscape Recovery is the large-scale ELM scheme designed to encourage a large number of farmers and landowners to work together. It blends public and private finance to fund extensive environmental projects. Defra seems busy 'digesting' the projects it has already approved, with no new application rounds since 2023 and none expected in 2027. Getting private funding to support these projects has proved challenging.

The (stand-alone) Capital Grants scheme is the final element of ELM and has been popular with farmers who wish to do some environmental work without signing up to a full management scheme. Another round is expected in 2027. But again, if we have the same first-come, first-served, application process farmers will have to be quick if they want to be accepted. Those requiring Catchment Sensitive Farming Officer (CSFO) approval need to be getting it sorted now.

Figure 4 SFI Agreements Ending



Source: Defra / Andersons

Looking further ahead, the Government's (long awaited) 'Farming Roadmap 2050: Growing England's Future' was published by Defra in June 2026. First announced in November 2024, the Roadmap sets out the Government's long-term vision for English farming through to 2050. However, it brings together existing policies and objectives rather than introducing a raft of new measures. Published alongside the Government's response to Minette Batters' Farming Profitability Review, it reaffirms that food production will remain central to farming, alongside restoring nature and reducing environmental impacts. However, it sets no specific target for domestic food production.

The Roadmap groups its ambitions under three themes: profitable and productive, sustainable, and resilient. Priorities include sector growth plans, improving productivity through innovation and technology, developing markets for British food, and strengthening skills and supply-chain fairness. Environmental performance is also expected to improve, particularly in relation to water quality, biodiversity and emissions; potentially accompanied by tighter regulation and more inspections.

Whilst the SFI is expected to remain the largest scheme for farmers in England until 2030, funding will increasingly be targeted towards areas where it can deliver the greatest environmental benefits. The Roadmap makes clear that this offer will continue to evolve, with Countryside Stewardship Higher Tier and Landscape Recovery taking a greater share of funding beyond 2030. The longer-term ambition is for public funding to focus on environmental outcomes that cannot be delivered through regulation, private finance or established farming practices. The Roadmap also highlights private nature markets, climate adaptation, disease control and farm diversification as ways to strengthen resilience.

> **"Funding will increasingly be targeted towards areas where it can deliver the greatest environmental benefits"**

Overall, the Roadmap provides a useful summary of the Government's ambitions but offers relatively little that is new. Its value will depend on how effectively the proposed actions are implemented and whether they deliver tangible improvements to farm profitability and resilience. Although it sets a direction through to 2050, its longer-term influence will also depend on whether future

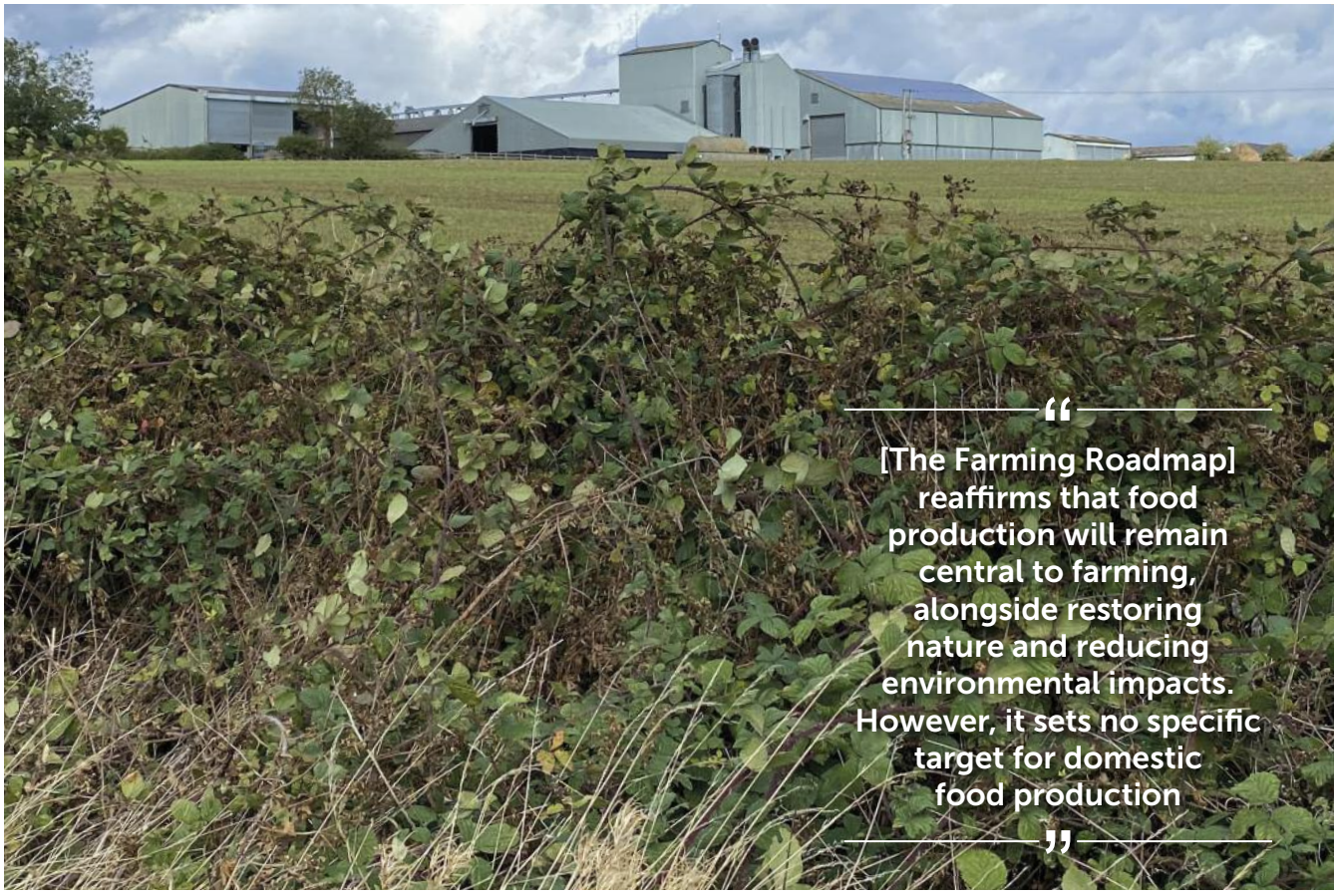
Governments maintain the same priorities.

In last year's Outlook we spoke about the Planning and Infrastructure Bill going through Parliament; this has now been passed. The Government's updated National Planning Policy Framework (NPPF) forms part of its wider Planning reform programme. The updated NPPF aims to simplify Planning policy and make decisions more consistent across England. For farming, it explicitly supports rural business growth, including development to improve farm viability and food production, such as livestock buildings, reservoirs, greenhouses, polytunnels and farm shops. This could make it easier to secure Planning Permission for farm infrastructure, although the impact will depend on how Local Planning Authorities apply the guidance. Restrictions remain on development in Protected Landscapes, whilst the best and most versatile agricultural land continues to receive protection. However, previous guidance discouraging solar development on Grade 1, 2 and 3a land unless absolutely necessary, has been removed.

Animal disease is likely to remain a significant challenge for UK agriculture, affecting farm profitability, productivity and business planning. Bovine TB remains a persistent problem, despite progress in reducing cases in some areas. England's new strategy, published in June 2026, aims to achieve officially bovine TB-free status by 2038, with greater emphasis on cattle testing, biosecurity and badger vaccination as the badger cull ends. A cattle vaccine and associated diagnostic test are targeted for deployment by 2030. This cannot come soon enough, but delivery is expected to be complex and progress will depend on effective implementation and sustained collaboration between Government, farmers and vets. For affected businesses, the immediate costs and emotional toll of herd restrictions and compulsory slaughter remain substantial.

Bluetongue has become an even more immediate concern, with the unprecedented scale of the 2026 outbreak placing significant pressure on livestock keepers, particularly in the Southwest of England. The spread of the virus has highlighted the difficulties of managing a disease transmitted by biting midges. Faster diagnosis and vaccination will be important in managing future risk. Meanwhile, Avian Influenza continues to threaten poultry businesses. With annual outbreaks through autumn and winter becoming the norm as wild birds migrate, robust biosecurity, surveillance and effective contingency planning will remain essential.

To sum-up, the challenge for agricultural policy will be to turn Defra's long-term ambition into a clear, consistent and adequately funded framework that gives farmers the confidence to plan, invest and be sustainable both economically and environmentally. For farmers and their advisers, keeping abreast of policy developments and understanding the opportunities available will be more important than ever. But as one of my colleagues pointed out, 'as an industry we have to find a different way to generate profits over three years rather than what we can achieve from a keyboard in a 6-hour window!'



"[The Farming Roadmap] reaffirms that food production will remain central to farming, alongside restoring nature and reducing environmental impacts. However, it sets no specific target for domestic food production"



Agricultural Trade Issues

MICHAEL HAVERTY

It has been another turbulent year for trade policy, as geopolitics, protectionism and climate pressures have combined to create significant volatility. Domestically, the change of Prime Minister stalled the UK-EU reset, notably negotiations on a new Sanitary and Phytosanitary (SPS) Agreement that had been close to completion. At the time of writing, an EU-UK summit is scheduled for 20th November. Whether or not the SPS Agreement is signed off there, the direction of travel is set, and what remains is timing and transition.

The new Prime Minister, Andy Burnham, has gone further than his predecessor, pledging to set out a range of options for a closer relationship with the EU and leaving open the possibility of rejoining. A decade on from the Brexit referendum, and nearly six years since the Trade and Cooperation Agreement (TCA) with the EU took effect, it is an opportune time to weigh those options. This article assesses each against the status quo from both a whole-economy and an agricultural perspective. The two do not always point the same way. For farming, much of the gain from closer ties comes from the SPS Agreement alone, while some of the bolder options add little extra and carry real costs.

> "The Centre for European Reform (CER) estimates that UK agri-food exports to the EU are around 29% lower than they would have been had Brexit not occurred"



The Status Quo

Since January 2021, the TCA has provided Britain with tariff- and quota-free trade in goods with the EU, where rules of origin are met. However, it does little to address non-tariff measures (NTMs). Exporters to the EU face Customs declarations, proof of origin and full third-country SPS controls, including Export Health Certificates, border checks and costly delays. UK (GB) checks on EU imports under the Border Target Operating Model (BTOM) have only been partly implemented. In return, GB can set its own regulations (for example on precision breeding and plant protection products), runs an independent trade policy (with deals including Australia, New Zealand, CPTPP and India) and designs its own farm support (Northern Ireland follows EU SPS rules under the Windsor Framework). The Centre for European Reform (CER) estimates that UK agri-food exports to the EU are around 29% lower than they would have been had Brexit not occurred.

Alternative Options and Implications

1. TCA 'Plus' (SPS Agreement)

The TCA Plus deal was agreed in principle in May 2025; chiefly an SPS Agreement with dynamic alignment to EU food, animal and plant health law, alongside linking of emissions trading schemes. According to the UK in Changing Europe (UKICE)

think-tank, this would add 0.1-0.5% to UK GDP compared to the status quo. Last year's Outlook reported an SPS Agreement could cut NTM costs on GB agri-food exports to the EU by 30-60%; removing most Export Health Certificates and routine border checks. Savings on imports would be smaller, as many BTOM checks were never introduced. It would also reopen trade in products such as seed potatoes and ease GB-NI movements. The price is rule-taking, including on plant protection products, where cliff-edge alignment could reduce farm profit by £500-810 million, although transitional arrangements could reduce this substantially. It would also constrain precision breeding and SPS concessions in third-country trade deals. Tariff-free trade with the EU and an independent trade policy would be unchanged.

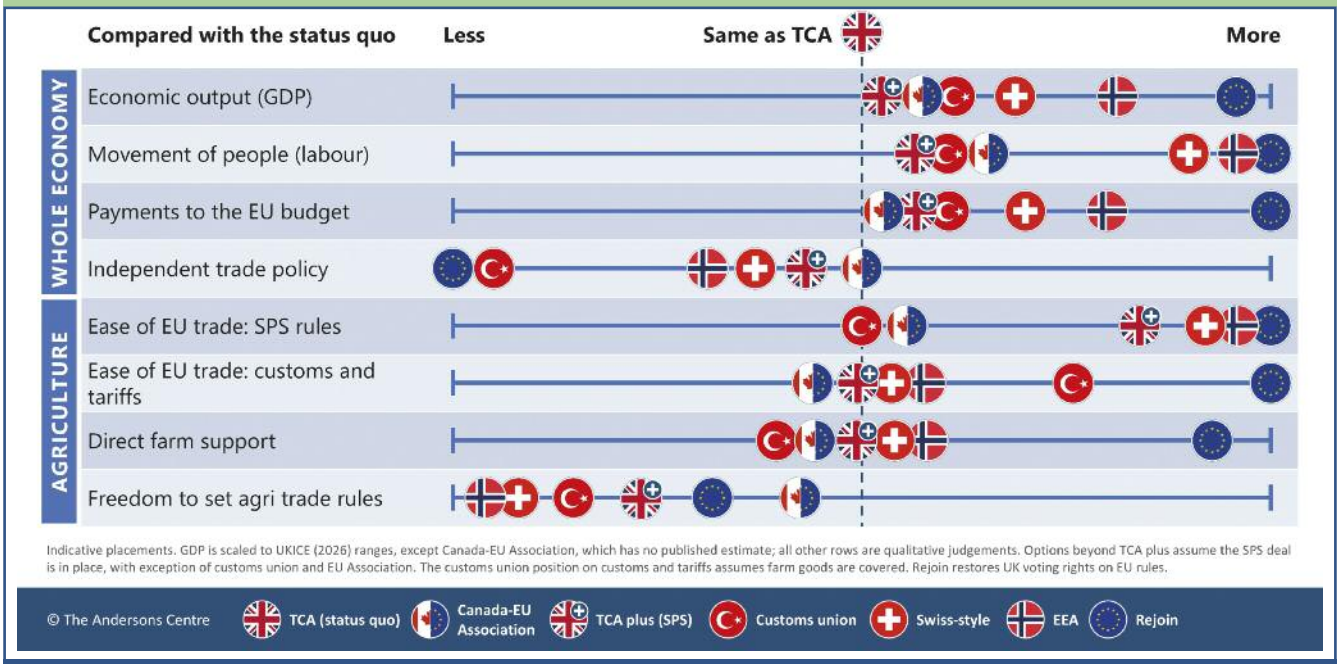
2. Associate EU Membership

In September 2026, the European Commission offered Canada a new 'Associate Membership' tier. At October's Montréal summit, both sides committed to Canada becoming the first Associate Member, with terms still undefined. It points to freer movement of goods, services and workers in strategic supply chains, participation in EU programmes such as Erasmus+ (negotiations now launched) and recognition of qualifications. But there would be no voting rights on EU decisions and, apparently, no Customs Union. Trade policy and regulatory freedom would be largely retained. Agriculture was again absent from the summit and, for now, without an SPS element, border frictions would remain. Economic gains are likely to be modest and unquantified; the main value may be as a political framework for sectoral deals and security cooperation.

3. Customs Union

This option would permit tariff-free trade in goods without Rules of Origin, with the UK applying the EU's Common External Tariff to covered goods (UKICE estimates this would add 0.5-1.0% to UK GDP). Turkey's Customs Union with the EU, the main precedent, excludes primary agricultural products. If agriculture were included, the UK would have to unwind or revise its own trade deals and inherit the EU's, including Mercosur (99,000t of beef) and Australia (30,600t of beef, 25,000t of sheepmeat), with no say over future ones. It would ease GB-NI trade to a degree, but removing origin paperwork does not remove SPS checks. CER finds that leaving the Customs Union explains only a quarter of lost UK exports to the EU.

Figure 5 UK-EU Relationship Options Assessment from an Economic & Agriculture Perspective



Notes: The ratings above are indicative placements. Source: Andersons

4. Swiss-Style Agreement
Switzerland has sector-by-sector Single Market access through over 100 bilateral agreements, with dynamic alignment in covered areas, free movement of people and budget payments (CHF 350m a year from 2030). It is not a Customs Union, so Switzerland keeps its own tariffs and trade policy. (UKICE estimates a 1.0-2.0% GDP uplift, mainly from wider goods and services access). For agri-food, it adds little beyond the SPS Agreement, as Switzerland's veterinary agreement mirrors it, and Customs and origin checks remain. Free movement would ease labour supply in horticulture, processing and veterinary services. The EU has been reluctant to replicate the Swiss model, which it regards as cumbersome to manage.

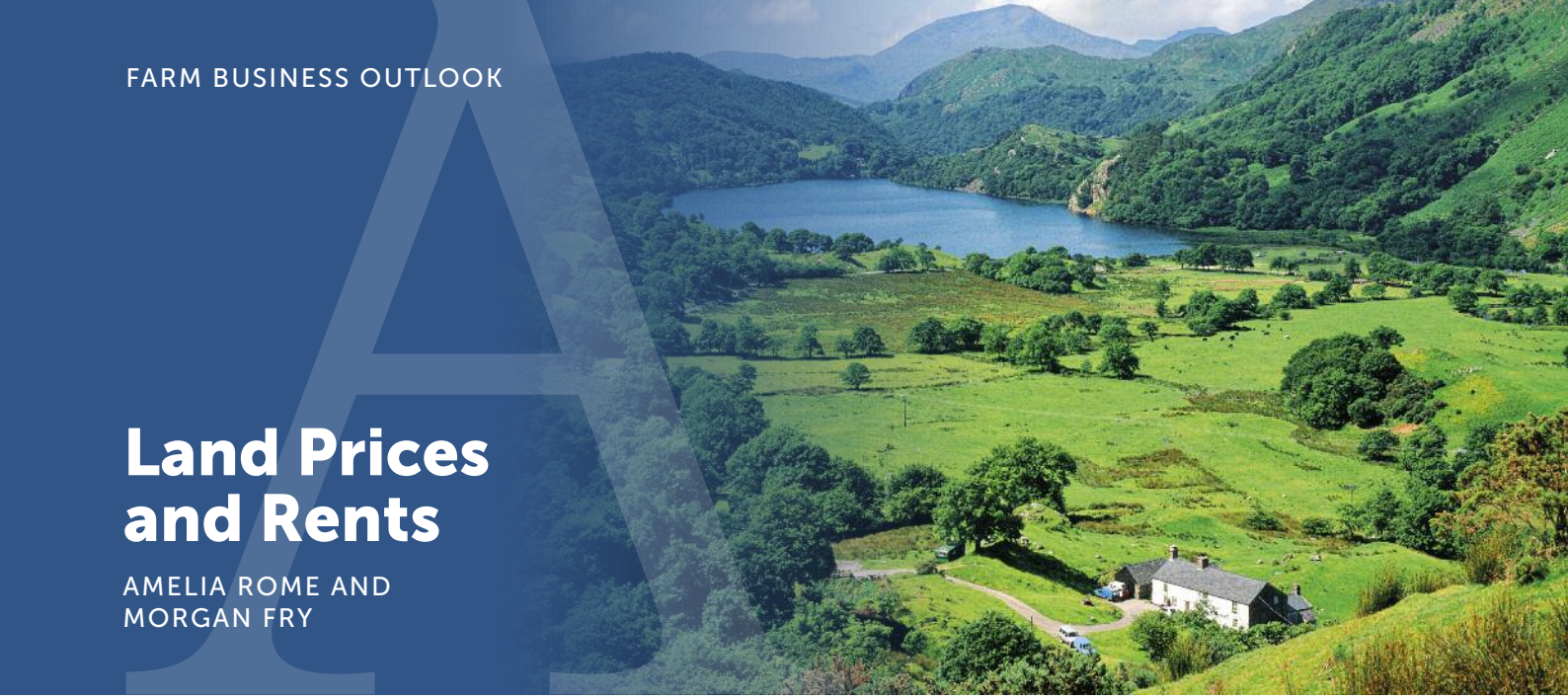
5. European Economic Area (EEA)
This is Norway's model and encompasses full Single Market membership via EFTA, freedom of movement, alignment with almost all Single Market rules, budget contributions and no vote. It excludes the CAP and fisheries policy and is not a Customs Union (UKICE: +2-3% GDP). As with the Swiss model, the largest gains are in services and non-food goods. For agri-food, this would match 'TCA Plus', but Customs and origin checks remain. Agricultural tariffs sit outside the agreement (Norway keeps high ones), so the TCA's zero tariffs would need preserving separately. Farm support and trade policy would stay under UK control, and free movement would ease labour shortages.

6. Rejoin the EU
Full membership would require the unanimous approval of existing Member States and according to UKICE would improve GDP by +3-5%. All EU rules relating to the Single Market, Customs Union, CAP and Common Fisheries Policy would apply, and the UK would make full budget contributions, probably without its former rebate. It would regain voting rights, which none of the other options offer. It is the only option that removes all border frictions in both directions. The CAP would return in its reformed 2028-34 form; reintroducing area-based income support just as England ends delinked payments in favour of ELM, and EU trade deals would replace the UK's. Realistically, accession could only follow the 2029 General Election and would take several years.



Conclusion
A decade on from the referendum, the UK is at another crossroads. One path is a light-touch but closer relationship built on the TCA, centred on the SPS Agreement and perhaps other sectoral deals. The other is to rejoin, what might be called a 'Bri-entry'. The options in between are in many respects the hardest to sell, with each giving up a degree of control for limited additional gain. For agriculture, much of the prize lies in the SPS Agreement, provided the rules on plant protection products and gene editing are carefully managed. Only rejoining would bring back the CAP and a vote on future EU rules.

For 2027, the practical priority for UK agriculture is preparing for the SPS Agreement, including managing any transition on plant protection products and new certification arrangements, adjusting trade with non-EU countries, and seizing the opportunity to regain ground in EU markets. The Government's options assessment will set the tone, but the question the referendum seemed to settle a decade ago is clearly open again, and this time the trade-offs are far better understood.



Land Prices and Rents

AMELIA ROME AND
MORGAN FRY

Harvest 2026 was challenging for areas across the country - again. Hot, dry weather left many cropping farms with another season of disappointing yields. Defra's forecast for the year to February 2026 had already put average farm business income on English cereal farms at just £17,000, the lowest since the series began in 2004/05.

Against that backdrop the somewhat surprising feature of the land market is how little it has moved. Prices have drifted lower, but less area has changed hands to test them and both buyers and sellers are perhaps waiting on events, not just the weather. Last year we argued that the full effect of the Inheritance Tax (IHT) reform was yet to emerge. The subsequent watering-down of the proposals meant that this has been less of a driver of activity than might have been the case.

Statistics on land prices are somewhat patchy. The most definitive series is from the RICS, but this has a time-lag in publication (latest data is from H2 2025). Many of the major land agency firms produce land price series based on the sales and valuations they undertake. These have been consolidated into two datasets for arable and pastureland on Figure 6. Crucially, these are shown in real terms (with the effect of inflation included) rather than at current prices. On this basis there is a clear recent downwards trend in land values – both in the RICS data and the Agents' figures.

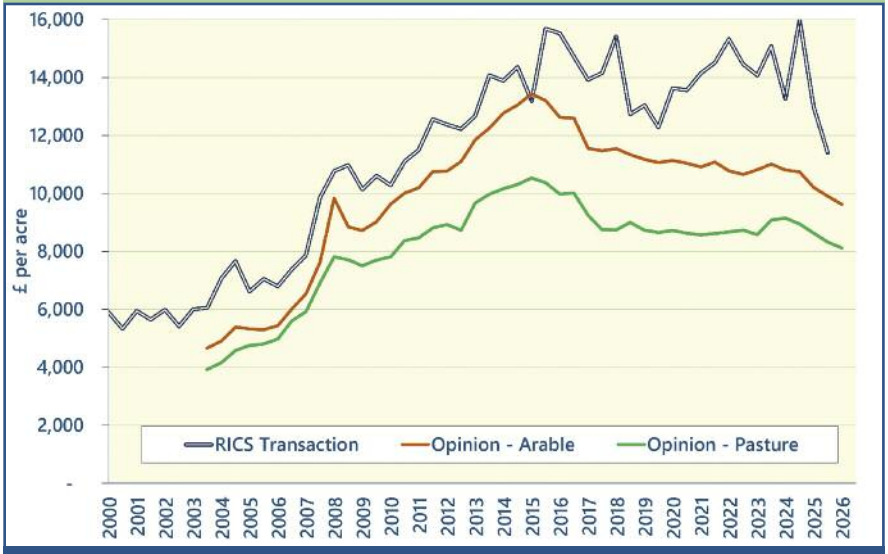
N.B. We quote land prices per acre, still the general convention, although hectares are generally used elsewhere in Outlook. Rents from Defra are published per hectare; we give per acre equivalents in brackets.

However the regional and sectoral picture matters more than averages. According to Savills, prices for Prime and Grade 3 arable land fell across the South-East, South-West and East of England in the first half of 2026. In the East, Prime arable prices were down 1% (in current prices) and Grade 3 was down 3.1%. Further north the average for all farmland was up 1.3% on the year. The split between 'corn' and 'horn' is clear. Arable land accounted for 56% of land publicly marketed in Great Britain in the first half of 2026, against a ten-year average of 38% - suggesting more pressure to sell in arable businesses. Quality and location still carry a heavy premium.

The land market remains very 'thin', with only a small proportion sold annually. This has become even more so, the Farmers Weekly Land Tracker puts first-half advertised area almost 25% below the same period in 2025. A large proportion of land sells privately and so escapes the headline statistics.

> **"The somewhat surprising feature of the land market is how little it has moved"**

Figure 6 Land Prices (Real Terms) – 2000 to 2026



Source: Defra (Farm Business Survey and June Survey) / Andersons

Buyers have shifted. Farmers made 62% of purchases (Strutt & Parker) so far this year; the highest share for more than a decade, and the gap between vendors' and buyers' price expectations has narrowed. Overseas buyers have been less visible. Buyers with development proceeds ('rollover money') remain important, alongside well-funded private and corporate investors, and neighbouring land still attracts 'special purchasers'.

Turning to our crystal ball for the land market outlook for the next 12-24 months, supply of land to the market is likely to remain low in historic terms and the pool of farmer and special-purchaser demand too deep for a rout. However, there are signs of somewhat greater supply coming to the market which provides increasing choice for buyers and intensified competition among sellers. As a result, land prices may continue to face downward pressure, with buyers in a stronger position to negotiate on price and terms. Prime lotted arable blocks will continue to achieve £10,000 per acre and above, while secondary, drought-exposed and isolated land will remain slower to sell, will require more competitive pricing and, with larger blocks, may need to be re-lotted to widen the buyer pool.

Generally we would expect a rise in marketed land in spring 2027 as deals delayed by the Budget are launched. Higher-for-longer interest rates, a possible rise in Bank Rate, and the cost of next year's inputs are the main downside risks, particularly for arable buyers dependent on borrowing.

Moving on to rents, last year we suggested that working-capital pressure on arable tenants might start a downward trend in Farm Business Tenancy (FBT) rents if commodity markets failed to recover; this direction looks right, but it is not yet visible in official rent data, which lags the market by well over a year.

Defra's latest Farm Rents statistics, published in February 2026, cover the year to February 2025, so they predate both poor harvests since. The average FBT rent rose 4% to £230 per Ha (about £93 per acre); a negligible change in real terms. Full Agricultural Tenancy (AHA) rents fell 6% to £174 per Ha (£70 per acre); a 10% fall in real terms (remember, AHA rents are linked to the productive capacity of the holding). The averages hide wide variation. The East Midlands had the highest FBT rent at £301 per Ha (about £122 per acre), whilst the North-West recorded the lowest at £139 per Ha (£56 per acre).

Structurally, the let sector continues to shrink. FBTs in the Farm Business Survey fell 6% to about 29,700 hectares (from about 31,600). Total tenancy agreements fell 5% to 83,300 hectares, with the average FBT term of five years and seven months. Defra's land tenure data show the let share of farmland falling from about 33% in 2010 to about 28% in 2025.

The Tenant Farmers Association (TFA) points out that average cereal-farm FBT rents of just over £110 per acre sit well below headline figures quoted by Agents. The TFA urged Tenants to seek rent cuts, advising them to serve or contest rent review notices before Michaelmas (29th September), which could trigger changes from Michaelmas 2027. AHA rents continue to be set by the productive capacity of the holding, and in some areas Landlords are seeking possession for non-farming income streams, a pressure that the Land Use Framework's housing and energy ambitions may reinforce. The framework also promises tenancy reform, a stronger Farm Tenancy Forum and fairer compensation, although there is no detail yet. As the open-market principle still governs FBTs, any new lettings this autumn will be the first test of whether a run of poor arable yields is feeding through into rental levels.

> **"New lettings this autumn will be the first test of whether a run of poor arable yields is feeding through into rental levels"**

Headline tender arable rents of £200 per acre and above will persist, driven by a desire for scale, the requirements for specialist crops (potatoes, vegetables, maize), and the sheer scarcity of lets, so the gap between headline and average rents will probably widen. Grazing livestock and dairy rents look steadier, although low milk prices will temper dairy.

Our advice from last year stands: rent and finance costs together should not exceed about 15% of output if a Tenant is to earn a meaningful return on their working capital. Budget on rotational yields, including break crops and weaker years such as 2024-26, not first wheats alone. Landlords should take a long view, recognising that a Tenant who can afford the rent in a poor year is worth more than a marginally higher rent from one who cannot, especially if investment in the land is wanted - for example in soil improvement.





Farm Finance

JORGE DRAYCOTT
AND TOM PROCTER

The high-street banks have historically been, and are likely to remain, the backbone of farm finance, often in the form of an overdraft facility or term loans. However, the range of finance available is now much wider. For many, a combination of higher interest rates, the loss of BPS, rising input costs and back-to-back poor harvests in the arable sector, has increased the requirement for and reduced availability of working capital. Businesses potentially now have more choice on their sources of capital than ever: banks for term debt and working capital, asset finance for machinery, crop advances to ease cash flow, and outside funding from JV partners or investors.

Merchant and Crop Finance

Credit on inputs, deferred payments and crop advances can help smooth cash flow across the farming year and bridge the gap between paying for inputs and selling the harvested crop. Inputs bought on deferred terms and crop advances come at a cost, which could be favourable when comparing funding seasonal cash shortages using an overdraft, as set out in Figure 7.

Asset Finance

Asset finance generally suits items of machinery that a business intends to keep for the medium term (2-8 years). This spreads the cost of machinery over the term of the finance, reducing the upfront capital requirement. In some cases, 0% finance is available on new machinery, making this an attractive option. Asset finance is available direct from dealerships and from third-party financiers, so it is worth 'shopping around' to find the best deals. Finance for second-hand machinery is often overlooked but may be available where it meets the necessary criteria (age for example). Where an agreement includes a large final balloon payment, it should be built into future cash flow forecasts.

Figure 7 Comparison of Finance

	Crop Advance	Overdraft
Contract Price	£210/t	£210/t
Interest Rate (or equivalent)	5.75%	6.00%
Costs for 6 months	£6.00/t	£6.30/t
Net Payment after finance cost	£204.00/t	£203.70/t
Saving compared to overdraft	£0.30/t	
Saving on 500t	£150.00	

Note: additional arrangement fee for overdraft likely to be included.

In some cases, the interest rate on a crop advance may be higher than that of an overdraft, making a crop advance more costly. However, not all businesses can access/increase their overdraft, and where possible this may incur an arrangement fee. Crop advances may often be arranged at relatively short notice.

> **"A combination of higher interest rates, the loss of BPS, rising input costs, and back-to-back poor harvests in the arable sector, has increased the requirement for, and reduced availability of, working capital"**



> The interest saved by repaying debt can often outweigh the return the land would otherwise have earned

Specialist Long-term Lenders
Specialist agricultural lenders may offer loans secured against land for terms up to 30 years, with the option to fix interest rates up to the entire term of the loan. This can be longer than other lenders. Repayments can also be scheduled to match farm income (i.e. a lump sum at a particular time of the year), with options for interest-only periods at the beginning of some loans. These loans are best suited to land purchases, new buildings or restructuring short-term debt. Moving expensive overdrafts (which are repayable on demand) or merchant credit onto a long-term loan can improve cash flow, although this depends on the agreed structure. Trade-offs can include upfront fees, early repayment penalties, security and higher total interest.

Equity or JV Partners
Seeking a joint venture partner (via a share or contract farming arrangement) or even outside investment in return for equity, can introduce capital, skills or scale without adding debt. This can share the risk involved but usually results in a loss of control. Depending on the structure, decisions on cropping, investment, borrowing and profits may be shared, although one partner may hold a veto over major decisions. Before committing, the responsibilities of each party need to be clearly agreed, as well as an exit strategy. The effects on tax reliefs, including Inheritance Tax, and succession plans should be assessed prior to committing. A well-drafted agreement can protect all parties.

Selling Assets
The sale of assets to provide additional working capital is often considered as a 'last resort'. In an industry where farmland typically generates a return on capital of 1–2% a year (excluding capital growth), whilst borrowing can cost three times as much, the interest saved by repaying debt can often outweigh the return the land would otherwise have earned. This is particularly relevant where the serviceability of new debt is under question. Before deciding which asset to sell, it is important to assess the margin foregone and Capital Gains Tax liability. For instance, selling non-farming assets (e.g. a cottage) is often seen as the 'easy' option; however the outcome could be the opposite to selling land as the income foregone could outweigh the finance costs saved as these assets may produce a higher return on capital.





Land Use

AMY BARNACLE

Since the last edition of Outlook, Defra has published its Land Use Framework (LUF) for England. It would be easy to dismiss this as another Government strategy document that will gather dust on a Whitehall shelf. Indeed, there is little in it that will have a practical impact on farming businesses next year or the year after. However, it does provide a good indication of the Government's 'direction of travel' in terms of land use, especially when read alongside the Farming Roadmap 2050 that was published in the summer.

At present around 70% of the area of England is agricultural - arable or grassland. The LUF suggests that, by 2050, 1% will shift to urban expansion, 2% to renewables and 6% will be re-purposed mainly for climate and nature uses (but with some food production). On top of this 9% 'lost' to farming, a further 4% will remain 'primarily' for food production but will be managed to provide benefits for the climate and nature.

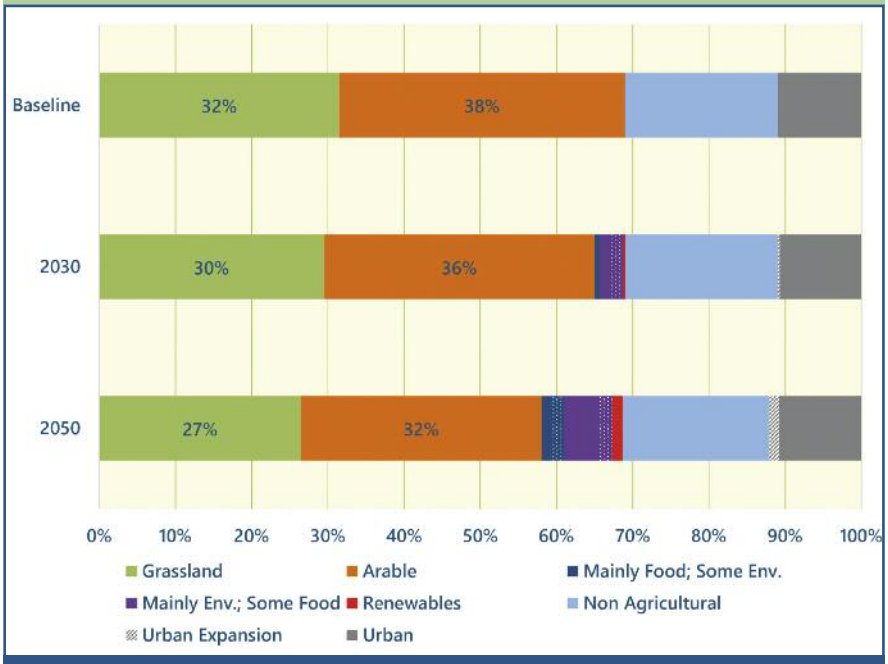
The LUF sets out the Government's commitment to 'maintain overall food production in England'. This is also backed-up in the recent Farming Roadmap. However, there is no specific target for domestic food production contained in either document. In contrast, there are binding commitments and legal targets for environmental improvements, which suggests an imbalance in policy making. There is a further question as to whether 'maintaining' food production is enough given rising population and potential threats to food supply from abroad. The LUF states that holding food production stable, even if farmland is moving to other uses is thought possible as long as 'food production increases in line with the historic averages'. A focus on agricultural efficiency and productivity - especially on the most productive land.

> **"There is a further question as to whether 'maintaining' food production is enough given rising population and potential threats to food supply from abroad"**

With almost all land in England being privately owned, the Government cannot simply mandate the changes it would like to see. It needs to work with landowners to achieve the outcomes

The LUF sets out four Land Use Principles that will inform

Figure 8 English Land Use - Present to 2050



Note: dotted areas are those specifically targeted for water quality improvement Source: Defra

Government policy-making . These are;

- Multifunctionality - land should deliver for a variety of outcomes e.g. farming and nature)
- Right-use, Right-place - examples given are that high-quality farmland and irreplaceable habitats should be protected
- Future ready decisions - a long-term view should be taken preventing short-term decisions compromising the ability of future generations to meet their needs
- Adaptive-by-design - the LUF should be flexible and able to incorporate changing circumstances - especially in regard to climate change

All this sounds sensible but, as ever, it will be the implementation that will be key. A number of practical actions are highlighted in the LUF;

- There will be a revision to the rather outdated Agricultural Land Classification (ALC) map. This should help protect the best farmland
- As set out in the Farming Roadmap, and covered in the Policy article above, environmental schemes such as the SFI will be increasingly geographically targeted in the future - focusing on land with the highest environmental potential
- Defra has a clear goal to generate more private finance for land-use change. However, this has proved difficult to date, and the LUF does not provide much extra detail on how this will be achieved.

The British Isles are densely populated with a large number of competing demands for land. As the main owners of land, farmers will be at the forefront of land use changes. This opens up opportunities as well as threats. Environmental objectives are increasingly shaping the use and value of agricultural land alongside food production. Environmental markets are developing to value the ecosystem services the environment can provide when created, enhanced, and/or managed. Markets such as Carbon Credits, Nutrient Neutrality, Biodiversity Net Gain and Landscape Recovery are increasingly becoming an option for farm businesses. As our article in last year's Outlook set out, for most farmers 'land sharing' - providing environmental services alongside the core business of food production - will be the preferred option. Others, however, will shift their land fundamentally into environmental uses - 'land sparing'. There is no right answer - it will be down to individual circumstances.

"Environmental markets are developing to value the ecosystem services the environment can provide when created, enhanced, and/or managed"





Dairy

TOM CRATCHLEY, OLIVER HALL
AND MIKE HOUGHTON

For many dairy businesses 2026 has been defined by difficult operating conditions, with depressed milk markets and drought pressuring margins. It has been a year of haves and have-nots, with producers seeing the biggest range in milk prices for sometime, with little to no option to change buyer. Producers in the South were gravely affected by lack of forage whilst those in Cumbria and beyond enjoyed a bountiful year for grass growth.

The GB milking herd stood at 1.57 million cows in July 2026; 2.2% lower than a year earlier and the lowest level in at least a decade. More significantly for future supply, the number of dairy females under two years old also fell by 2.2% to 860,000. That is enough heifers in the national herd to run at a total 27% replacement rate.

The average age of the current herd at 4.65 years suggests an average national herd replacement rate of 38%.

Figure 9 GB Dairy Herd and Youngstock - 2019 to 2026



Source: BCMS / AHDB

Annual yield increases per cow over the past decade have been in the range 4-5% (4.8% in Figure 10 below). On current trend patterns, with 430,000 heifers calving per year, the effect on production would be as set out in the final column of Figure 10.

Figure 10 Potential Future Milk Production

Year	Herd Size '000 Hd	Cull Out %	Cull Out No.	Calve In %	Calve In No.	Yield per Cow 4.8% Growth	GB Milk Output: m ltrs
2026	1,570	38%	597	31%	430	8,220	12,905
2027	1,403	38%	533	33%	430	8,615	12,090
2028	1,300	38%	494	35%	430	9,028	11,737
2029	1,256					9,461	11,694

Source: Andersons

To prevent a sizeable reduction in output a number of things could happen. Extra cows could be imported – although the EU and Ireland are under similar pressures with replacement numbers. Replacement rates could drop - possible, but challenging. Yields could grow at above 10-year average trends - again, achievable but it requires an attractive feed to milk price ratio. All this raises the key question 'where are the cows to produce the milk in 2029 going to come from'?

The issue of milk supply may become interesting even before then. The heatwave in the summer may well reduce the spring flush in 2027, cow cull prices are at record levels – encouraging a reduction in numbers, and processors continue to invest in capacity and will need supplies.

Against this background, the relationship between milk production and processing capacity warrants greater attention. In March, Müller served notice on a number of suppliers, citing milk production exceeding domestic demand for fresh dairy products and the need to align intake with processing requirements. Processors understandably favour a level milk supply; expensive factories are most efficient when utilised consistently throughout the year. However, how far should farmers be expected to redesign production systems to deliver this?

Andersons considered this question during 2026. Detailed modelling assessed different combinations of spring, autumn, and all-year-round calving systems. Even under highly controlled assumptions, a completely level supply profile could not be achieved without a significant move towards all-year-round calving. An optimised mix reduced monthly variation only marginally, whilst the analysis concluded that further flattening was likely to be increasingly costly.

> **For many dairy businesses 2026 has been defined by difficult operating conditions**

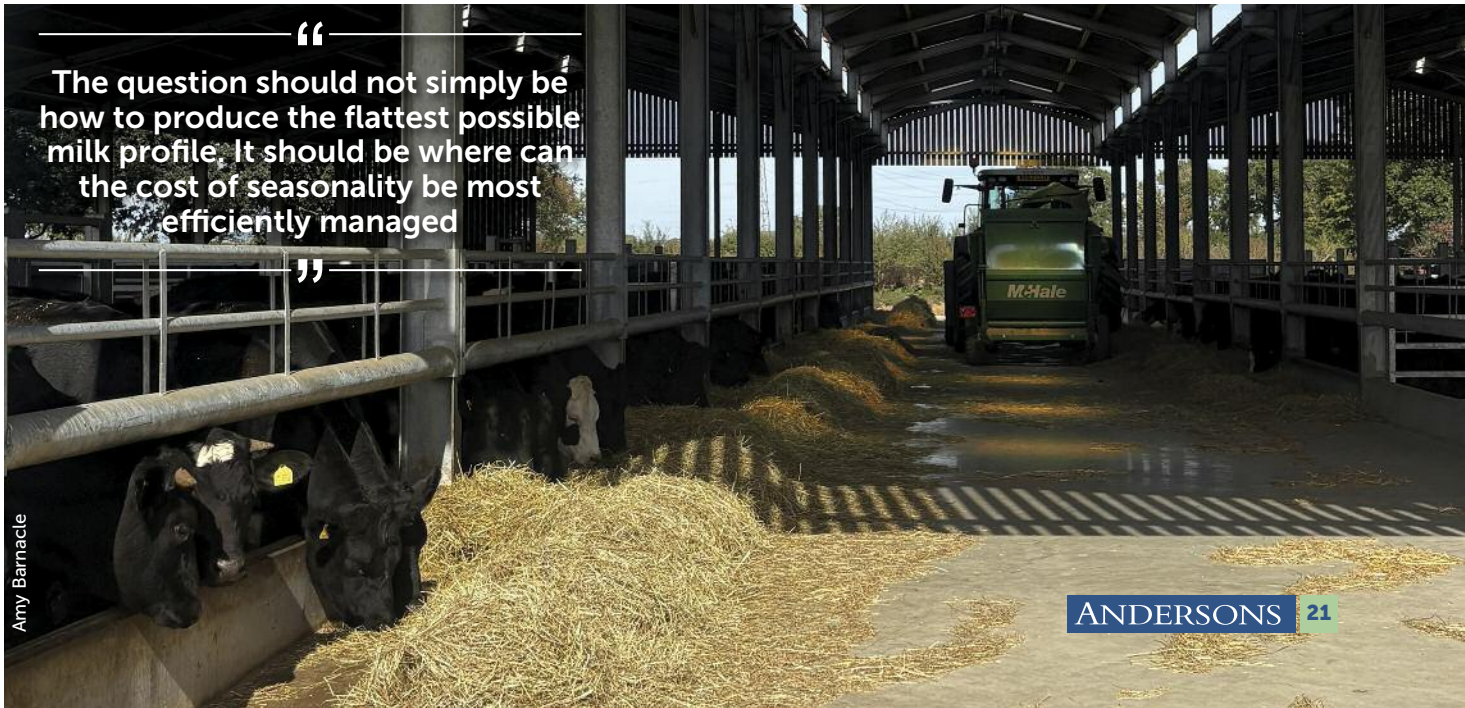
The underlying reason is straightforward: dairy cows remain biological systems. Spring-calving herds deliberately align peak lactation with peak grass growth; autumn-calving cows typically respond again when turned out in spring; even all-year-round herds can experience a turnout response. Forcing production away from these natural advantages increases feed, infrastructure and management costs. The work also found that pricing signals had encouraged some adaptation amongst established suppliers but had not driven any real widespread system change.

Ireland provides an interesting contrast and is only 50 miles over the water. Its production system embraces, rather than eliminates, seasonality. Central Statistics Office (CSO) figures show processor and co-operative milk intake of just 0.16 billion litres in January 2025, compared with 1.18 billion litres in May, more than seven times greater. Previous Teagasc analysis estimated that moving entirely from spring calving to a 50:50 spring/autumn system would improve processing efficiency but reduce returns at farm level by around €130 million annually.

The prevalence of farmer-owned co-operatives makes the Irish model particularly interesting. Processor efficiency still matters, but ultimately the objective is to optimise returns across the whole supply chain which are returned to farmer-members through the milk price and the Annual '13th' payments. These are explicitly included within the Irish Farmers Association's assessment of total processor returns to farmer suppliers.

For Great Britain, the question should therefore not simply be how to produce the flattest possible milk profile. It should be where can the cost of seasonality be most efficiently managed. If manipulating otherwise efficient farm systems costs more than balancing additional seasonal milk through expanded processing capacity and strategic marketing, transferring that responsibility back to farmers risks optimising one part of the supply chain at the expense of the whole.

Our fear would be that the difference between Ireland and the UK is not about geography and 50 miles of water but domestic markets, ownership of processing and quality of management of those assets. Too often UK dairy farmers are asked to produce milk at global commodity prices but maintain a level profile. Maybe 1 billion less litres of milk by 2029 could sharpen the thinking!



> **The question should not simply be how to produce the flattest possible milk profile. It should be where can the cost of seasonality be most efficiently managed**

Amy Barnacle



Beef

CHARLOTTE DUN

After several years of volatility, 2026 has proved another strong year for the UK beef sector, even though prices have eased from the exceptional highs seen in 2025. Despite this moderation, finished cattle and cull cow values remain well above historic averages, providing a welcome boost to farm business returns. However, high prices should not be mistaken for a long-term solution to the industry's underlying challenges. Looking ahead to 2027, the outlook remains one of constrained supply and relatively firm prices, but with consumer demand, input costs and the sustainability of production systems likely to determine where profitability ultimately lies.

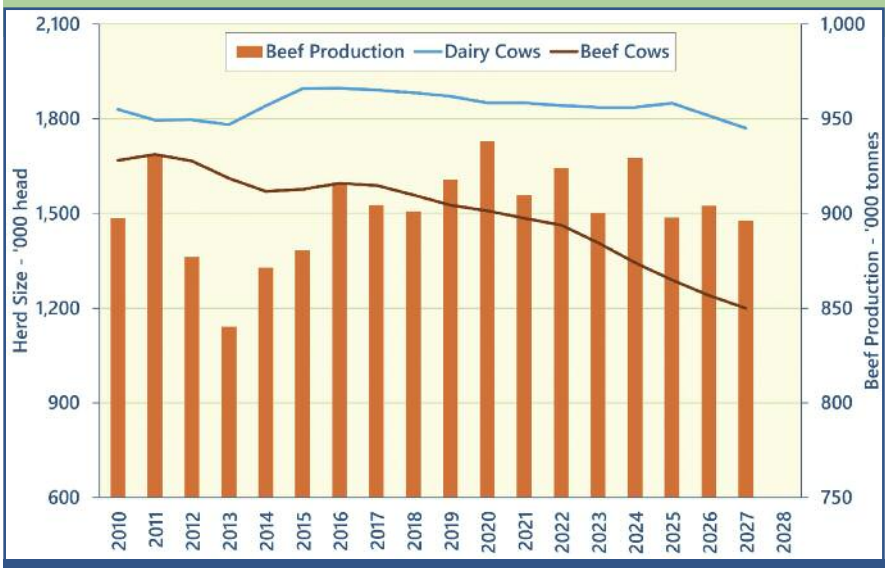
The contraction of the UK breeding herd remains a defining feature of the sector. Defra's June 2025 survey recorded a 4.1% fall in the number of suckler cows to 1.29 million head, with the total national breeding herd declining to 3.14 million. Over the preceding five years, the suckler herd had contracted by approximately 13%. Historically tight margins, rising overheads, labour shortages and uncertainty surrounding agricultural support have all contributed to this decline. Whilst high cattle prices have improved profitability, the incentive for some producers to sell breeding stock and exit the sector remains strong. Further reductions in suckler cow numbers, alongside continued dairy cow culling (see previous Dairy article), could restrict supplies further in 2027 and beyond.

> **2026 has proved another strong year for the UK beef sector**

Tight supply may support prices, but demand remains the limiting factor. Reduced domestic production, combined with constrained supplies from Ireland, the UK's principal source of beef imports, should provide a firm foundation for cattle prices. However, consumers continue to face pressure on disposable incomes, and beef remains a relatively expensive protein compared with some alternatives. Retailers and processors will need to balance higher procurement costs against consumers' willingness to pay. The strong cull cow market also highlights the importance of affordable beef products, particularly when household budgets are stretched. Whilst a significant collapse in prices appears less likely in a market with limited supply, further substantial increases should not be assumed.

For suckler producers, 2026 has offered an opportunity to rebuild margins and strengthen business finances. However, these higher returns may prove difficult to sustain indefinitely. If finished cattle prices soften, some of the pressure is likely to pass back through the store

Figure 11 UK Cattle Herds and Production - 2010 to 2027



Source: AHDB / Bord Bia / Andersons

market, where competition for limited numbers of suitable cattle currently remains strong. In addition, higher fuel, fertiliser and labour costs could erode the benefit of buoyant output prices in 2027. Producers should use the current period of better returns to address debt, invest selectively in efficiency, and assess the long-term viability of their suckler enterprises, rather than base future budgets on peak market values.

Beef finishers face a different set of pressures. Store cattle and dairy-cross calves remain relatively expensive, creating a significant upfront investment and leaving margins exposed to any reduction in finished prices. Where feed costs remain manageable, taking cattle to heavier carcase weights may offer an opportunity to spread fixed costs across more output. However, this approach must be supported by good daily liveweight gain and feed conversion efficiency, rather than simply keeping cattle for longer. Contracts with major processors and established dairy-beef schemes may offer greater certainty over supply and pricing, although the premiums currently available through some schemes should not be assumed to continue unchanged.

Efficiency, rather than price alone, will define the successful beef businesses of 2027. Suckler producers should focus on calves weaned per cows put to the bull, kilograms of calf weaned per cow, calving interval, calf mortality and gross margin per cow. For finishers, daily liveweight gain, feed conversion efficiency, and gross margin per head remain essential measures. Tight calving periods, disciplined culling, appropriate genetics and careful feed management can all improve output while reducing wasted labour and resources.

Looking at the longer-term direction of the industry, dairy beef systems offer opportunities to utilise dairy-bred calves, integrate livestock into arable businesses and supply processors seeking consistent cattle with lower production emissions. However, success depends on calf health, reliable supply, good stockmanship and technical performance. Across all systems, access to home-grown forage, competitively priced supplementary feed, and manageable overhead costs will remain important competitive advantages.

In summary, the UK beef outlook for 2027 is cautiously positive on prices, but less certain on margins. Tight supplies should continue to provide support, yet rising costs and constrained consumer demand will limit the scope for further improvement. The strongest businesses will be those that use the current market to strengthen their financial position, measure performance rigorously and adapt their production systems to changing supply chains. High prices provide an opportunity; efficiency and sound business management will determine whether that opportunity translates into lasting profitability.





Sheep

DAVID SIDDLE

The UK breeding flock has declined in recent years. Defra Survey data shows the flock falling from 14.9 million ewes in December 2020 to around 13 million ewes by December 2025, a 15% fall over the last five years. English June 2026 Survey data did not suggest stronger market returns had stabilised numbers at that point. It remains to be seen whether the further improvements in prices for the 2026 lamb crop will raise confidence and translate into an increase in breeding sheep numbers going into 2027.

After relatively modest prices in the first quarter of 2026, lamb prices accelerated in the second quarter and reached new highs. By June 2026, prices were more than 20% above the already strong levels recorded in 2025, after a small blip in early August they accelerated again in September and October to exceed 2025 levels.

The smaller national flock will keep supply constrained going into 2027. UK sheep-meat exports continue to perform well in both volume and value. The EU remains the principal market, with growth driven particularly by increased shipments to France and Belgium. A shrinking European flock has created a valuable export opportunity for the UK. Competition from the other major exporters, principally New Zealand and Australia, is currently muted despite improved market access under free trade agreements. Drought in Australia and the continuing decline of the New Zealand flock, driven by land-use change towards dairy and forestry, have constrained supply.

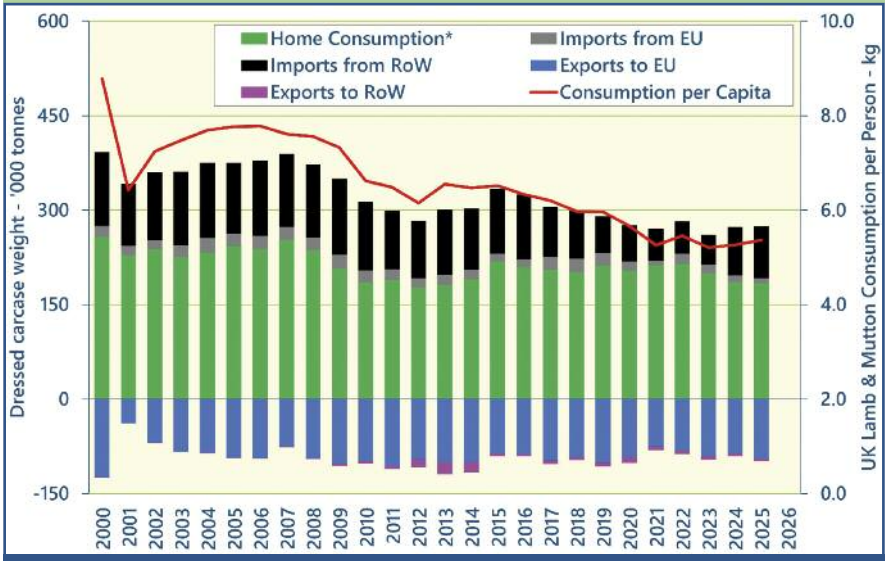
Domestic consumer budgets are likely to remain under pressure in 2027, whilst lamb has become an increasingly expensive meat. Retail and food-service volumes therefore look set to be lower in the year ahead, increasing the importance of export markets in supporting prices.

Market fundamentals point to prices remaining well supported in 2027. For forward planning purposes, for the 2027 lamb crops sold in the June to December period we have been budgeting prices of 320-330p per kg liveweight, 690-700p per kg deadweight, and hoping this may prove conservative. Cull ewe prices are expected to remain strong in the year ahead, supported by ethnic-market demand, which has so far proved very resilient to rising values.

> **“The smaller national flock will keep supply constrained going into 2027”**

Drought across many parts of the country in 2026 may have knock-on effects in 2027. The 2026 lamb crop may be slower to finish, with more lambs carried into the first quarter of 2027, potentially affecting early-season hogget prices. Conversely, spring 2027 lambing rates are likely to be reduced by the lack of grass in 2026 - an effect often seen after dry

Figure 12 Lamb Trade and Consumption - 2000 to 2025



Source: AHDB / Andersons



years - limiting supply later in the season.

Sheep producers may have seen margins peak in 2026. We will have to wait to see if prices reach the same highs in 2027 as they have in 2026. With feed, fertiliser, fuel, silage plastic, and contractor charges all set to rise in 2027 a further increase in prices will be required in 2027 to maintain margins.

From a whole-business perspective, support-scheme and agri-environment payments have always been an important part of the income mix for many sheep farmers. For English producers accessing the more limited funding available through the Sustainable Farming Incentive has become unpredictable, increasingly difficult, and looks to have a limited life span, with the scheme currently schedule to be phased out by 2030. In the devolved nations, where legacy schemes continue to operate to varying degrees, inflation has dramatically eroded their value.

However, on a more positive note for the sector, climate change, sustainability concerns and pressure on combinable crop margins, in particular where yield potential is limited, may see more land returned to grass. This has already created some opportunities for the expansion of existing sheep enterprises and in some cases the establishment of new ones.

Agronomically the benefits of a mixed farming system, with livestock and grass leys has always been there but it has not always aligned with the economics. Perhaps we are at a point of change.

Price prospects remain positive for the year ahead, and perhaps so does the opportunity for modest expansion in some circumstances, however producers will need a clear understanding of their technical and financial performance to make the most of these opportunities. How many sheep farmers could produce five-year average data showing;

- Lambs reared per ewe put to the tup
- Kilograms of lamb sold per ewe put to the tup
- Lamb mortality
- Ewe replacement rate
- Gross and net margins per ewe?





Pigs

EDWARD METCALFE
AND HARRY BATT

The pig sector has been under pressure since the end of August 2025, with GB prices at the beginning of 2026 at a three-year low. This has put many independent producers in a very difficult financial position, with the sector facing another period of high losses.

The disparity is widening between contracted producers, most of whom are on a cost of production type model and the independent producer.

The National Pig Association (NPA) has noted that the domestic sow herd has roughly halved since the 1990s. The trend in the breeding pig herd over the last five years has shown a decline of 86,000, or 23.5%. Figure 13 shows the UK pork self-sufficiency against UK total pig numbers over the last 40 years.

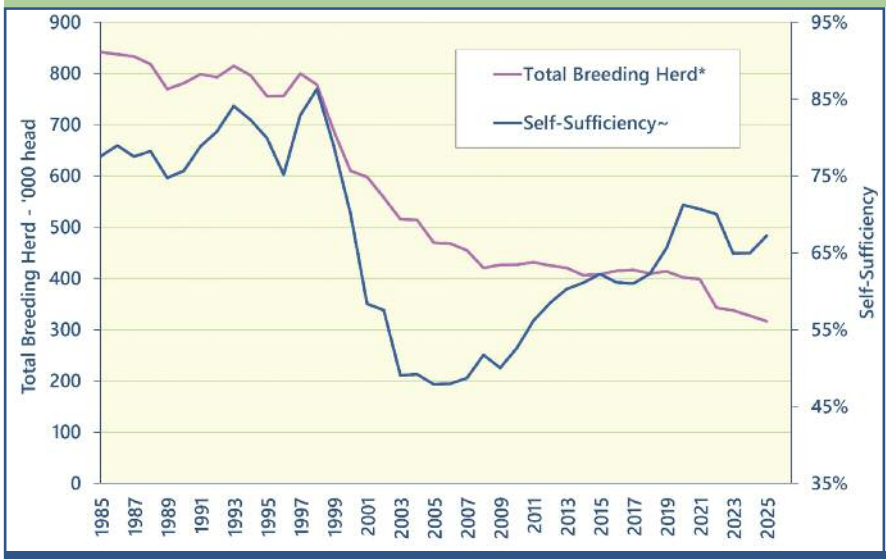
During this period consumption has increased by 1% in the UK. With demand relatively static, the most significant change has been in consumer buying habits. In a world where there is an increasing gap between the rich and the poor, the cost of pork relative to red meats should prove attractive. It is widely recognised that pork can offer greater versatility compared to red meats which is increasingly important in a world of convenience. A 2026 AHDB survey showed value-added pork products increased by 6.1%, year on year.

The reduction in the pig herd is likely to mean higher imports in the future, albeit at the time of writing they are down by 8% compared to the same time in 2025. Over 99% of imported pigmeat comes from the EU. The challenge on over-reliance on imports is the risk of disease and supply chain disruption, which can increase vulnerability to price increases, not to mention welfare issues.

Proposed changes to UK welfare and production standards, although welcomed by many, inevitably will lead to increases in costs of production at a time when they appear un-affordable. The prospect of further investment in new farrowing systems to improve sow freedom is too uncertain for most when margins are already challenging.

British pig farmers entered Autumn 2026 in a familiar position, with increasing cost of production and a falling Standard Pig Price (SPP); 180 pence per kg deadweight in September 2026, roughly 25ppkg below the same time last year, with some producers selling outside contracts have been paid as little as 130ppkg.

Figure 13 Herd Size & Pigmeat Self-Sufficiency - 1985 to 2025



*Sows and Gilts in Pig

Source: AHDB / Andersons

> **Many independent producers [are] in a very difficult financial position, with the sector facing another period of high losses**

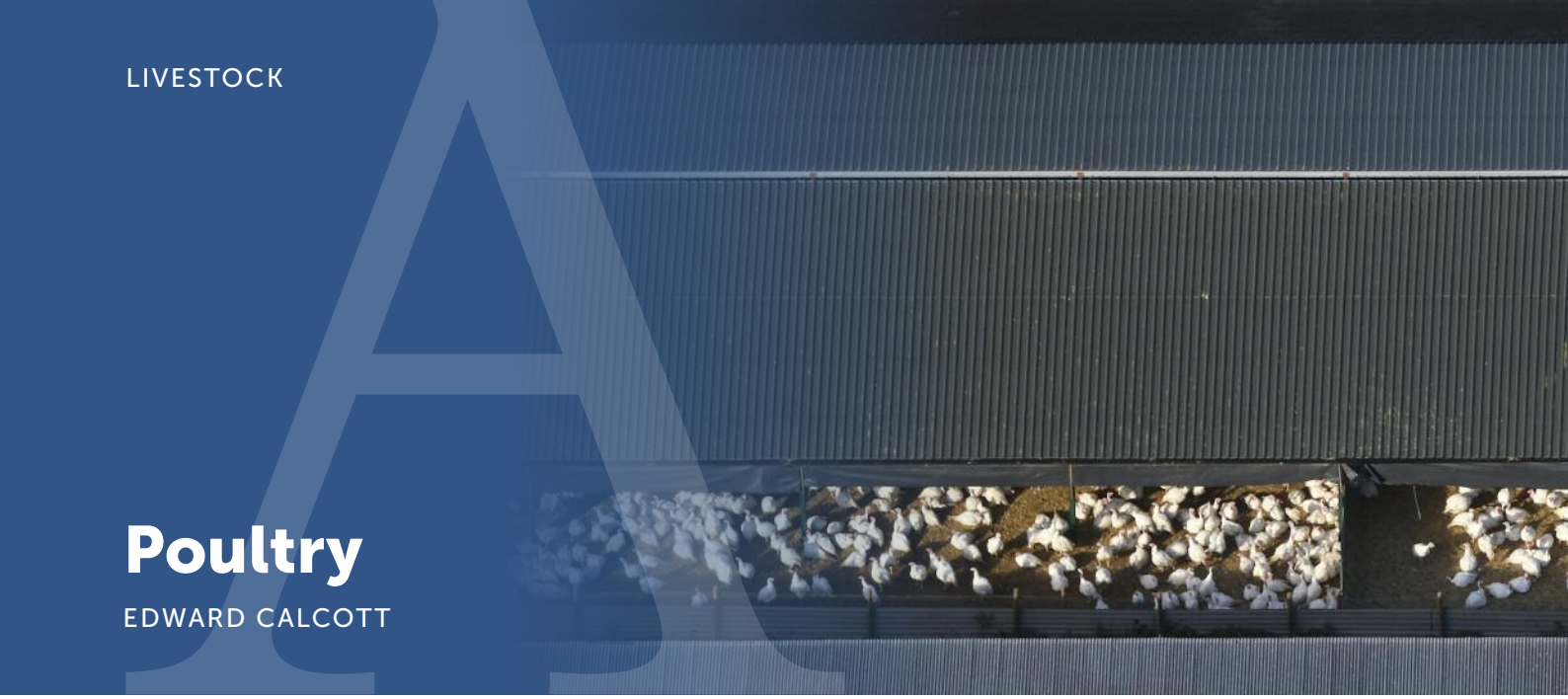
> **Consumer purchasing patterns demonstrate that demand for pork is changing rather than simply disappearing**

With costs increasing, AHDB estimates the full economic cost of production in Q2 2026 at 201ppkg deadweight; up 9p from the first quarter. Feed is the main contributor at 60% of the increase, with the other major increases being labour (1ppkg) and finance (3ppkg). Feed prices may rise further due to higher cereal costs. Overhead costs always have a tendency to rise. This highlights the importance of cost of production trackers.

Overall, the UK pig sector is facing a combination of significant economic and structural pressures, with producers being squeezed between falling market prices and rising costs of production. The decline in the domestic breeding herd demonstrates that these pressures are not new, but the scale of the current losses highlights the increasing difficulty for independent producers to remain profitable and creates increasing concerns about the long-term sustainability of the sector.

Consumer purchasing patterns demonstrate that demand for pork is changing rather than simply declining. This provides opportunities for the industry to adapt its product offering to changing consumer preferences. It highlights that there will always be a market for pork in the UK but it is more a question of who will supply this market the cheapest product, the high welfare product, the high-quality product, or a combination of all of the above. Where does domestic pork fit in the supply chain of the future?





Poultry

EDWARD CALCOTT

Strong demand in the UK for poultry products does not guarantee a strong UK poultry business.

The British Poultry Council's 2025 Annual Report sets out what it calls the minimum operating conditions for a secure, productive and resilient poultry meat sector, and it names three pressure points: place, people and progress. Place refers to the infrastructure for poultry production - notably Planning issues around new sheds. People highlights the availability of well-trained staff. Progress, relates to developments in trade in poultry products.

> **Strong demand in the UK for poultry products does not guarantee a strong UK poultry business**

Imports are the risk most producers feel they can do very little about. The NFU reports that in the first ten months of 2025, the UK imported 11,901 tonnes of Ukrainian shell eggs and products and 43,409 tonnes of poultry meat, with egg imports from Ukraine only starting in September 2024. The Government has since extended the UK-Ukraine trade agreement for a further two years without quotas on eggs. In the BFREPA's latest Confidence Survey, producers rated imports as their most significant concern, followed by regulation. These cannot be controlled or changed from the farm gate and should serve as a reminder of the risk of a business with few outlets and a high risk of price sensitivity.

The proposed SPS agreement with the EU should open up more opportunities for export as barriers to trade are reduced.

The NFU's poultry house survey found that the average UK broiler house is more than 30 years old, and that only 17.4% of poultry houses have had a major refurbishment. Older sheds lose heat, use more energy and can be harder to clean/work in for contractors. However, with the right people, they can still be run well.

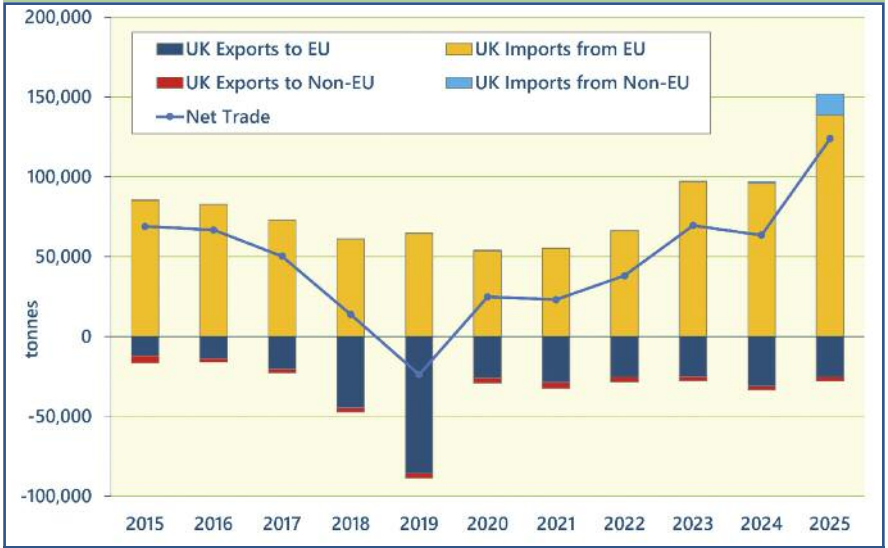
> **Reinvestment and refurbishment can often be overlooked**

Walk your farm and inspect all areas of it; compile an ongoing refurbishment program and act upon it. Reinvestment and refurbishment can often be overlooked. Little and often may be a better approach than delaying and having a more significant breakdown.





Figure 14 Poultry Trade



Source: NFU

> **"Benchmarking is a useful exercise to see where your business stands. Remember it is a two-way exercise, and you will only get out of the process what you put into it"**

Continue to ensure you know your numbers. Most farmers can say what they were paid - p/dozen, or p/kg. Fewer can say what a kilo of meat or a dozen eggs costs to produce, split between the different cost categories of feed, energy, labour, depreciation and finance. Knowing your costs, as well as your income, allows you to calculate your margin to determine the viability of the enterprise; and what the minimum breakeven price will be. Stress test your income and your costs – what has the biggest influence and what can you do to control it? Compare yourself with others, benchmarking is a useful exercise to see where your business stands. Remember it is a two-way exercise, and you will only get out of the process what you put into it.

It is highly likely that Avian Influenza will continue to reappear in the UK, with the associated mandatory housing orders. Free-range producers should think through what a long housing period does to marketing, bird welfare and cash flow. Review your biosecurity, understand what your insurance and compensation arrangements cover, and keep some financial contingency should it ever be required.

The people aspect of a poultry farming businesses can be neglected. A good stockperson influences performance results more than the age or condition of the shed and infrastructure. Take some advice on good people management and share the rewards where appropriate. Spend some time considering succession. Who will be running the business in ten years time? Succession is a business decision as much as a family one.

The UK poultry sector is a relatively small community, with contacts who are willing to assist where appropriate. Do not be afraid to reach out if you are unsure or require a second opinion. A fresh pair of eyes might well help in considering future issues and how to address them.



Combinable Cropping

JOE SCARRATT AND
SEBASTIAN GRAFF-BAKER

The financial playbook for UK combinable cropping is undergoing a structural shift. For several decades, arable businesses have operated with a safety net, but this has been changing since we chose to leave the EU. Support payments, which once quietly smoothed over structural inefficiencies and high overheads, are reducing, in some cases significantly.

Looking towards 2027 and the end of the decade, the threats to arable economics are not just global market volatility but also the widening performance gap between the top quartile of businesses and the rest of the industry; this is exacerbated for some by the availability of working capital.

Andersons model arable business, Loam Farm, presents a stark picture of the sector's operational reality. Total Overhead costs (Labour/Power and Machinery/Administration/Property) have relentlessly climbed, rising from just over £500 per hectare in 2021 to an estimated £750 per hectare for Harvest 2027, with increases in Power and Machinery costs the most significant.

The danger of ignoring this Overhead creep is clearly demonstrated by benchmarking data which reveals significant differences in growers' spending on Overhead costs,

- The Average Operator: Overheads may consume up to 70-75% of total output, leading to low pre-rent and finance surpluses and in some cases deficits. This is before the cost of working capital and rent or rent equivalent is accounted for.
- The Top 25%: the best performers have been able to maintain Overheads nearer 40% of output, achieving pre-rent and finance surpluses of 25%-30% of output.

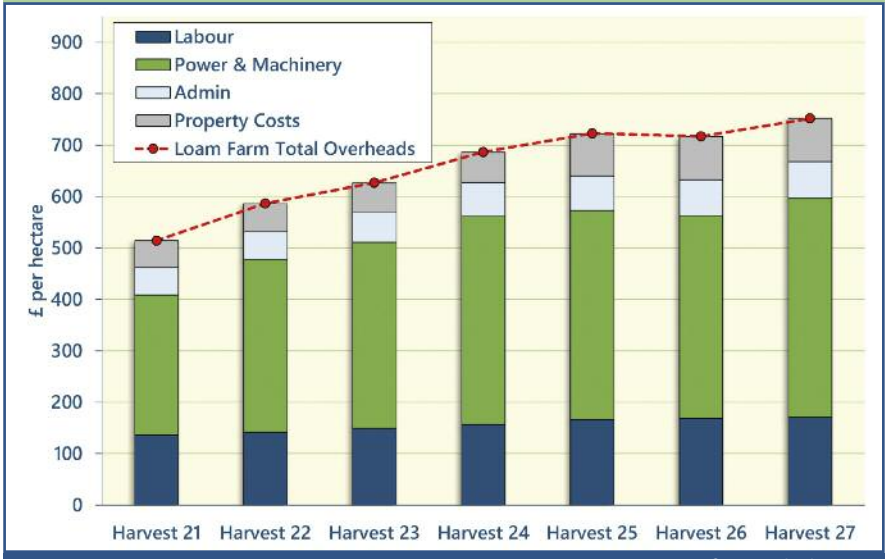
The top-quartile businesses are not achieving these results through price premiums or magic agronomy. They succeed through ruthless attention to detail and business discipline. Where proprietors are materially engaged



> "Support payments, which once quietly smoothed over structural inefficiencies and high overheads, are reducing, in some cases significantly"

Amy Barnacle

Figure 15 Loam Farm* Overheads - 2021 to 2027



Source: Andersons

** Loam Farm is Andersons model business in the combinable crop sector. It has been used since 1991 to track the fortunes of British arable farms. It is based on real-life data. It has 600 hectares growing wheat, oats, beans and barley. It is partly owned and partly rented, has a working proprietor plus one full time member of staff and harvest casual. The farm has a SFI agreement (2024 version).*

"Top-quartile businesses are not achieving these results through price premiums or magic agronomy. They succeed through ruthless attention to detail and business discipline"

with both decision making and operations on the ground, businesses are often able to achieve profits, even in the most challenging seasons.

Adding to the current circumstances is a shift in policy and farm support payments. Many businesses aggressively utilised early Sustainable Farming Incentive (SFI) options to deal with the risks associated with break crops on poor soils in difficult seasons. Loam Farm claimed an average of £122 per hectare in SFI income during 2025 and 2026. However, these early agreements are now approaching an end.

As these options expire, many businesses may need to return to more cash cropping. This will come with an immediate and substantial increase in working capital requirements for seed, fertiliser, and fuel. Paradoxically, the cash windfall created in the past when businesses adopted large areas of SFI instead of continuing with cash cropping may have been overlooked, particularly where the relationship between profit and cash was unclear to those operating the business.

The current £100,000 SFI payment limit per business will already be forcing larger businesses to rethink their approach to break crops, poor soils, and the less productive parts of the farm. With policy makers implying that there might be a change of this limit to, say, £50,000, relying on public goods payments to subsidise an inefficient farming arrangement is a risky long-term strategy. To navigate this prospect, businesses may need to consider:

- Planning machinery capacity based on the performance of soils rather than on worst-case weather scenarios.
- Move beyond 'insurance' agronomy. Trying to avoid reliance on a passive, prescription-based approach. The top quartile performing businesses apply technical expertise in soil management and crop production, targeting inputs strictly where yield capacity justifies it, rather than treating fields with blanket uniformity.
- Challenging land costs. With Loam Farm's production margin historically sitting in negative territory without support, land providers may need to accept lower rents.
- Restructure the risk in joint ventures. Traditional contracting arrangements often leave the operator carrying excessive operational risk for minimal returns. Future joint ventures will need to evolve if operators are to reinvest.

The era of using support payments to subsidise mediocre performance and / or pay unviable rent or rent equivalents is coming under increasing pressure. The coming years will expose businesses that lack precision in their approach. Profits will still be achievable for those that not only recognise the potential contribution from good decision making and healthy soils but are also willing and able to invest in both and, most importantly, in people.



Sugar Beet and Potatoes

NICK BLAKE AND JAMIE MAYHEW

Sugar Beet

As expected, following an extraordinarily hot, and dry, growing season, early harvest reports are leaving growers with disappointing yields, albeit with high sugar content. These will not generate a positive net margin, like many other crops that have been affected by the weather. For some, the only positive from this season is that, at the time of writing, the land is being left in a suitable condition to be able to establish a following winter crop.

After protracted negotiations between British Sugar and NFU Sugar, the pricing structure for the 2027/28 campaign was finally agreed in October. It was expected that there would be a further price reduction following the decline in the European white sugar price, due to an oversupplied market, and profitability of alternative break crops. The headlines for the 2027/28 season are:

1. A one-year fixed price contract at £28.50 per tonne, for up to 50% of the contract,
2. A one-year contract with a guaranteed base price of £25.50 per tonne plus a Market-linked Bonus for up to 100% of the contract,
3. An Index-linked contract, for up to 50% of the contract,
4. Yield Protection at a £0.90 per tonne reduction on the fixed and Market-linked bonus contract prices
5. Transport Allowance paid up to 60 miles for all factories (ex-Cantley growers up to 75 miles)
6. An interest-free Cash Advance option, a Late Delivery Allowance, and complimentary Frost Insurance, unchanged from last year.

Assuming most growers would choose to maximise the fixed higher price at £28.50 per tonne, the blended price for the 2027/28 season will be £27.00 per tonne. Figure 16 summarises the decline.

Figure 16 Beet Prices – 2024/25 to 2027/28

Campaign Year	Price	% Change Compared to 2023/24
2024/25	40.00	0%
2025/26	32.31	-19%
2026/27	28.25	-29%
2027/28	27.00	-32.5%

The significant drop in output price, coupled with an increase in cost of production (circa 10% over the same period), will put further pressure on the profitability of the crop. This assumes consistent yields, but the last two seasons have been testing for many in this regard.

Whilst there have been theories justifying the potential closure of various factories for many years, the announcement of the proposed shutting of the Cantley factory has been a shock, especially for those who supply it. As noted above, these growers have been offered a further 15 miles of transport allowance, for the 2027/28 campaign, to deliver to Bury St Edmunds, or Wissington, but there is no certainty beyond the

> "The shutting of the Cantley factory has been a shock, especially for those who supply it"



upcoming season. It must be expected that simple production economics will determine if the former Cantley growers can justify supplying factories further afield.

For some growers, particularly on lighter soils who struggle to consistently achieve profitable yields, the new price may be enough to trigger ceasing growing sugar beet. It therefore is likely that there will be a further reduction to sugar beet planting for the 2027/28 season. Options include growing more pulses, which require less working capital, or oilseed rape following the success of the 2026 crop.

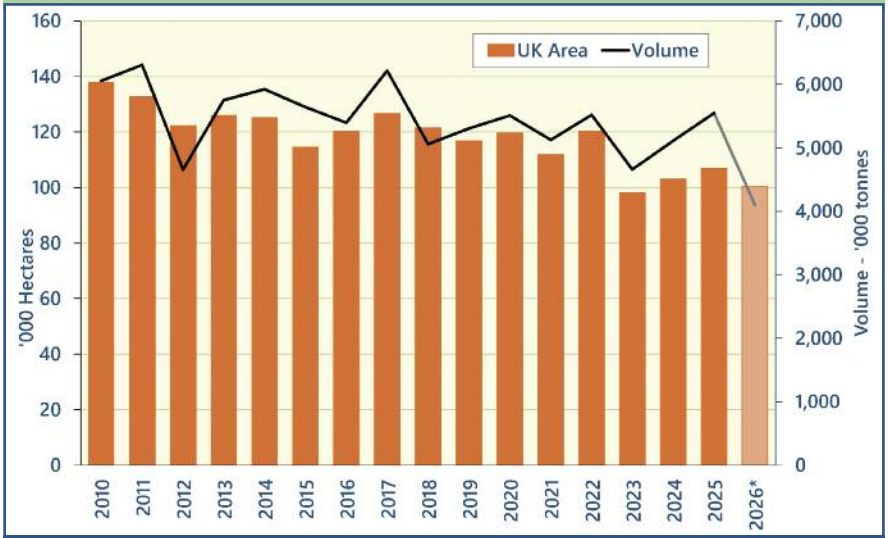
Potatoes

Two consecutive seasons could hardly have provided a starker contrast. The large 2025 crop across Northern Europe left the market saturated well into the spring. By February 2026 the best free-buy Maris Piper was quoted at around £180 per tonne, less than half the level of twelve months earlier. On the Continent and in the UK, surplus stocks were cleared for little more than £15 per tonne or simply given away for stockfeed and anaerobic digestion. For many growers, their contract was the only thing standing between them and a significant loss.

That surplus set the tone for the 2026 contract round with volumes trimmed. Growers in Europe responded as we have long argued they should: the ware area across Belgium, the Netherlands, France and Germany fell by somewhere between 11% and 14%. The change in UK area is much more difficult to estimate, but anecdotal evidence suggested a 2026 Harvest planted area at a little over 100,000 hectares.

The weather then intervened. Summer 2026 was provisionally the hottest on record in the UK, England had its driest July on record, and drought had been declared across half of England by the end of that month. In several places, the calendar year rainfall to date has been close to long term averages, it just arrived at the 'wrong time'. Irrigated crops were pushed hard through bulking, at considerable cost in energy, fuel and labour, whilst rain-fed crops suffered badly. 2026 contract prices will not reflect this additional cost, nor the significant increase in fuel since the spring. In Outlook 2025 we noted how rare a crop of under 5 million tonnes had historically been; perhaps this is now closer to the norm than the exception.

Figure 17 UK Potato Area and Volume - 2010 to 2026



Source: Defra / Andersons

Free-buy prices have responded, with September trade reported at around £360-380 per tonne. However, the benefit is unevenly shared. Contracted growers struggling to meet tonnage, size or dry matter specifications may face deductions, or find themselves buying-in to fulfil commitments. Heat-stressed crops are unlikely to store well, and the full extent of quality problems will only become apparent as stores are opened. February 2027 onwards is likely to be make or break for a number of growers.

Water remains the overriding theme. Last year we highlighted the need for winter storage and the approaching licence review. In early October 2026 the Environment Agency put reservoir storage in England at 54% of capacity, with some farm reservoirs reported at 20% or less. As with last year, temporary regulatory relaxations now allows certain licence holders to abstract outside their normal periods to fill storage, and the Government has indicated further grant funding for reservoirs will be made available in late 2026. The same advice remains; growers should review licences, storage and the irrigated area they can realistically support in a dry year, and budget on that basis.

Looking ahead to 2027, there is little expectation that a short crop will trigger a rush back into planting, nor should it. Historically, the published data has demonstrated that the usual reaction to a high-price year is detrimental to all growers. Negotiations for the 2027 crop must properly reflect the true cost of production, including irrigation, energy and the cost of capital, as well as the climate risk growers now carry. Growers should also reconsider their own balance between contract and free-buy, recognising that the last two seasons have rewarded each in turn. Those with secure water, a clear understanding of their costs, and a fair relationship with their buyer remain best placed.

> **"In Outlook 2025 we noted how rare a crop of under 5 million tonnes had historically been; perhaps this is now closer to the norm than the exception"**



Horticulture

JOHN PELHAM

With the consequences of the summer drought uppermost in peoples' minds, the no less significant events of spring 2026 could be overlooked – the commencement of hostilities between the United States and Iran in March, severe frosts in April/May and, for those in affected areas, damaging hailstorms. For some horticultural businesses these events will have as much, if not a greater effect, on their 2026 profits than the un-relenting heat that followed.

The drought and heat have had their greatest effect on field-grown horticultural crops. Brassicas have been badly affected, with both delayed crop growth and the loss of young plants, particularly from later plantings. Onion yields in East Anglia, where 90% of the UK crop is grown, are forecast to be significantly down, with only 2 millimetres of rainfall in the key growing month of July (96% below average). With heat stress comes the risk of Base Rot (Fusarium), with quality of the 2026 crop likely to be an issue. Carrot yields are forecast to be 15-30% below normal with increased costs for seed, labour, fuel and irrigation.

Whilst covered crops typically have a secure water supply through trickle irrigation, the extreme temperatures in structures like polytunnels have created challenges for both pollination and harvesting, with some resorting to an early morning/evening routine to pick crops.

All horticultural enterprises have been affected, either through loss of yield, poorer crop quality or increases in costs of production as a result of the four defining events of the 2026 growing season – the 'Middle East' issue, frost, hail and drought.

With exceptional hot weather in both 2025 and 2026, water availability is once again at the forefront of farmer concerns.

For context, the UK consumer drinks some 2.5 billion litres of bottled water annually but consumes almost three times as much water per year from eating carrots. The figures below identify the volume of water sold but provide no indication of the amount of water required to grow the crop.

With differing weather conditions, soil types and crop yields there can be considerable variation in water requirement and supply, not only between crops but within a single crop type. Further variations arise from the use of artificial growing media (e.g. coir) for some crops.

Figure 18 UK Vegetable Consumption - 2024

Crop	Typical % Water (Median)	Annual UK Production- Tonnes '000	Water Sold per Year Tonnes '000
Carrots	93	785	730
Onions	89	272	242
Apples	85	260	221
Strawberries	91	100	91

Source: Andersons

This is particularly so for the UK horticulturalist, the majority of whose sales are between 85-95% water, as Figure 18 illustrates.

> **"Water availability is once again at the forefront of farmer concerns"**

The amounts in Figure 19 must therefore be treated as illustrative but give an indication of just how significant the total water requirement may be:

Figure 19 Horticulture Water Requirements

Crop	Tonnes Water Required per Tonne of Crop Grown*
Carrots	130-150
Onions	100-120
Apples	90-110
Strawberries	140-180

** Illustrative* *Source: Andersons*



> **The developing trend of wet winters and dry summers identifies just how important winter storage of water will be to UK horticulture in the future**

This water requirement may be met by either natural (i.e. rainfall) or artificial (i.e. irrigation) supply or a combination of the two. With the unusually hot conditions of the last two years not only has the natural supply declined but the requirement has increased, as a result of higher evaporation and crop transpiration. Attention has inevitably shifted to the alternative of irrigation.

Irrigation is likely to further increase the total water requirement, depending on the efficiency of application. Drip irrigation, used in glasshouses, polytunnels and a number of field applications, is typically the most efficient, with 90-95% of water applied being available to the crop. For less efficient methods, like overhead sprinklers, this can decline to 70-80% due to evaporation and runoff.

It is easy to forget that in a season dominated by drought, the preceding winter was unusually wet, with December-February rainfall in England being 42% above the seasonal average. The developing trend of wet winters and dry summers identifies just how important winter storage of water will be to UK horticulture in the future. If the UK grower of horticultural crops principally sells water, then that basic resource needs to be harvested first.

Let us hope that the new Prime Minister's pledges ease the regulatory burden and provide, with the demise of Producer Organisation funding, adequate financial support to encourage UK growers to address this fundamental issue.



Amy Barnacle



Scotland

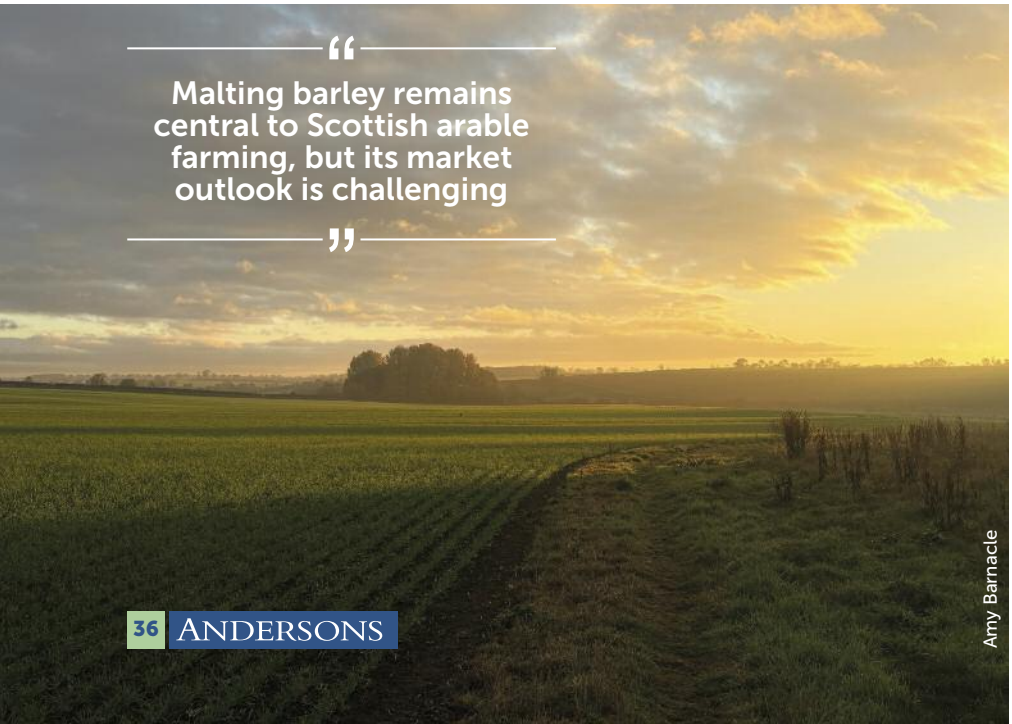
BEN KELLAGHER

A marked difference is emerging between farming north and south of the border. Although weather patterns continue to be unpredictable, farmers in Scotland can be thankful they are not facing the same climatic challenges being experienced elsewhere in the UK.

The dry spring and summer brought an early start to harvest in many areas. Yields often exceeded expectations, although results were mixed and depended heavily on soil type and local rainfall. Forage supplies have also varied. Good silage crops in some areas contrast with grass shortages and supplementary feeding elsewhere.

Malting barley remains central to Scottish arable farming, but its market outlook is challenging. The industry has moved rapidly from strong demand to surplus availability, putting pressure on both prices and premiums. Reduced demand from the brewing and distilling sectors means growers should be cautious about assuming a swift recovery. Scotland's spring barley area in 2026 was 17% below the five-year average. With favourable autumn establishment conditions encouraging winter cropping, a further shift away from spring crops would be unsurprising in 2027.

The outlook for our livestock sector is more encouraging. Strong market returns have supported confidence and investment, with breeding sales again attracting exceptional prices. Scotland's cattle population increased in 2026 for the first time since 2021, but sheep numbers fell by 0.5% to 6.5 million. This suggests that improved returns have yet to translate into expansion across the sector.



> "Malting barley remains central to Scottish arable farming, but its market outlook is challenging"

Amy Barnacle

Following the detection of Bluetongue, the whole of Scotland became a Restricted Zone. Disease risk and the implications for livestock movements add uncertainty to an otherwise positive trading outlook.

Whilst grass yields have been much greater than in England, with good forage stocks for many, the dairy sector has remained depressed. Milk prices have remained stubbornly low for non-aligned farmers, although they have risen slightly since the doldrums of May. The sector continues to contract with many producers being given notice this year by both Muller and OMSCo. With no recruitment by any other processors, it remains a tricky time to be a dairy farmer in Scotland, if you are not on a supermarket contract.

Land values remain historically strong, particularly for high-quality arable land in the east of the country, but overall, there have been fewer transactions, greater buyer caution, and weaker demand for forestry and carbon/natural capital. In the future, could we see a strengthening of land prices with the movement of producers from the south to the north, to farm in a part of the UK which is deemed to be more climatically resilient?

On agricultural policy, the Scottish Government's commitment to continued direct support provides welcome reassurance. Its Rural Support Plan sets out continuity to 2030 and beyond through the four-tier framework; offering a more stable basis for planning than the reductions

in direct payments experienced in England. That commitment should not, however, be confused with a guarantee that individual payment rates will remain unchanged. Figure 20 shows the different payments our 'Uplands Farm' model business would receive if it was located in each of the four parts of the UK.

expenditure. The experience of 2026 underlines the importance of administration. Outstanding FFIS verification delayed some Basic Payment Scheme payments, affecting businesses that had yet to submit evidence. Good record keeping and timely submissions are all essential to protect cashflow.

Figure 20 Diverging GB Support Payments* - 23/24 to 26/27

£ per Ha		23/24	24/25	25/26	26/27
ENGLAND	BPS	110	83	24	2
	CS	78	78	-	-
	SFI	-	-	104	104
	England Total	**188**	**161**	**128**	**106**
SCOTLAND	BPS	164	164	164	164
	SSBSS and SUSS	28	29	29	29
	LFASS	37	37	37	37
	Scotland Total	**229**	**230**	**230**	**230**
WALES	BPS	142	141	141	-
	SFS	-	-	- 1	58
	Glastir/Habitat Scheme	78	46	46	-
	Wales Total	**220**	**187**	**187**	**158**
N. IRELAND	BPS	296	269	-	-
	FSTP	-	-	252	-
	FSP	-	-	-	247
	EFS-H	17	17	17	17
	NI Total	**313**	**286**	**269**	**264**

** based on the calculated payments received by Andersons' 'Uplands Farm' model business in each of the regions of the UK.* *Source: Andersons*

Further changes to Greening are to be implemented in 2027. For businesses subject to Ecological Focus Area requirements, the proportion increases from 5% to 7%, alongside a tightening of establishment deadlines for options including fallow and margins. Early planning will be essential to integrate these requirements into cropping decisions.

The Agri-Environment Climate Scheme (AECS) continues to offer a structured application process, with defined windows and scoring criteria. This provides an opportunity for businesses to secure support, although even a sound application does not always guarantee funding.

Another round of the Future Farming Investment Scheme (FFIS) is also welcome. Following strong demand and disappointment among unsuccessful applicants under the previous round, revised arrangements aim to distribute support more widely. Applicants must understand the investment deadlines and evidence requirements before committing to

We appear to have a Scottish Government which supports farming and the wider rural economy but in September a consultation was launched on the introduction of price caps on essential food items sold by large supermarket chains. The proposed price cap would include items such as bread, milk and eggs. The precise list is still to be decided but it is thought a list of between 20 to 50 items are under consideration. The farming sector is rightly concerned that any pressure on prices will be passed down the supply chain to primary producers. For farmers already operating on tight margins, further reductions in the prices they receive could place significant additional pressure on their businesses, threatening their financial viability and potentially undermining the long-term resilience of Scotland's domestic food production.

> **"The farming sector is rightly concerned that any pressure on prices will be passed down the supply chain to primary producers"**



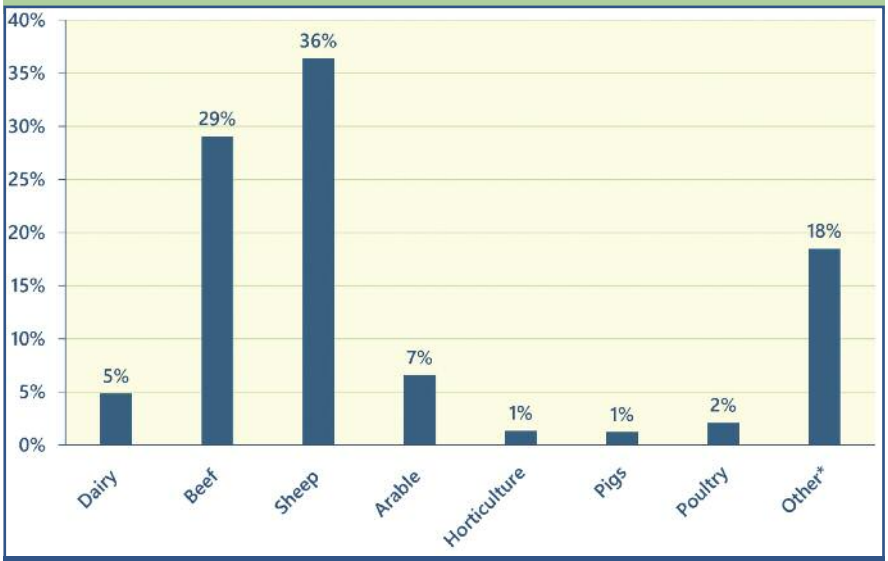
Wales

KERRY JERMAN AND
CERYS FAIRCLOUGH

After much anticipation, the transition from the Basic Payment Scheme (BPS) to the new Sustainable Farming Scheme (SFS) is now underway. The introduction of the scheme has been notably coupled with a change of Government, as Plaid Cymru settles in at the Senedd.

There was much speculation around the popularity of SFS among farmers and what the uptake would be in the first year. Official figures have highlighted a clear divide, as just over half of farmers entered the SFS in 2026. For many businesses, retention of 60% of BPS remained substantial enough to incentivise the delay of transitioning. However, there was also a clear sector and, to a lesser extent, geographical divergence in uptake. Less than 5% of SFS claims came from the dairy sector, with the majority of claimants in the beef and sheep sectors. This fits with the historical trend of less profitable sectors having a greater reliance on Government support to be able to generate profit.

Figure 21 Participation in SFS by Sector - 2026



** other includes Beekeeping, Camelids, Deer, Grass/Forage, Woodland and other unspecified farm types.*

Source: Welsh Government

> **Further adjustments to the Universal Layer seem likely for the 2027 window, to encourage uptake from more businesses**

The SFS is not without its shortcomings, and Plaid Cymru have had to respond promptly to maintain popularity. The announcement of the three-year budget, previously unconfirmed by Welsh Labour, has increased stability for farmers in the scheme. The decision to increase the first October 2026 payment from 70% to 80% of the total BPS or SFS has also been welcomed. However, there are changes within the Scheme rules already (for example, to simplify the Animal Health and Welfare Universal Action) which has caused frustration among those farmers who were proactive in completing Universal Actions early. Further adjustments to the Universal Layer seem likely for the 2027 window, to encourage uptake from more businesses.

There have been challenges surrounding the prevention and management of Bluetongue virus in Wales, as with other nations. At the time of writing, cases continue to rise and the previous 'laissez-faire' attitude to vaccination has now been replaced with a sense of urgency. Additional BVD legislation also came into force from 1st July 2026, requiring all 'not negative' herds to have a negative



> **The previous 'laissez-faire' attitude to [Bluetongue] vaccination has now been replaced with a sense of urgency**

pre-movement test on all cattle being moved off farm.

The weather has also become a significant concern, with drought status extending across the whole of Wales, with the Principality experiencing the hottest July since records began. Recent spells of rain have eased concerns slightly, but water shortage problems still persist. Additional funding for boreholes and rainwater harvesting is already available through the Optional Layer of the SFS and it is likely that the uptake of this funding will increase going forward, as businesses look to strengthen their resilience against drought in future years. Unions and farmers also welcomed the new Welsh Government's pragmatic decision to temporarily extend the open periods for spreading slurry on soils other than sandy or shallow land until 15th November 2026, to reduce slurry storage capacity for those businesses forced to house cattle early due to the drought conditions.

As we look forward to 2027, the SFS will continue to be the main focal point in the Welsh Farming Sector. SFS Universal Layer uptake will continue to increase, with the decrease of BPS to 40% of 2025 payments likely to be the main reason for transition for many businesses. However, the additional requirements set out within the Scheme still do not appeal to the more intensive, and arguably more productive, sectors.

The ability to balance habitat creation/maintenance with food production will remain a fundamental challenge for the Welsh Government in the years ahead.





Northern Ireland

JACK NIXON

Northern Ireland (NI) is an often-overlooked corner of the United Kingdom, yet its agricultural industry plays a significant role in the wider UK food system. Agriculture occupies around three-quarters of the province's land area and the industry remains overwhelmingly livestock-focused, with cattle present on 77% of holdings. In 2025, almost 26,000 farm businesses managed just over 1 million hectares of land, equivalent to an average farm size of around 40 hectares - less than half the UK average. However, despite this and with NI accounting for less than 3% of the UK population, it produces around 17% of UK milk output.

The industry's key challenge is not one of production, but of competitiveness. Northern Ireland's domestic market is small, with 78% of food and drink sales being sold into Great Britain (GB), the Republic of Ireland and wider international markets. Success therefore depends on farm businesses' ability to compete in global markets whilst also absorbing the additional costs associated with NI's relatively disconnected nature (primarily energy and shipping).

Against this backdrop, a key question is whether current Stormont policy is sufficiently focused on improving the commerciality of NI's farms. The Sustainable Agriculture Programme represents the largest step in the evolution of agricultural support in Northern Ireland in decades, yet income support remains a central focus, with a tentatively emerging environmental component. Whilst these are important objectives, a region whose agricultural sector depends so heavily on external markets also needs policies that drive productivity, encourage business resilience and support long-term commercial profitability. Environmental and economic objectives should - and can - be complementary but only where schemes are practical and encourage genuinely sustainable development of farm businesses. With funding constrained (and no agreed Department budget at the time of writing), Ministers must listen to practical concerns whilst remaining bold enough to deliver effective change and value for the taxpayer.

Given Northern Ireland's predominantly dairy and beef-based farming sector, bovine tuberculosis (bTB) remains one of the biggest drags on competitiveness. Recent work undertaken by The Andersons Centre estimated that the indirect cost of bTB to Northern Ireland farmers exceeds £96 million annually, rising to around £156 million when public expenditure is included. In effect, bTB acts as a persistent tax on the productivity and profitability of the industry. Its overall costs equate to almost half of the NI agricultural support budget and about one-fifth of profitability during 2024.

Figure 22 Comparison of NI and UK Agriculture 2025

	NI	UK	NI % of UK
Population ('000)	1,928	69,500	3%
No. Farms	25,834	211,511	12%
Farmed Area ('000 ha)	1,032	16,821	6%
Arable Area (ha)	36,449	4,088,642	1%
Average Farm Size (ha)	39.96	79.53	50%
Proportion lettings <12mths ①	75%	6%	472%
Aggregate Stocking Rate (LU/ha)	1.38	0.56	247%
No. Dairy Cows	330,673	1,849,459	18%
No. Suckler Cows	213,744	1,289,723	17%
No. Breeding Ewes	864,522	14,779,632	6%
No. Breeding Sows	61,795	407,024	15%
No. Laying & Breeding Hens ('000)	11,779	53,935	22%
No. Broilers ('000)	13,609	120,959	11%
Profitability (TIFF) (£ million)	1,030	8,422	12%
Subsidies % Profitability	29.42%	39.41%	75%

① UK figure is England only due to data availability. *Source: Andersons*



> **Joint ventures such as contract farming agreements and other collaborative business structures could allow larger and more efficient operating businesses to emerge**

Yet bTB is also symptomatic of wider structural challenges. Fragmentation remains a defining characteristic of Northern Ireland agriculture. A farmer survey undertaken during the bTB study found that only 6% of dairy farms operate from a single block of land, whilst more than a third are spread across five or more separate parcels. At the same time, 77% of rented land is occupied through annual conacre agreements. This fragmentation and lack of security create significant challenges for investment, business planning and disease control, whilst increasing production costs for many livestock enterprises.

Historically, the response to competitive pressures has often been viewed through the lens of farm consolidation. However, Northern Ireland's deep culture around land ownership means that outright consolidation is unlikely to be the primary route forward, at very least the first step. Instead, there may be greater scope to separate ownership from operation. Joint ventures such as contract farming agreements and other collaborative business structures could allow larger and more efficient operating businesses to emerge whilst enabling land to remain in family ownership.

Such arrangements offer benefits on both sides. They provide opportunities for landowners, perhaps part-time farmers also juggling off-farm work, wishing to reduce their day-to-day involvement in farming, whilst creating more secure growth opportunities for ambitious operators than are typically available through annual conacre agreements. Crucially, larger operating businesses are often better able to justify investment in technology, infrastructure, and biosecurity in their own right - which is particularly relevant in the context of the bTB situation. The long-term solution is unlikely to come from Government intervention alone. Farmers must remain central to disease control efforts through stronger biosecurity, more informed cattle purchasing decisions and a greater focus on risk management. Larger and more commercially resilient businesses may be better placed to implement these practices.



NI already possesses many advantages over its GB counterparts: a reliable grass-growing climate (the longest recorded drought on the Island of Ireland lasted just 37 days), a developed processing sector and a unique position between the UK's internal market and unfettered access to the EU's Single Market. The question for the next decade is whether business and Government can work seriously and collaboratively to convert those advantages into sustained competitive performance. If they can, NI may be able to achieve meaningful progress to deliver an economically, socially and environmentally sustainable agricultural industry whilst respecting the land ownership culture that remains central to its agricultural identity.



AI in UK Farming

CLAUDE

It seems timely to consider what effect artificial intelligence (AI) might have on UK farming. To answer the question we asked an expert - an AI itself - in this case 'Claude' from Anthropic. Other AIs are available... The question we asked Claude was:

'What is the role of artificial intelligence in agriculture in the future? Write a 500 word essay which looks across the next 18 months, 5 years and 10 years'.

The resulting article is set out below. Thanks Claude.

What is the role of artificial intelligence in agriculture in the future?

Agriculture faces a difficult equation: feed a growing population with less land, less water, fewer workers and a more volatile climate. Artificial intelligence is increasingly central to solving it, though its impact will unfold in distinct phases.

> **"Over the short term... the most visible gains will come from tools that help farmers make better decisions with data they already collect"**

The Next 18 Months: Decision Support and Targeted Automation

Over the short term, AI's role will be largely practical and incremental. The most visible gains will come from tools that help farmers make better decisions with data they already collect. Satellite imagery, drone surveys, soil sensors and machinery telematics are feeding models that flag crop stress, pest outbreaks and nutrient deficiencies earlier than the human eye can.

Precision spraying is a clear example. Camera-guided systems already distinguish crops from weeds and apply herbicide only where needed, cutting chemical use substantially. Expect these systems to become cheaper and more widely adopted, alongside AI-driven yield forecasting and irrigation scheduling. Conversational assistants will also spread, giving farmers plain-language advice on agronomy, regulations and market prices. Adoption will remain uneven, held back by patchy rural connectivity, upfront costs and justified scepticism about whether the technology pays back.

Five Years: Autonomy and Integration

By around 2031, AI should shift from advising to acting. Autonomous tractors, robotic weeders and fruit-picking machines will move beyond pilot projects into routine commercial use, particularly in high-value horticulture where labour shortages are most acute. Computer vision will let robots judge ripeness and handle delicate produce.

Data will also become more connected. Rather than isolated apps, farms will run integrated platforms linking weather forecasts, soil health, machinery, livestock monitoring and supply chain demand. In livestock farming, AI will monitor animal behaviour, detect illness early and optimise feeding, improving welfare as well as productivity. AI-assisted breeding and crop genetics will speed up the development of varieties resistant to drought, heat and disease. Meanwhile, questions of data ownership, interoperability between manufacturers and cybersecurity will become pressing, as farmers worry about being locked into proprietary ecosystems.



> AI will not replace farmers, but it will change what farming demands of them: less manual repetition, more data literacy and strategic judgement

Ten Years: Adaptive, Resilient Food Systems

By 2036, AI could underpin a fundamentally different model of farming. Fleets of small, coordinated robots may replace some heavy machinery, working fields continuously, reducing soil compaction and treating individual plants rather than whole fields. Farms could operate as adaptive systems, with AI continuously adjusting inputs, planting strategies and harvest timing in response to real-time conditions.

At a wider level, AI will help manage climate risk, forecasting yield shocks, optimising supply chains to reduce food waste and supporting regenerative practices by measuring soil carbon and biodiversity. Vertical farms and controlled-environment agriculture, heavily AI-managed, may supply a meaningful share of leafy greens and some other crops near cities.

> By around 2031, AI should shift from advising to acting

The Challenges That Remain

This future is not guaranteed to be equitable. Smallholder farmers, who produce much of the world's food, risk being left behind without affordable access, training and connectivity. Concerns over job displacement, algorithmic bias, energy use and corporate concentration of data will need thoughtful policy responses.

Conclusion

AI will not replace farmers, but it will change what farming demands of them: less manual repetition, more data literacy and strategic judgement. The near term brings smarter decisions, the medium term brings autonomous machines, and the long term offers resilient, adaptive food systems. Whether these benefits are widely shared will depend on the choices made now about access, ownership and trust.





Final Word

RICHARD KING - EDITOR

We didn't want artificial intelligence to have the final word in Outlook 2027! Despite its impressive (and rapidly improving) abilities, we still believe that human intelligence has a major role to play in the farming, and farm consultancy of the future. In areas such as originality, critical thinking, empathy and emotional intelligence, and seeing issues in their full context, a biological brain still has the edge. We hope to be around for a few years yet helping all our clients achieve their personal and business objectives.



THE CONSULTANTS OF THE ANDERSONS BUSINESSES

THE ANDERSONS CENTRE



Richard King
t: 01664 503200
m: 07977 191427
rking@theandersonscentre.co.uk



Graham Redman
t: 01664 503200
m: 07968 762390
gredman@theandersonscentre.co.uk



Joe Scarratt
t: 01664 503200
m: 07956 870263
jscarratt@theandersonscentre.co.uk



Michael Haverty
t: 01664 503200
m: 07900 907902
mhaverty@theandersonscentre.co.uk



Oliver Hall
t: 01664 503200
m: 07815 881094
ohall@theandersonscentre.co.uk



George Cook
t: 01664 503200
m: 07836 707360
gcook@theandersonscentre.co.uk



Caroline Ingamells
t: 01664 503200
m: 07495 281717
cingamells@theandersonscentre.co.uk



Kerry Jerman
t: 01664 503200
m: 07838 591799
kjerman@theandersonscentre.co.uk



Edward Calcott
t: 01664 503200
m: 07827317672
ecalcott@theandersonscentre.co.uk



Amelia Rome
t: 01664 503200
m: 07565 213933
arome@theandersonscentre.co.uk



James Webster-Rusk
t: 01664 503200
m: 07717 088409
jwebsterrusk@theandersonscentre.co.uk



Anna Bowen
t: 01664 503200
m: 07588 774901
abowen@theandersonscentre.co.uk



Alex Benbow
t: 01664 503200
m: 07875 174952
abenbow@theandersonscentre.co.uk



Cerys Fairclough
t: 01664 503200
m: 07775 942888
cfairclough@theandersonscentre.co.uk



Jake Nixon
t: 01664 503200
m: 07770 756370
jnixon@theandersonscentre.co.uk



Amy Barnacle
t: 01664 503200
m: 07827 928914
abarnacle@theandersonscentre.co.uk

ANDERSONS EASTERN



Jay Wootton
t: 01284 787830
m: 07860 743878
jwootton@andersons.co.uk



Nick Blake
t: 01284 787830
m: 07748 631645
nblake@andersons.co.uk



Jamie Mayhew
t: 01284 787830
m: 07540 686759
jmayhew@andersons.co.uk



Jorge Draycott
t: 01284 787830
m: 07780090437
jdraycott@andersons.co.uk



Tom Procter
t: 01284 787830
m: 07467 562627
tprocter@andersons.co.uk

ANDERSONS MIDLANDS



John Pelham
t: 01568 701929
m: 07860 508019
jpelham@andersons.co.uk



Sebastian Graff-Baker
t: 01455 823425
m: 07831 454320
sgraff-baker@andersons.co.uk



Mike Houghton
t: 01722 782800
m: 07836 707096
mhoughton@andersons.co.uk



Lily Gibson Fleming
t: 01722 782800
m: 07854 811464
lgibsonfleming@andersons.co.uk



Harry Batt
t: 01722 782800
m: 07948 245525
hbatt@andersons.co.uk



Morgan Fry
t: 01722 782800
m: 07751 609537
mfry@andersons.co.uk



Edward Metcalf
t: 01722 782800
m: 07751 609537
emetcalf@andersons.co.uk



Pippa Piotrowicz
t: 01722 782800
m: 07776 847434
pippap@andersons.co.uk

ANDERSONS NORTHERN



David Siddle
t: 01968 678465
m: 07885 809119
dsiddle@andersonsnorthern.co.uk



Ben Kellagher
t: 01968 678465
m: 07770 652959
bkellagher@andersonsnorthern.co.uk



Charlotte Dun
t: 01968 678465
m: 07572 149631
cdun@andersonsnorthern.co.uk



Tom Cratchley
t: 01968 678465
m: 07826 112211
tcratchley@andersonsnorthern.co.uk

ANDERSONS - THE FARM BUSINESS CONSULTANTS

The four Andersons businessess provide services for Farming Businesses and Food and Agribusinesses. Recognising that all businesses are different, Andersons' advisors tailor their advice to their clients' needs. Advice may be provided in a range of areas including:

Farming Businesses

- Business Appraisal
- Business Strategy and Succession Planning
- Investment Planning and Appraisal
- Financial Planning including Budget and Cashflow
- Enterprise Costings and Benchmarking
- Farm Business Administration
- Planning and Development
- Contract Farming and Joint Ventures
- Co-operation and Collaboration
- Diversification
- Understanding Support Schemes and Grants
- Basic Payment/Agri-environment Claims and Problem Solving
- Preparation of Grant Applications
- Tenancy, Rent Reviews and Arbitration
- Expert Witness
- Insolvency or Managed Recoveries
- Recruitment
- Training

Food and Agribusinesses

- Specialist Information Services
- Bespoke Training and Briefing
- Preparation of Promotional Material and Bespoke Publications
- Appraisals and Feasibility Studies
- Business Strategy
- Market Research and Analysis
- Business Analysis and Modelling
- Benchmarking and European Economic Comparisons
- Acquisitions and Joint Ventures
- Recruitment and Personnel Development

For more details on any of the above, or a discussion about your own particular needs, please contact one of the Andersons businesses. All discussions are strictly confidential and without commitment.

Agro Business Consultants Ltd

Publishers of the ABC Agricultural Budgeting and Costing Book, the Equine Business Guide and the Professional Update subscription service, providing the complete agricultural and rural information service.

Nix Farm Management Pocketbook

Publishers and distributors of the Nix Farm Management Pocketbook.

ANDERSONS THE FARM BUSINESS CONSULTANTS

ANDERSONS NORTHERN

www.andersonsnorthern.co.uk

EDINBURGH
Contact: David Siddle
01968 678465
dsiddle@andersonsnorthern.co.uk

THE ANDERSONS CENTRE

www.theandersonscentre.co.uk

MELTON MOWBRAY
General Enquiries: 01664 503200

Farm Consultancy
Contact: Joe Scarratt
07956 870263
jscarratt@theandersonscentre.co.uk

Business Research
Contact: Richard King
07977 191427
rking@theandersonscentre.co.uk

Overseas & Corporate Consultancy
Contact: Michael Haverty
07900 907902
mhaverty@theandersonscentre.co.uk

NORTHERN IRELAND
Contact: Jake Nixon
07770 756370
jnixon@theandersonscentre.co.uk

MID-WALES
Contact: Kerry Jerman
07838 591799
kjerman@theandersonscentre.co.uk

HARROGATE
Contact: Oliver Hall
01423 875721
ohall@theandersonscentre.co.uk

Publications: **AGRO BUSINESS CONSULTANTS** and **NIX FARM MANAGEMENT POCKETBOOK**
Contact: Debbie North 01664 567676 enquiries@abcbooks.co.uk www.theandersoncentre.co.uk/store

---

ANDERSONS MIDLANDS

www.andersonsmidlands.co.uk

SALISBURY
Contact: Mike Houghton
01722 782800
mhoughton@andersons.co.uk

HEREFORD
Contact: John Pelham
01568 701929
jpelham@andersons.co.uk

LEICESTER
Contact: Sebastian Graff-Baker
01455 823425
sgraff-baker@andersons.co.uk

ANDERSONS EASTERN

www.andersonseastern.co.uk

BURY ST EDMUNDS
Contact: Nick Blake
01284 787830
nblake@andersons.co.uk

ANDERSONS

Andersons® is a registered trade-mark of
Andersons the Farm Business Consultants Ltd