

Executive Summary

This intelligence was collected over a six-month period (April 2021-October 2021).

The lack of **grass** growth in the cold, dry spring of 2021 caused **fodder** supply problems; however, many farmers harvested three good silage cuts. **Straw** prices remained high through the spring but have now fallen due to reasonable harvest conditions and good yields.

Milk price has remained stable, but smaller farms are concerned by seasonality, specification and collection costs. Feed, fertiliser, straw and energy prices have increased. **Newly calved heifer** prices remained strong during the summer; however, buyers for **dairy bred beef calves** were more selective in October. **bTB** is an increasing issue in the **South East**.

Beef prices remain strong, however with increased feed and fertiliser costs, margins are narrow. Beef farmers continue to be frustrated by **negative media** coverage of **red meat** and links to climate change. April **lambling** was generally dry; however, limited grass availability resulted in increased concentrate and fodder use. **Lamb** and **ewe** prices have remained high.

Many **pig** and **broiler** producers have experienced rising input costs, labour and housing shortages, and problems at slaughter due to labour and CO₂ shortages in meat processing facilities. Increased costs are reducing **egg producer** margins. **Turkey** producers are fearful of labour shortages.

The dry 2021 spring impacted **spring crop** establishment. **Harvest** was long and drawn-out and crops did not ripen well. **Yields** and **quality** were variable with increased crop drying becoming necessary. In general, early harvested **milling wheats** and **malting barley** achieved specification but some later harvested crops were downgraded to feed.

Wheat, Barley and **Oilseed rape** prices have remained high. Delayed harvest movements have occurred due to HGV driver shortages. **Winter crops** were established in good conditions and crops look well. There seems to be a shift from growing **AD maize** to **AD Rye** for cost and soil benefits. The damp/overcast August exacerbated **potato** blight issues. Concern has been expressed following the decision not to allow a derogation on seed dressing for **Sugar beet**.

The **fruit** industry continues to report labour shortages. Many farmers plan to scale back production of horticultural crops due to the labour requirement. **Top fruit** producers are reporting that increased input costs are outweighing any increase in sale prices. The fruit harvest is late; however yields are reasonable, but in areas affected by storms, fruit quality is poor with plenty of visible damage.

Bedding Plants and Hardy Nursery Stock business was poor during June and July due to unfavourable weather. UK **wine** producers are concerned about the trade deal with New Zealand. **Christmas tree growers** are concerned about the potential import, transport and labour issues nudging prices upwards. There was a good bulb yield for **daffodils** and since then favourable conditions for the autumn planting. Increased energy costs and importation challenges are causing concern for **glasshouse** and **ornamental flower** producers. **Hop** growers have had to cut back production by up to 50% and roll forward contracts in order to stay in business.

There is frustration about the lack of clarity and information surrounding **Environmental Land Management Schemes (ELMS)**. Many hill and upland farms have opted to roll-over existing **Higher Level Stewardship (HLS)** agreements, along with linked **Upland Entry Level Scheme (UELS)** agreements for a further year until the new ELMS based schemes become available.

Holiday cottage owners have welcomed the reduction in VAT rate. However, finding sufficient labour to help with the cleaning requirements has been an issue.

Input costs have increased squeezing margins on crop and livestock enterprises, while delays in supplies of building materials and machinery continue to frustrate farm businesses.

Livestock; Dairy, Beef and Sheep

The lack of **grass** growth in the cold, dry spring of 2021 caused **fodder** supply problems. One **East Midlands** farmer noted that he had turned out his ewes and lambs even though the grass had not grown, due to high fodder costs. However, across **all regions**, although first cut silage yields were light, a good grass-growing season followed, and an extended warm and relatively dry autumn, enabled many farmers to harvest three good cuts. Delayed winter housing due to the dry autumn will aid forage stocks for the winter.

A record **maize** harvest has been reported in the **West Midlands**. **Anaerobic Digestion (AD) plants** are finding alternative feedstock supplies, such as food waste, reducing the demand for maize. In the **North**, maize harvest has taken place in perfect conditions and growers were able to drill wheat after maize this year. **Straw** prices remained high through the spring, with farmers reporting delivered prices of £190/t in the **Peak District**. Straw prices have now fallen due to a reasonable harvest conditions and good yields.

Milk price has remained stable, but smaller farms are concerned by seasonality, collection costs and penalties for not hitting profile specifications. **Arla** increased their price to 32.62p/litre from October 1st. Input costs have escalated, notably feed, fertiliser, straw and energy prices. A farmer in the **West Midlands** reported uncollected milk due to the lorry driver shortage. Activists protesting at a milk processing plant in the West Midlands have caused further tanker collection issues.

The use of **sexed semen** has increased, reducing problems of unwanted male dairy calves. Some **dairies** are suggesting which bulls to use, including polled breeds to avoid dehorning. Also, some buyers are actively promoting robotic systems and encouraging cows grazing 24/7. Trade for **newly calved heifers** remained strong during the summer, however, buyers for **dairy bred beef calves** were more selective in October with warm weather, pneumonia and higher feed cost concerns. **TB** is an increasing issue in the **South East**. Testing is onerous and stressful on the herd, as well as the damaging impact increased culling has on both farm finances and farmers' mental health.

Beef prices remain strong, however margins are narrow and high throughput is required to be profitable; there is scepticism about how long such high prices will last. Beef producers are concerned about spiralling feed and fertiliser costs. Farmers have been able to achieve high prices for older cows and so have increased culls whilst retaining heifers to renew breeding stock. Beef farmers continue to be frustrated by the constant **negative media** coverage of **red meat** and links to climate change. Some farmers have commented that trade deals with countries such as Australia will see red meat transported around the world producing a large carbon footprint.

The April **lambing** period was generally dry, however grass growth was slow and many flocks had to continue feeding both concentrates and fodder at high levels during lambing. **Lamb** prices have remained at an all-time high, but many farmers have only just reached breakeven. The very high spring prices resulted in more light lamb sales. Some farmers are also selling lambs earlier in the autumn, rather than over wintering on cover crops. A **Yorkshire** producer was averaging £12/head more for lambs compared to last year. **Ewe** prices also remained relatively high resulting in greater culling of ewes. Concerns about store lamb margins were noted given high prices. However, some are expecting slight price reductions in late autumn breeding sheep sales, particularly for draft hill ewes. **Ewes** are generally in good condition pre-tupping having had plenty of grass, but **dog worrying** continues to be an issue with little sign of anything changing.

Farmers began receiving **British Wool Board** payments in September for their 2020 wool crop. Income was lower than expected with some receiving less than 10p/kg. Others owed the wool board money if they sent small amounts which didn't cover transport charges. Many farmers have sent the 2021 clip to alternative merchants who pay more money and promptly.

Pigs and poultry

It has been a disastrous year for many **pig** producers due to rising input costs and problems at slaughter. Some slaughter houses have helped by increasing slaughter weights, but many pig units are overstocked and under staffed. Pigs kept on farm will incur extra feed and costs, and in turn pigs exceed the required slaughter weight reducing pig value. Worst case scenario is the culling of healthy pigs on farm where farms lack housing capacity. A further challenge which risks exacerbating the situation is the availability of CO₂ required for slaughter. The knock-on effect is also felt by pig weaner breeders, who cannot find a market for their weaners, leading to on-farm slaughter concerns. The lack of butchers nationwide continues to impact on the pig meat supply chain.

Lack of labour and CO₂ shortage are causing concerns for poultry producers. **Broiler** producers are incurring delays in sending crops off farm and have downgraded feed rations to compensate. A large scale **egg producer** stated that he would go out of production as soon as egg margins were too low to cover building loan repayments. **Turkey** producers fear labour shortages as the Christmas season approaches. 5,500 poultry workers have been added to the short-term visa scheme however, whilst producers acknowledged that this provides short-term help, the industry was looking for permanent staff for stock and management positions, which were previously filled by European workers.

Arable

The dry spring of 2021 impacted **spring crop** establishment. A large increase in weeds was noted during the growing season due to weather conditions and limited herbicide use and availability. Fluctuations in weather throughout the summer resulted in a long, drawn-out harvest and crops did not ripen well. **Yields** and **quality** were variable with increased crop drying necessary. In general, wheats achieved milling premium grade and good bushel weights. Early malting barleys made the grade, but a wet spell in mid-August caused some crops to be downgraded to feed.

There is optimism on the back of stronger cereal prices. **Wheat** and **Barley** prices remain high at around the £200/t due to tight global supplies. **Oilseed rape** prices have recorded a high in October 2021; £520-£530 ex-farm and are predicted to rise further. Delayed harvest movements have occurred due to HGV driver shortages. **Winter crops** have typically been established into very good ground conditions and crops look well. Many growers will be able to return to winter cropping. **Oilseed rape** acreage continues to reduce across the regions due to increased pigeon and **Cabbage Stem Flea Beetle (CSFB)** damage.

There seems to be a shift from growing **(AD) maize**, using a contractor, to **AD Rye**, that it is more reliable and profitable, and can be harvested earlier so causes less soil damage.

The damp/overcast August conditions exacerbated **potato** blight issues leading to increased preventative spray costs and losing crop. Concern has been expressed following the decision not to allow a derogation on seed dressing for **sugar beet**. British sugar have fixed at £27/tonne for growers in 2022. The first lift of sugar beet appears to have gone well, although virus yellow and associated cercospora disease can be seen.

Horticulture

The **fruit** industry has reported that whilst the **Seasonal Agricultural Workers Scheme (SAWS)** is very welcome it does not solve the labour problem. The domestic workforce is not willing nor able to carry out the work. Farmers are concerned about their own unsustainable workloads, health and plans for the future. There is frustration that SAWS is only available to food producers and is restricted to 30,000 people. One farmer has ceased production of two vegetable crops due to their dependence on labour, while retaining carrots as these can be harvested mechanically. Many farmers plan to scale back production of horticultural crops due to the labour requirement.

Top fruit producers are reporting that inflation in input prices are outweighing any increase in sale prices. The fruit harvest is late, however yields are reasonable, but in areas affected by storms such as in the **South East** and the **West Midlands**, fruit quality is poor with plenty of visible damage. There is growing interest among top fruit farmers for the use of robotics and automation and in biological insecticides and fungicides.

Bedding Plants and Hardy Nursery Stock business was poor during June and July due to unfavourable weather. Uncertainty about plant import issues has been a worry. Reduction in availability of pesticides, especially herbicides, is making some areas of production difficult. The late Chelsea Flower show resulted in an increase in demand for late flowering hardy perennials. The rise in input costs will inevitably have to result in higher prices.

There is concern amongst UK **wine** producers surrounding the looming trade deal with New Zealand which will result in tariffs being eliminated on wine. Automated grape picking is being developed very quickly and is envisaged to be mainstream within the next five years.

Christmas tree growers are concerned about the potential import, transport and labour issues nudging prices upwards. Growers have been experiencing more disease and persistent pest burdens directly related to mild winters, dry spring and wet summers. Growers are planting different varieties of tree to combat disease and spread risk.

There was a good bulb yield for **Daffodils** and since then favourable conditions for the autumn planting. However, there are huge concerns regarding availability of labour and reluctance for workers to come to the UK for the upcoming flower season. The cooler spring weather meant flowers peaked more slowly, and not all at once, thus minimised crop wastage due to labour shortages.

A salads producer in the **East Midlands** lost his main market in Northern Ireland due to the cost and risk of arranging phytosanitary inspections and certificates for daily deliveries of perishable products. A significant amount of **field scale vegetables** and **salad crops** has been lost to torrentially heavy rain or hailstorms, particularly affecting the **South East**. A **glasshouse producer** had removed one of his heated glasshouse crops due to the high price of gas heating fuel.

An importer of **ornamental flowers** described the issues surrounding cost, complexity, difficulty and risk of importing plants from Europe, reducing their ability to respond to garden centre's short-term requests for orders and consequently the producer plans to close their business.

A **horticultural** producer explained that a global shortage of plastic beads has meant packaging and planting pots are in short supply. Sourcing greener alternatives such as cardboard based products has resulted in a 12 week delay - impacting on growing on crops and packing for sale. A **horticultural** producer stated that their turnover was down by half a million, due to staffing levels, inefficiency and poor continuity of crop care; consequently, even though demand for bedding plants was unrivalled, they struggled to meet demand and manage labour and product supply.

Due to the closure of pubs and hospitality, some **Hop** growers have had to cut back production by up to 50% and roll forward contracts in order to stay in business. One grower expects to see further reductions in both the area of hops grown and the number of growers.

Basic Payment Scheme (BPS) and Environmental Schemes

Many farmers reach the end of their first 5 years of **Countryside Stewardship (CSS)** this December and have put in new applications for January 2022. However, there is concern that there will be a delay in notifying successful applicants causing problems for planning and starting capital works such as hedge laying and fencing.

There is frustration about the lack of clarity and information surrounding **Environmental Land Management Schemes (ELMS)** as farmers plan to mitigate BPS reductions. Areas highlighted include; how will permanent crops be handled, how does carbon, biodiversity and carbon offsetting feature within these schemes? Some farmers have taken the decision to move land into the ELMS

and to reduce crop production in the future. One co-operator unsure of how ELMS will feature in his business, has purchased **Site of Special Scientific Interest (SSSI)** land in anticipation that this will enable ELMS requirements to be met.

The reductions in BPS are of particular concern to the **upland areas** as many producers rely heavily on this income stream. Many hill and upland farms have opted to roll-over existing **Higher Level Stewardship (HLS)** agreements, along with linked **Upland Entry Level Scheme (UELS)** agreements for a further year until the new ELMS based schemes become available. It was highlighted that existing scheme participants are not permitted to take part in the **Sustainable Farming Initiative (SFI)**.

Farmers in the **fens** feel there is little scope for them to engage in new schemes as they do not have enough landscape features, yet have fantastic soils for producing food – they feel that the schemes should be regionally tailored to meet the assets of their landscape.

Farms considering the **lump sum exit scheme** in lieu of BPS found it hard to decide as several areas around tax liability are unclear and many felt the incentive was not great enough and were unsure on succession impacts and so have decided not to take it up.

Topical issues

Covid-19 loan repayments are now due and could become a problem if interest rates increase. The knock-on effect of the pandemic continues to impact on accountants taking much longer to complete the year-end accounts and process VAT returns, partly due to home-working.

The Environment Agency's new guidelines for the '**Farming Rules for water**' have caused large concern within the industry in terms of **Farm Yard Manure (FYM)** management, with little notice to adapt winter cropping plans. Although derogations could be sought it is unlikely that the case could be argued. Coupled with the associated issues of muck storage and fertiliser prices this is an ongoing worry. One farmer in the **South East** indicated that he would have to stop applying **digestate** from an AD plant to his herbal ley in the late summer due to these rules.

East Midland's farmers are frustrated with transporting stock further to markets; however, there are ongoing negotiations to develop another livestock market at **Newark Showground**.

Planning applications for **reservoirs** are seemingly looked at favourably by **North Norfolk Council**. Access to water continues to be a key issue in root crop areas, particularly for potato producers. Abstraction licences are being revoked due to conflict between farm need and environmental issues. Consequently, uncertainty regarding water continues to threaten water dependant crops unless significant investment is made in water resources. However, applications for the construction of surface storage facilities are being blocked due to environmental protection. More generally, farmers are struggling with their **water supplier**. It is common for bills to be inaccurate, meters not read correctly or at all and for the companies to be difficult to communicate with.

There is a shortage of lorries in **Cambridgeshire** available for agricultural purposes as major lorry firms have been lured away to the HS2 project due to higher payments. The delay for 16 year old's **tractor tests** has impacted family farms and neighbouring businesses. The **Newton Rigg hill farm** of **Low Beckside** has been bought by the Ernest Cook trust and as such will continue to have a role in education for the foreseeable future.

Farmers are concerned about the new regulations of **Making Tax Digital (MTD)** due to be implemented by HMRC requesting submission of quarterly tax returns. With irregular income to farmers and five-year tax-averaging allowance, MTD's relevance to the sector has been questioned.

There has been a very welcome return of **summer shows** and **ploughing matches**. The lack of social contact has had a serious impact on the **mental health** of many farmers.

One farmer suggested that the **Countryside Code** should be taught in schools and flagged in social media. He added that whilst it has been good to see more people out enjoying the countryside during the pandemic, there is a widespread lack of understanding around access.

Diversification

Farm businesses have increasingly had to diversify to remain in business. While this has made some businesses sustainable, it has also resulted in some inheritance issues leading to tax-related succession concerns. After so many visitors to **Cornwall** this year, there is expectation that some farmers will increase tourism facilities. **Holiday cottage** owners have welcomed the reduction in VAT rate. However, finding sufficient labour to help with the cleaning requirements has been an issue. The change in rules which allowed for the provision of camping facilities on farm for a maximum of 56 days without planning permission has been welcomed. **Camping** diversifications such as **Shepherds Huts** have been successful, however there are concerns that the sector might become saturated.

There is an appetite for renewable energy, but electricity companies are applying crippling costs for connection to the grid, consequently some projects are not going ahead. **Carbon trading** seems to be of practical interest to the larger farms only where they have the scope to employ specialist consultant advice or the space to establish **woodland**.

Input Prices

Input costs have increased, squeezing margins on crops and livestock enterprises. There are also concerns that high costs will lead to food inflation; to negate this, supermarkets will buy from cheaper international sources and the consumer will no longer buy “locally”.

Nitrogen prices are continuing to rise due to tight supply, increasing gas prices and some panic-buying. Urea is reported to be at £540-£560/t for October/November, whilst imported ammonium nitrate supply values are at £465-£490/t for October/November.

One **North Yorkshire** cereal farmer could not afford to pay for the nitrogen needed for his winter crops. He made the decision not to plant some fields and leave the ground fallow until spring and use manure on spring crops instead of the purchased nitrogen. It is expected that applications of fertiliser will be reduced and consequently yields will be down next year.

Red diesel prices are steadily increasing with prices quoted at 68.72p/litre for the end of September compared with 41p/litre a year ago. **Electricity price** increases (around 17p/unit to 25p/unit) are having a big impact on cost planning.

There has been concern over the delay in various vet supplies and the availability of veterinary surgeons. An increased number of vets are moving to small animal care practices where hours are more predictable and weekend work is reduced. Vets are increasingly stating TB testing as one of the worst elements of the job with 25% of their time being involved in this activity.

There are many reports of supply chain issues for both machinery and parts. Lead time for the supply of large capital items is increasing; eight months for a new fertiliser spreader in the **South East**. **Contractors** have expressed concerns about the rising costs of second hand machinery which, combined with fuel and labour costs, will have an impact on already tight margins.

The high cost of **building materials** is increasing the cost of capital projects and repairs. A farm in **Shropshire** has had development work repeatedly delayed, resulting in the costs increasing by 50%.

Market uncertainty and the future of British Farming

The general message from all sectors is that uncertainty across markets, increased volatility of commodity prices, input costs, labour issues and extreme weather events make planning near impossible. Furthermore, the **new trade deals** combined with the threat from imports of sub-standard produce is causing frustration across all sectors.