RBR

Rural Business Research

Intelligence from the Regions – October 2016

Status

Twice a year staff of the RBR provide up to the minute information from their Regions on what is happening on farms and local markets together with a summary of current attitudes and concerns. The website; http://www.ruralbusinessresearch.co.uk will carry the latest collated report. Comments are welcome as well as any queries; please contact the Editor; philip.robertson@nottingham.ac.uk

This information is provided by RBR staff and every effort is made to check its accuracy and validity. It should be recognised that whilst some of the information is anecdotal, that is its value in giving a current and real insight into what is happening within the industry. As with all information it should be used with care and in context.

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Key Points

- In the EU referendum, those farmers that voted to 'leave' did so because they see opportunities to create new markets without the restrictions imposed from Brussels and a belief a good trade deal can be negotiated between the EU and the UK.

- Concerns have been expressed by those businesses employing a lot of seasonal labour, which in the EU membership era has largely been supplied by EU nationals, and the future possibilities of continuing this practice.

- A body of farmers feels that the UK government undervalues their contribution to the economy and are concerned that any future support will be increasingly linked to environmental schemes/projects, rather than food production.

- Tenant farmers would appear to be happier with Brexit than owner occupiers; the common theory being that any reduction in farm support should lead to a reduction in rental costs.

- Some farmers are concerned that environmental enhancements to the countryside, built up over many years, may be lost without the incentives of EU funding.

- Farmers are very keen that their voice is heard both during the Brexit negotiations and future agriculture policy discussions. They urge the NFU to be very proactive and for Defra to seek farmer's views on the future direction of UK agriculture.

- In 2016, the areas of rotational fallow on farms often exceeded the area needed to meet greening requirements. This stems from fallow being a tool for combating blackgrass as well as the potentially low profitability of break crops.

- Sugar beet growers have expressed mixed opinions regarding the new 2017/18 contracts, citing the lack of information about European sugar prices and global sugar markets and the influence these would have on the UK market. However, it appears that most beet producers will grow more of the crop than in 2015 and 2016.

- The full financial consequence to the brassica industry of the very mild start to the year is becoming apparent with the prospect of business failures.

- Vineyards appear to be the fastest growing enterprise in the South East.

- There is concern that once the EU starts to release its huge stockpiles of milk powder, it will harm any potential uplift in milk prices.

- Enthusiasm for entering into new lower level environmental schemes is not high due to concerns over more form filling and the return from scheme participation is not deemed to be high enough.

- Farmers are concerned that if the BPS is removed or reduced it could impact on bank lending decisions.

Summary

❖ **Brexit**

- Farmers that are enthusiastic regarding Brexit are looking forward to opportunities to create new markets, free from the restrictions imposed by Brussels and a good trade deal being negotiated between the UK and the EU.

- Farmers that regard Brexit with trepidation cite concerns with increased price volatility, difficulties competing with global commodity prices, the demise or reduction of agricultural support and access to seasonal labour as the main reasons for their worries going forward.

- There is concern amongst farmers in England that they will not be supported by the government as well as their Scottish, Welsh and Northern Irish counterparts will be.

- Farmers are concerned about the influence that various organisations might have on the development of a new UK agricultural policy. For example, the RSPB's suggestion for more Pillar 2 support at the expense of Pillar 1.

❖ **Arable**

- Blackgrass is a real issue in many regions but in particular for the eastern side of England. Crop cultivations for the 2017 harvest have included a significant amount of ploughing, where previously minimum tillage has been seen. Large areas of fields are sometimes completely sprayed off where farmers are operating zero tolerance, with others just hitting the worst affected areas.

- 2016 arable crop yields were significantly lower than those recorded in 2015.

- Several businesses have decided to correct phosphate levels on fields with low indices (very little phosphate was applied when TSP was £600 per tonne) as they took advantage of reduced fertiliser prices.

- Sugar beet growers are not optimistic for the 2016 harvest.

- Potato yields are reported to be average with quality issues such as growth cracks, greening and skin issues causing some concern.

- Despite some misgivings about the new 2017/18 sugar beet contracts, most growers are either returning to beet production or increasing their 2015 and 2016 areas.

- High incidences of Cabbage Stem Flea Beetle (CSFB) larvae in newly established oilseed rape crops are being reported in some areas of Eastern England.
- Oilseed rape germination problems in the South East are causing some farmers to consider writing off the crop.

- One benefit of CSFB is that its larvae appear to eat and destroy charlock.

- Oilseed rape appears to be out of favour for 2017 due to its poor performance in 2016.

- **Horticulture**

- One impact of the introduction of the Living Wage is that large horticultural businesses are turning to more automation to help reduce the wage bill.

- Large wine producers are actively seeking out land to buy or rent on long term leases in order to expand their businesses.

- The North Downs is now recognised as the same ridge of chalk as the Champagne region in France and viticulturists fully expect to be able to produce the same type of wine in East Sussex and Kent.

- Horticulturists are already experiencing some post referendum effects in that they are reporting a higher than usual turnover of labour, with European staff feeling undervalued by the British and not wanted in this country.

- The Auto- enrolment for seasonal workers into a pension scheme has been popular, with reports that the majority of seasonal workers have not opted out of the pension schemes.

- The top fruit harvest (2016), although late, is being generally regarded as good.

- Top fruit farms are finding it increasingly difficult to be viable. Increased wage costs and costs associated with pension enrolments are being passed down from supermarkets to processors and then to producers who have not experienced any increases to the prices of their produce.

- The 2016 plum crop required lots of expensive pruning in the spring and this has subsequently reduced the yield. However, the reduced supply has resulted in higher prices.

- Yields of cider apples have been average with no uplift in prices for 2016 (approximately £120 per tonne).

- The ban on the use of Chlorpyrifos has increased pest control costs due to the re-emergence of pests that have for years been unseen.

- The soft fruit harvest has been disappointing as a result of a poor spring and lack of sunshine that hindered blossom growth.

❖ Forage

- Northern regions have reported an abundance of conserved forage, although quality was poor. Southern areas of England have reported good growing conditions for forage maize with excellent yields and good quality silage being made.

- Standing straw prices are higher than last year with demand high as farmers restock following last year's long winter housing period.

❖ Dairy

- Although there are signs that the milk price may be on the upturn, many dairy farmers continue to struggle with profitability, cash flow and the ability to obtain credit from feed companies.

- The EU holds large stockpiles of milk powder. There are fears that if released in large quantities this could supress any prospects for higher liquid milk prices.

- The profiling of milk supplies from farmers has been introduced by some dairy processors. Farmers regard these profiles as being effectively quotas on production with the difference between the higher priced 'A' milk and the lower priced 'B' milk being very significant.

- There appears to be strong interest in the Milk Production Reduction Scheme.

- Some farmers are turning to traditional high butterfat breeds in an attempt to boost their milk price.

- Some organic milk producers that returned to conventional production, have reverted back to organic production in order to capitalise on the organic premium price.

- Dairy cow prices have declined markedly, as one example of a recent herd disposal sale demonstrates when the average price per cow sold was £825. Approximately 50% of this sale's proceeds went towards paying off feed concentrate debts.

- Whilst the sale value of black and white calves has been disappointing, continental breeds have been making excellent prices.

❖ Beef and Sheep

- Store cattle prices have been very good in recent months resulting in some finishing units moving towards this market. Deadweight prices have been negatively impacted by imported beef.

- Some beef producers are unhappy about the changes that abattoirs have made to the specification for finished animals. These changes have resulting in lower prices, particularly it seems for the older grass fed animals.

- The tighter abattoir specifications are leading to some producers moving towards rearing more continental breeds, although the price of purchased continental calves is very high with consequent downsides for margins.

- Bovine TB is of real concern to beef producers in the South East, with movement restrictions being operated in hotspots such as East and West Sussex.

- Uptake of the Blue Tongue vaccine in the South East has been very strong amongst sheep breeders. The cost (£3 per head, double dose) is considered to be worth it given their proximity to northern France.

- The lung virus, Maedi Vista, in sheep is reported to be more prevalent in flocks than farmers may be aware, causing loss of production in the breeding flock, reduced lamb numbers and loss of milk in mothers.

- Lamb prices (before the EU referendum) were up on last year and further increases following the referendum have helped boost confidence in the sheep sector.

- Despite the massive disruption caused by floods in Cumbria in November and December 2015, many upland sheep flocks have recorded average to good lambing percentages.

- Following the referendum outcome, hill farmers are very relieved to hear that existing agri-environment agreements will be paid in full.

- The buoyancy in the sheep sector has been reflected in increased prices for breeding stock (Kelso ram sale, average price up by £75 per head to £685; Hawes gimmer lamb sale, average price up £6 per head to £99).

❖ Pigs and Poultry

- Supplies of pigmeat are tightening across Europe, somewhat compounded by Porcine Reproductive & Respiratory Syndrome (PRRS) problems in England. Prices are expected to continue to rise and coupled with the post Brexit devaluing of sterling, there are hopes that prices will soon be above the cost of production.

- Outdoor pig producers in the South East advised they had seen one of the 'worst years ever' in the period leading up to September 2016. Following the EU referendum, the weaker pound has seen pig prices increase as exports improve but one particular producer advised that this has not been sufficient to offset significant losses between December 2015 and June 2016.

- Many pig producers have questioned the short term sustainability of the sector and predicted that if margins do not improve in the next couple of years, the result would be an increased rate in the number of farms moving out of pig production. Diversification is increasingly being seen as an option with moves into areas of non-food production such as providing storage facilities, caravan storage and other uses for buildings and hard standing currently utilised by pig units.

- Access to foreign labour has become a concern to some farms in the poultry sector where 40% of total farm labour in the egg sector and 60% of total labour in packing centres is accounted for by EU migrants. http://www.farminguk.com/News/Poultry-industry-raises-concerns-over-low-standard-egg-imports-in-post-Brexit-trade-talks_43130.html

- Consolidation of the industry particularly for broiler units through farms being purchased by processors continues to be a feature of the sector.

- One free range egg producer had been told by his packer/buyer, to expect a 20% decrease in egg prices.

- Pullet prices eased slightly during the summer period with one producer paying £3.85 per pullet compared to £4.10 per pullet in the previous year. Whilst this fall didn't sound a lot he explained that depending which sheds were being stocked the saving could total £17,500 per annum for the farm.

❖ Basic Payment Scheme (BPS) and Environmental Schemes

- Despite the uncertainty after the EU referendum, it seems that most farmers think the UK government, of whichever party, will continue to support agriculture. The concerns arise when considering the extent of the support and what farmers will have to do to obtain it.

- In March 2016, a considerable proportion of BPS claims were unpaid with some remaining that way until the summer. Some farmers had to resort to 'bridging' finance to address cash flow problems.

- It seems that farmers with common land have been worst hit by non-payment of their Basic Payment. A 'bridging' £8,000 payment has been made to these farmers and it is unclear just when final payment will be made.

- Farmers have increasingly turned to agents and consultants to complete their BPS claim forms, leading to an increase in professional fee costs.

- Many farmers are in dispute with the RPA over their Basic Payment (2015) and the RPA have indicated that this will not be sorted out until late in 2016.

- It is clear that many farmers do not understand their BPS statements.

- Some upland farmers doubt the effectiveness of grip blocking, effectively blocking drains, as a strategy for alleviating flooding of the lowland floodplains. They say that the upland sponge is full of water and that any significant rainfall will simply run off anyway.

❖ **Renewable energy**

- In the South East, rye is being grown in increasing amounts for use in anaerobic digesters (AD). Rye is seen as a preferred option to maize due to its more convenient (earlier) harvest time and it is more efficient once inside the digester.

- The decrease in Feed in Tariff (FIT) and Renewal Heat Incentive (RHI) payments has dampened farmer's enthusiasm for investing in renewable energy enterprises.

❖ **Rents**

- Rents for vegetable land in South Lincolnshire appear to be slightly lower in 2016 than in the past two years.

- It seems that the majority of recently renewed FBTs have not resulted in higher rents being charged (South East).

❖ **General**

- Some machinery dealers are offering 0% hire purchase deals in order to boost machinery sales in what are generally poor trading conditions as most farmers are experiencing a period of low profitability.

- As cash flows are tight, (especially for tenant farmers with high rents), there are some instances of refinancing against existing assets. Input costs are increasingly being financed via short term loan agreements.

- Farmers are concerned that if the BPS is removed or significantly reduced, then this could impact on bank lending decisions.

Brexit

Before the EU referendum, farmers were generally keen to share their views about Brexit. Some explained that their heart said 'leave' and their head said 'remain'.

Farmers in favour of 'leave' cited:

- Opportunities to create new markets without the restrictions from Brussels.
- A belief that EU member states need UK trade and that the UK would therefore be able to negotiate a good deal going forward.

Those arguing for 'remain' said that they:

- Were worried about increased volatility due to more exposure to global commodity prices
- Had concerns over competing with global commodity prices
- Had fears about whether the BPS would continue and if so, in what form?
    - would BPS reduce or be lost entirely?
- Had concerns that the industry would have to adopt a whole new raft of assurance schemes and bureaucracy which could bring extra cost at a time when markets are more volatile.

After the referendum, Brexit was a more difficult topic to discuss with farmers. Initially, quite a few farmers were content with the outcome but a common view was that although many would like to farm without support they realised that it was almost impossible in an era of volatility in world commodity prices.

Concerns were expressed by those employing a lot of seasonal labour, which in the EU era has largely been supplied by EU nationals.

There are concerns about the future of subsidies and it is possible that the uptake of current environmental schemes may well be reduced. This is due to the initial time and financial investment needed for scheme applications when there is uncertainty as to whether firstly a submission will be accepted and secondly, if it will then proceed for the full term.

Poultry, pig and horticulturalists seemed generally pleased that the rest of the industry may find out what it is like to survive without the BPS etc.!

Broad-acre arable farms were almost all in favour of remain and the bigger their BPS income the more distraught they seem about the result.

More recently, farmers have reflected on the result and voiced a few concerns. Some do not have confidence that the government values their contribution and feel any future support will be increasingly linked to environmental issues, with no reduction in bureaucracy. Some feel the present level of EU CAP funding will be reduced by the UK once support payments are funded by the UK exchequer.

Farmers voiced concerns about the feasibility of employing foreign workers, and the impact to business with the forthcoming increase to the minimum wage.

Other observations:

One of the leading themes amongst farmers was the worry of immigration and the pressure on local services that caused them to vote to come out of Europe, rather than the effect on agriculture itself.

There is concern that England (Defra) may choose not to support its farmers to the same level as the devolved governments of the Scotland, Wales and Northern Ireland.

So far, few farmers appear to be changing any business plans as a result of Brexit.

Some farmers who claim to have voted Brexit as a protest vote because, "something had to change/someone had to do something", seem slightly perturbed that it actually happened! There seems to be a general consensus amongst this group that a huge amount of red tape and bureaucracy comes from Europe, but there also seems to be a realisation that leaving might not actually change this.

In the aftermath of the referendum and the realisation that a new UK agricultural policy would be required, all the different organisations began putting their opinions forward. The RSPB suggested a support policy with greater environmental emphasis (Pillar 2) at the expense of direct support (Pillar 1). One North Yorkshire cereal grower was incensed by this. He had been a 'remain' voter and is therefore unhappy with the referendum result and he went on to say that he struggled to meet his environmental requirements as it was. He gained his greening payments by growing spring beans, a crop he did not really want to grow and if the percentage of greening area increased he would just have to leave areas fallow.

In general, tenant farmers appear to be more pro- Brexit. There is a common theory being expressed that any reduction in support/subsidies should lead to a reduction in rental costs.

The EU referendum spilt opinion in the dairy sector with some dairy farmers keen to stay in Europe to protect their subsidy whilst others wanted to get away from subsidies all together. One large scale dairy farmer in the north of England said the milk price was much more important than the subsidy. The 8p/litre price drop they had suffered over the past year equated to £252,000 in lost income, whilst the subsidy they received was £48,000. He argued that at 30p/litre for milk he could make a good living and neither needed nor wanted a subsidy. Others on poorer milk contracts argued that the Basic Payment Scheme had either kept them afloat or meant they finished the year with less debt. They could not believe some farmers voted to leave Europe and potentially kiss goodbye to all support payments.

The aftermath of the Brexit result left some farming families unhappy with each other. One strong 'remain' voter could not believe that his farming brother had voted to leave; both farms are heavily reliant on subsidies. The 'remainer', a lamb producer, was very pessimistic about the support he would receive in the future and was concerned it would signal the end of his farm. He said that without relations improving over the next few months it would be a very awkward Christmas dinner!

One hill farmer who was heavily reliant on environmental payments to make his farm viable was deeply concerned about the long term future of these payments. Quote: "In a ‘bad’ livestock year these payments are vital to the business but it wasn’t just about the money. Twenty years of hard work had gone into preserving hay meadows and it would be tragic if these now disappeared”.

An agricultural merchant was astounded when a farmer came into his store and ordered sheep tags and said these would be the last he would have to buy now the UK is leaving the EU. The merchant explained that lambs would still need to be tagged whether we were in or out of the EU but the farmer was adamant that there would be no tagging or passport requirements in the future.

For some businesses, the levels of regulations (that are currently Europe wide) that Britain will now have to set up for itself after Brexit, are a concern. Farmers desperately want their views to be heard and it is especially important to them that the NFU is heard over the coming years and also that Defra speak to farmers.

Whilst post referendum exchange rate movements have in general boosted farm produce prices, the other side of the coin can be illustrated by citing examples of two farmers who delayed investing in free range poultry units (one expanding their existing unit, the other creating a new organic enterprise) until after the referendum. It has cost them approximately 20% more due to changes in the exchange rate, as the equipment is imported from Europe.

Arable

2016 Combinable Crops

There were indications that farmers have explored a wider range of spring crops in 2016; this is a possible response to lower prices. We are aware of small numbers of farmers growing very profitable niche crops. There appears to be less oilseed rape being grown in the East of England.

Areas of rotational fallow often exceeded the area needed to meet greening requirements. With the potential profitability of combinable break crops perceived as low by some farmers it seems that fallows are mainly being used to improve the worst blackgrass affected fields.

In the East of England there were particular problems with wheat bulb fly and with *Septoria*.

With reduced prices for fertiliser, several businesses decided to correct phosphate levels on fields with low indices (very little phosphate was applied when TSP was £600 per tonne).

In June 2016 farmers did not seem to be very confident about the forthcoming crop yields.

July floods across the East of England caused localised crop damage, mostly on heavier land. Localised hail storms caused damage to standing rape crops and some damage to cereal crops with one farm near Huntingdon losing an estimated 30% of its oilseed rape crop.

Field beans were hit by high levels of chocolate spot. The crop later podded close to the ground giving rise to harvest difficulties and quality concerns.

Despite farmers' best efforts, the problems associated with blackgrass seem to be getting worse. Large areas of fields are sometimes completely sprayed off with some farmers operating zero tolerance, with others just hitting the worst affected areas.

2016 oilseed rape yields were generally low, partly due to small pod size.

Almost all growers of winter barley reported low yields and extremely low specific weights. One marketing company had been rejecting 50 per cent of samples for malting. Against typical contract standards of 60 kilograms per hectolitre, many achieved only 55 kilograms per hectolitre. One crop of oats grown on an equine contract was rejected and so went for human consumption instead!

Most milling wheat met quality specifications although price premiums have fallen.

In the East of England cereal yields appear to have varied quite a lot. On the Norfolk and Lincolnshire silt soils, yields were below average whereas elsewhere they have been described as good to average.

In the East Midlands more spring cropping due to black grass has been observed but this also helps with the three crop rule. Also, the growing of maize for anaerobic digesters is seemingly on the increase; it being regarded as more profitable than traditional arable crops.

In the South East, disappointing yields for oilseed rape have been reported, which on average are down by approximately 0.5 tonnes per hectare; caused by an overcast and wet June as well as loss due to the Cabbage Stem Flea Beetle (CSFB). In some areas of the region, winter wheat yields were down by up to 40%, mainly due to blackgrass infestations. Spring barley has outperformed winter barley in both yield and quality.

The harvest in the West Midlands was significantly later than in the South and South East due to the unfortunate timing of rain showers, meaning harvest was protracted. For some farmers, this has led to subsequent challenges for autumn cultivations and establishment.

In northern England arable crops had a difficult spring with an unseasonably cold and wet April. This cool spell coupled with establishment problems during the winter months resulted in lower yields for the 2016 harvest than the record-breaking yields of 2015. The 2016 harvest produced lower than average yields from most arable crops and in particular yields from second winter wheat crops have been very poor.

The winter barley yield in the North East was down approximately 1.2tonnes/ha on last year's performance; bushel weight, specific weight and quality were also poorer than last year but the straw yield was better.

In the South West, the picture can be summed up as follows: winter barley yields were down 20% due to lower specific weights caused primarily by the lack of June sunshine. Six row barley yielded better than two row. Winter wheat and spring barley crops yielded less than 2015 but quality was good, if a little patchy. The wheat harvest was about a week later than normal, but crops came off the fields needing little drying.

For most of England, the dry spell of weather over the harvest period has meant that crop drying has been kept to a minimum.

Blackgrass is a real issue in many regions but in particular the eastern side of England. Cultivations for the 2017 crop harvest have included a significant amount of ploughing, where previously minimum tillage has been seen. Whilst those farmers without a blackgrass problem are busy drilling wheat, those with blackgrass are having to wait for it to germinate in order for it to be killed off. The distinct lack of rain has reduced germination so many farmers are behind on their autumn cultivations.

For some farmers in the far south east corner of southern England, oilseed rape that was drilled a month ago (September 2016) has yet to germinate and many farmers are already considering the need to write the crop off.

In northern regions, despite some problems caused by slug damage and CSFB attacks, autumn crop establishment has been good, especially in oilseed rape and wheat crops.

The July announcement from the European Union that an ingredient in glyphosates could be banned after residues in grain had been found is a great concern to farmers already struggling to control blackgrass.

One South Yorkshire farmer who had contractors to do all his arable cultivations was considering leaving all his land as fallow. He had calculated he would be better off just claiming the Basic Payment Scheme and not growing any crops, despite the recent upturn in prices.

A small scale arable tenant farmer discussed the difficulties for his business in making a profit going forward. His business was unable to be profitable due to current circumstances (low sale prices, high rents) and there were very limited diversified income streams open to a tenant with little capital.

2016 Sugar Beet, Potatoes and Field Scale Vegetables

In the East of England there is anecdotal evidence of sugar beet fields being sprayed off after poor establishment, heavy rain and compaction. A number of farmers are disappointed with their sugar beet crop and worried about yield for this coming harvest; mostly blamed on the wet weather earlier in the year.

The prepack potato crop yielded well and the price is holding up but there are a few quality issues. Potato growers are reporting good yields but in Norfolk some growth cracking resulted from the wet and dry extremes of the season. A late surge in the price of free-buy potatoes to over £350 per tonne resulted in potato gross margins of over £7,000 per hectare. These are among the few farms with a significant increase in profitability in 2016. A number of potato producers have taken the opportunity to invest in potato machinery.

During July and August 2016, the demand and price of chipping potatoes remained good in coastal areas and holiday destinations. At the start of lifting at the end of August/start of September yields were being reported to be average at best. Also at this time, the dry and warm weather conditions meant that potato crops deteriorated in quality with issues such as growth cracks, greening and skin issues, which was leading to higher wastage.

The outlook for the remaining potato harvest does not look to be as high yielding as last year.

The periods of wet weather throughout the year affected field vegetables, including carrots and onions. An organic farmer has lost several hectares of onions to blight.

One vegetable grower has concerns for the expected reduction in his irrigation licence. He sees his only solution is to reduce production of onions and potatoes.

The full financial consequence to the brassica industry of the very mild start to the year is becoming apparent with the prospect of business failures.

2017 Sugar Beet Contracts

For the first time, 2017/2018 sugar beet contracts were offered with a link to the sugar price in Europe and with the option of one year or three year contracts. Farmers have expressed mixed opinions about these contracts. They felt frustrated about the timing (mid 2016 harvest), feeling that they didn't have the opportunity to properly analyse the options. This concern was compounded by a lack of information about the European sugar price and global sugar markets. Farmers found it difficult to quantify the impact that increases in the European price would have on the price that they are paid per tonne. Nevertheless, we sense that farmers are opting to return to sugar beet production or to increase their area of this crop as it is currently seen as the most viable break crop option in many systems. (In 2015 and 2016, farmers grew a reduced area of sugar beet due to reduced demand from British Sugar and lower prices).

British Sugar placed an advert in Farmers Weekly in September 2016 to attract new growers. Coinciding with the date at which existing growers were asked to sign their 2017 contracts, the advert gave the impression that British Sugar were short of growers for next year. Existing growers felt that, if this was the case, then the offered contract should have been more generous.

Cabbage Stem Flea Beetle (CSFB) in Oilseed Rape

Many growers are reporting a very high incidence of CSFB larvae in the newly established 2017 oilseed rape crop and are very concerned.

At the National Organic Cereals event, an unexpected benefit of the neonicotinoid ban was reported in that the CSFB larvae seem to eat and destroy charlock to the benefit of farmers with this weed problem.

Numerous farmers with failed oilseed crops in 2016 have decided not to grow oilseed rape in the foreseeable future.

There is wide concern surrounding the possible ban of glyphosate and whether the same will apply to Avadex.

Horticulture

In response to the introduction of the Living Wage, one large glasshouse producer in the East of England will reduce the scale of their business with the intention of ceasing altogether by 2020 because they would not be able to absorb the extra costs without any increases in prices. Another producer will increase the use of automation (particularly in "seeding work") to help lessen their wage bill.

Container plant producers reported that June and July 2016 were not particularly profitable periods of business. Sales of larger, more expensive plants, were lower than in recent years. Producers think that one cause of this may have been uncertainty as a result of the Brexit referendum.

Vineyards seem to be the fastest growing enterprise in the South East with large wine producers actively seeking out land to buy or rent on long term leases.

The North Downs is now recognised as the same ridge of chalk as the Champagne region in France with the soil being very similar and viticulturists expect to be able to produce the same type of wine in Kent and East Sussex.

Uncertainty on the future movement and availability of eastern European labour; a characteristic of many horticultural businesses in the South East, is a definite concern following the EU referendum result. One horticultural business in the region has observed that applications from workers from the WWOOF scheme (World Wide Opportunities on Organic Farms) are almost exclusively from individuals from outside of the UK. Labour provided by the scheme forms a significant part of his business model in keeping costs down.

The EU referendum has caused a lot of difficulties for both top fruit and large scale horticulture holdings that rely on seasonal European labour. A large farm in the South East has commented that since the vote to leave they have experienced an unprecedented turnover of staff. They report that European labour feels completely undervalued by the British and they feel that they are not wanted in this country.

The Auto-enrolment for seasonal workers into a pension scheme has been surprisingly popular, with reports that the majority of seasonal workers have not opted out of the pension schemes.

Top Fruit

The top fruit harvest has been late this year but in general it has been reported as good. The fruit is large due to early wet weather and the apples are very sweet due to the high temperatures and sunlight in July and August.

Top fruit farms are finding their costs so high that continuing to grow fruit is becoming economically unviable. The costs of the National Minimum wage increase as well as the increase in costs due to the pension enrolments are being passed down from the supermarkets to the processors, who are then passing these costs onto the fruit producers themselves. No increases in prices have been seen to cover these costs.

This year's plum crop was very heavy in blossom meaning that a lot of expensive pruning needed to be undertaken in order to achieve target size. Consequently, the price for plums this year has increased due to lower availability as a high level of pruning affects yield per tree.

Cider apple yields in the West Midlands have been average to good although apples are small and currently several types are unwilling to come off the tree.

Prices are either the same or less than last year for cider apples due to very high levels of stock at factories. "Bulmer's price remains at £122 per tonne and production this year will be 25% over their needs. Another major processor has reduced prices to £117 per tonne.

Organic pears were affected by the cold spring and late frosts leading to inconsistent fruit set but overall, the yield has been higher this year and prices are up a little.

The ban on the use of the chemical Chlorpyrifos has increased pest control costs as pests that have gone unseen for many years have needed to be controlled by more expensive products. There is concern that as spray chemicals are being withdrawn from use, new chemistry is only being approved for mainstream top fruit. Meanwhile minority fruit such as plums, apricots & cherries are not being seen as a priority for testing of new chemistry which is leaving them with a reducing number of sprays they can use against pests/diseases (especially maggots/caterpillars and beetles).

The fruit juice company Copella has been sold by Pepsi Co. to Konings, which is putting pressure on prices for next year.

Soft fruit

The soft fruit harvest has been disappointing in the South East, due to a poor spring when the lack of sunshine hindered blossom growth.

Bedding plants and hardy nursery stock

The current dry weather is hindering sales of bedding plants.

One horticultural business in the West Midlands is waiting for concrete information on HS2 as they are hoping to win substantial orders when it begins. The uncertainty around the project is making it difficult for them to plan for the next few years.

Forage/bedding

In the northern regions, April 2016 saw a late, damp, cold start to spring. Later in the spring/early summer grass growth rates improved. However, despite there then being an abundance of forage it was of a poorer quality. This has been reflected in the poor results of silage quality tests as farmers start to look into total mixed rations for over winter feeding.

Standing straw prices in the West Midlands were higher compared to the same time last year, with farmers buying early to ensure good stocks following the previous long winter. It was generally a good summer for both hay and silage production with high levels of sunlight and long dry periods leading to good yields and high quality. There are currently no major concerns of a shortage of forage or bedding going into the winter.

A good growing season in the South East and good conditions for forage maize production have led to excellent yields and good quality forage.

Dairy

For the Farm Business Survey (2015/16) just completed, many dairy farms reported low levels of profitability but the average annual milk price was about 24p/litre. The current market price is about 18p/litre, so although a penny/litre increase is expected sometime soon, it is inconceivable that the average 2016/17 price can even get anywhere near to last year's average price and profitability will be even lower. As a result we are seeing dairy farms struggling with cash flows, credit limits being reached and feed companies refusing further credit. Feed companies are in turn not attracted to large contracts with producers, in case the producer goes bust.

There are signs that milk prices are beginning to improve but it is too early to talk about a recovery for the industry with low prices continuing to have a devastating effect on farm businesses, especially those relying heavily on purchased concentrates.

There have also been indications by processors that if Sterling remains weak then milk prices may rise further as exports of British milk are likely to increase.

The milk price shows signs of increasing in the coming months. These increases are due to the drop in milk production, both from farmers leaving the industry, and from those remaining farmers producing less milk by not pushing their cows as hard, feeding less concentrates etc. First Milk report that prices will continue to go up in the short term, possibly reaching 25.00ppl.

The organic milk price continues to be favourable with some conventional farms that have previously been organic, opting to convert back to organic to take advantage once again of the price differential.

Some dairies have imposed monthly A/B profiles. These are effectively monthly quotas with no carry over between months. These profiles are historic which means it is very difficult to vary production according to need/the market etc. 'B' profile milk has been very low priced; however now there is a shortfall in supply, this milk is being paid at an improved price. Monthly profiles are also being changed to try to encourage production in months when dairies have a shortage of supply.

Dairy Crest are demanding an increase in supply; seemingly unaware that it is not easy to respond quickly to this, especially in established systems.

A number of farms are trying to maximise output in 'A' profile milk by aiming to produce high value constituent butterfat and protein in order to maximise pence per litre.

Many dairy farmers have cut concentrate inputs as a measure to cut costs and produce less (loss making) milk.

Some farmers are seeking to buy Jerseys and other breeds, introducing them to their herds in order to improve quality (butterfat percentage) and therefore milk price.

In order to reduce costs one dairy farmer was continuing to cut back on consultant's services and suggested that the use of consultants year round rather than on an ad hoc basis was a waste of money. He offered the view that benchmarking and access to industry and levy body data was freely available and consultants could offer little for farmers who understood how to access and analyse that data.

There is concern going forward about when the EU will start releasing the huge stockpiles of milk powder that it has previously bought at intervention price, as this could have the effect of stifling the tentative recovery in dairy prices.

In July an aid package from the EU was announced that would pay farmers to reduce milk production in a certain period. One North West producer was looking into the scheme and whilst it seemed very complicated he thought it might work for him. He was a predominately spring calving herd and thought that he could dry cows off early and reduce production in the October to December period. This would allow him to receive a payment for reducing production whilst giving his cows a longer dry period and have them calving in better condition.

Milk production in the North East remains particularly vulnerable having only a small number of local processors and in danger of falling below a critical mass of processing capacity. One slight brake on the process is the relative unattractiveness of the usual route to beef production.

Seven farmers ceased dairying in Lancashire during the spring/summer 2016 period with some unable to extend their overdraft any further. One farmer with a seventy cow herd decided enough was enough and sold his herd to average a disappointing £825/head. Nearly half the income from this sale was used to pay off backdated feed bills which stretched back twelve months. The farmer was very upset that things had finished the way they had. The herd which had been bred up for years and should have been the farmer's retirement pot, ended up just paying off debts.

In the South West, black & white calf prices have dropped on average by £50/head, (now avg. £40/head), so some dairy farmers are considering using beef bulls. A number of farmers see calf sales as a key component of dairying income, however, TB restrictions can make it difficult to sell beef calves.

July 2016 saw a calf trade that has been maintained recently. One North East farmer who sells British Blue calves out of his Friesian type milk cows was regularly making over £350/head for 14 day old calves. Whilst he was very happy with the price, he commented that at his current milk price of 18p/litre, one good British blue calf which made £450/head equated to 2,500 litres of milk which didn't seem quite right!

Beef and Sheep

Imported beef has had a negative effect on deadweight prices, so due to very poor returns from fat cattle in the past 18 months several businesses have opted to sell store cattle, which continue to attract very good prices. The high price of stores has however continued to exacerbate the problem for the specialist fattening businesses, reducing potential margins.

Store cattle trade remained firm in the North East during June 2016 due to good fat cattle prices. Good continental stores between 22 and 26 months old were regularly making over £1,000/head. One Yorkshire farmer who sold four 20 month old British Blue steers for £1,250/head, was more than happy with the price but was concerned how the buyer could make much money out of them as they were nearly fat when sold to him.

Some beef producers are unhappy about the changes that abattoirs have made to the specification for finished animals. These changes have resulted in lower prices, particularly it seems for the older grass fed animals. In an attempt to produce the required type of animal in the future, some producers have already changed the bull that they use.

In the South West, a number of beef units have been recently hit by the substantial penalties imposed by beef processor, St. Merryn, on the poorer quality carcasses (P+). The effect of this is to penalise beef units rearing black and white calves, reducing the end value of big Holstein cattle by £150-£200 per head. Some of these producers are now looking at rearing continental breeds instead, but the price of these calves means generating a realistic margin is questionable.

Lead times at abattoirs for Angus producers still continues to be a concern, as increasing numbers of producers look to move towards producing Angus beef animals in order to obtain the bonus allocated by buyers such as Tesco. With lead times increasing due to the volume of animals being presented, producers are not getting animals into abattoir before fat cattle become over conditioned.

One East of England farmer who finishes dairy calves for Waitrose as veal is experiencing added cost due to changes to TB testing. He buys calves from the (high TB risk) west country to the (low risk) eastern side of the country and is now having to test a lot more frequently and pay for the vet services required. This is causing extra expense, taking up a lot of management time and labour and is having a knock on effect on other enterprises.

In the South East region, TB is a real cause of worry and concern, with hotspots and therefore severe movement restrictions along the East Sussex/West Sussex border. It is making farmers nervous about buying in any replacement stock or taking on any annual grazing land.

The native breed schemes, which have recently paid good bonuses are still being run by some supermarkets although they have become incredibly prescriptive regarding carcass weights etc. This is no doubt due to the popular take up of the schemes which subsequently resulted in a market shortage of semen for AI from proven Aberdeen Angus bulls.

Blue tongue vaccine is now available from vets and the uptake has been particularly strong in the South East among sheep breeders. The cost per double dose for sheep is approx. £3 per head which is significant but as the spread of the disease has been coming north through France, breeders in particular have understood the importance of vaccination.

Maedi Vista in sheep is more prevalent in flocks than farmers may be aware, causing loss of production in the breeding flock, reduced lamb numbers and loss of milk in mothers.

The effects of the wet winter were still being felt in April 2016 with one Dales farmer commenting how the top 6 inches of his soils had been waterlogged all winter and as such there was very little grass growth. This meant he had to continue feeding his ewes silage after lambing and only stopped doing this in May. Due to the wet winter he felt that his ewes weren’t in as good a condition as needed at lambing, and as such he had more problems at lambing and higher mortality than normal.

Sheep with lambs at foot were a slow trade during April due to poor grass growth. One South Yorkshire farmer had kept back 20 Suffolk hoggs to lamb and then sell with lambs at foot and was very disappointed when he sold them to average £125 (all with a lamb on). In hindsight he would have been better selling them as stores in the previous autumn.

The spring lamb trade remained good during June with the best lambs up to 225p/kg, live weight, which was an improvement on the previous year's prices. One producer was satisfied when his February born lambs grossed £89/head which was £9/head higher than the previous year.

Despite the unsettled weather during spring and early summer grass growth was very good and lambs thrived. One Yorkshire producer had sold all but seven of his crop of lambs from his 200 head February lambing flock. This was unheard of in past years with lambs being finished all through the summer and into the autumn period.

Following the sterling devaluation there has been a distinct rise in the price of fat lambs and breeding sheep with confidence returning to the sector. A South Yorkshire producer who traditionally sells good quality Texel lambs received 215p/kg liveweight with the lambs grossing over £95/head, this was £8/head better than the same time last year.

Many upland sheep flocks have recorded average/good lambing percentages in spite of the massive disruption caused by the floods in Cumbria in November/December 2015 and lambs have grown on well during the summer.

July saw the first store lamb sale of the season with prices as expected higher due to the increase in fat lamb prices. Skipton market average was £3/head higher than the previous year at £61.7/head.

The announcement in August that the government would fully pay existing agri-environment agreements until the end of their lifetime was good news for many hill farmers. One sheep farmer whose Higher Level agreement runs until 2021, is very pleased with the news. He described it as giving him a bit of certainty in very uncertain times.

Confidence going forward appears to be strong, with farmers keen to buy replacement sheep. Hawes hosted its annual mule gimmer lamb sale in the middle of September; the overall average price was £99.22/head, which was an increase of £6.13 when compared to last year. This was also reflected further north at the Kelso ram sales, where 4,285 rams were sold at an average of £685 per head, which was up £74.80 on the previous year.

Demand at markets in the West Midlands has been buoyant for both finished and store lambs. Farmers have reported buying in more store lambs to finish due to the good prices achievable for fat lambs.

There has been a very good store lamb trade in the South East with a large number of buyers from outside of the area wanting lambs to fatten. Out of area buyers have had more rainfall than in this corner of the country and have excess grass. This and the increase in the fat lamb price has caused the demand. Store lambs are reaching £60 per head for good quality lambs with the average making just over £50 per head.
There has been a knock on affect for the ram trade, with confidence on the rise in the sector, and therefore there has been a good trade for rams in the South East.

Pigs and Poultry

Supplies of pigmeat are tightening across Europe, somewhat compounded by Porcine Reproductive & Respiratory Syndrome (PRRS) problems in England. Prices are expected to continue to rise and coupled with the post Brexit devaluing of sterling, there are hopes that soon prices will be above the cost of production.

There has been some concern over the discovery of MRSA in samples of Sainsbury's and ASDA pigmeat. How consumers react could once again have a detrimental effect on pig prices.

The sow trade increased slightly during June 2016 in northern livestock markets to average 35p/kg. One farmer whose sows averaged £98/head stated that two years ago he could 'swap' a cull sow for a new gilt but now he had to put at least £50 to each sow in order to buy a replacement gilt.

Liveweight fat prices continued to rise which was welcome news for producers, with cutting pigs averaging 104p/kg liveweight.

Outdoor pig producers in the South East advised they had seen one of the 'worst years ever' in the period leading up to September 2016. Following the EU referendum the weaker pound has seen pig prices increase as exports improve but one particular producer advised that this has not been sufficient to offset significant losses between Dec 2015 and June 2016.

A South East farmer questioned the short term sustainability of the sector and predicted that if margins do not improve in the next couple of years, the result would be an increased rate in the number of farms moving out of pig production. The suggestion was made that pig farms would need to diversify and / or leave production and move into areas of non-food production such as providing storage facilities, caravan storage and other uses of buildings and hard standing currently utilised by pig units.

Access to foreign labour has become a concern to some farms in the poultry sector. EU migrants account for 40 per cent of total farm labour in the egg sector and 60 per cent of total labour in packing centres. http://www.farminguk.com/News/Poultry-industry-raises-concerns-over-low-standard-egg-imports-in-post-Brexit-trade-talks_43130.html

Consolidation of the industry particularly for broiler units through farms being bought out by processors continues to be a feature of the sector. Protests from campaign groups objecting to broiler units on brownfield sites within rural areas / close to villages appears to be an increasing problem within certain areas of the South East.

Egg producers report that the free range egg price has been decreasing recently and buyers/packers are looking to have larger more efficient producers. One producer is looking into multi storey arrangements within free range houses that would double the capacity of an existing shed without the cost or hassle of planning and putting up another shed (whilst remaining free range). However, he has concerns that this development would result in higher veterinary and medical costs within the unit. One free range egg producer had been told by his packer/buyer, to expect a 20% decrease in egg prices.

One Yorkshire free range egg producer bemoaned the fact that people in the region were still investing in free range hen housing which would only saturate the market further.

One North West battery egg producer was concerned to hear that Tesco was phasing out selling battery eggs by 2025. Although he himself didn't currently supply a supermarket, this would mean more eggs competing in the markets that he did supply after 2025. He was concerned, especially after investing over one million pounds on enriched cages that his business had any future in the medium to long term.

Battery egg prices continued to fall during April 2016 to around 56p/dozen which was 8p/dozen lower than the previous year. On Cheshire producer who kept 90,000 birds said this equated to £220,000 (annually) less in egg sales.

Pullet prices eased slightly during the summer period with one producer paying £3.85 per pullet compared to £4.10 per pullet in the previous year. Whilst this fall didn't sound a lot he explained that depending which sheds were being stocked the saving could total £17,500 per annum for the farm.

One egg producer in the West Midlands has upgraded their lighting system from fluorescent strip lighting to LED during recent months, as the advice has been that LED lighting is linked to birds seeing and performing better, as well as reduced electricity costs.

Basic Payment Scheme (BPS) and Environmental Schemes

Many farmers believe that, whichever political party is in power, the UK government will continue to support British Agriculture to some degree. There is some serious concern however about the lobbying power of the environmental groups and a worry that the funding might be diverted from agriculture towards more greening measures.
The view amongst farmers who strongly support environmental improvement payments is that there needs to be a future level of farm support maintained to ensure the continuation of environmental improvements that have been seen in recent years.

Some farmers think that the Common Agricultural Policy funds can now be revisited in the post Brexit era with more money going into greening options, hardship funds and especially new research into new methods of agriculture that embrace new technology.

In March 2016, a proportion of BPS claims remained unpaid and some were still outstanding in July. This was a cause of great dissatisfaction for many farmers and some resorted to 'bridging' finance to enable their businesses to continue until receipt of the payment.

To date it would appear no common land with multiple graziers have had a common land BPS payment. Farms in this situation have in the main received some, if not all of their BPS payment on their 'inside land'. However a small number of farms have not even had this, and instead only received a small bridging payment. (An £8,000 payment has been seen on several farms – without any obvious relationship to area or size of expected BPS). Inevitably this is putting a large financial strain on LFA farms.

Following difficulties with previous claims, we believe that more farmers used agents to complete their claims in 2016, leading to increased professional fee costs.

A number of farms reported anomalies with maps supplied by the RPA for the 2016 BPS claims. The use of satellite images introduced multiple parcels in situations when only one existed, for example an orchard was shown as multiple parcels. One farmer reported a feature on the map which he believed to be the shadow of a hedgerow tree.

In the South East region, a local land agent who is involved with helping farmers with their BPS claims has stated that over 25% of his clients have had significant errors with the monies that they have been paid for the 2015 claim and a further 25% have had small errors of up to £2,000. He advised that the RPA have commented that these errors will not be sorted out until at least the end of this year. Many of the errors have occurred where fields have been missed off the claim even though they were submitted on the application form.

In the South West there are BPS payments still outstanding, with about 50% of farms experiencing problems with claims and of these 25% are still unresolved.

Many farmers do not understand the BPS statements.

There is no strong evidence that farmers are enthusiastic about entering into the new lower level environmental schemes, most citing it as too onerous to do alongside the current environment requirements of the BPS. Some farmers have said they are not renewing stewardship schemes due to the level of management time and paperwork involved, which in some cases they feel is not worth the return in terms of increased revenue.

There continues to be economic pressure associated with HLS agreements that are conditional on grip blocking (drain blocking) to allow a rewetting of the uplands in order to prevent downstream/floodplain flooding. Many hill farmers remain unconvinced that this strategy will eliminate or reduce lowland floodplain flooding. As recently commented by a Pennine farmer: "the upland sponge is already full of water and any further rain will simply run off, as was the case in 2015".

Renewable Energy

British Sugar appear to be progressing apace with their AD plant at Bury St Edmunds.

In the South East where anaerobic digester plants have been set up in recent years there is an increased amount of rye being grown instead of the predominant maize for use in the digesters. The rye is harvested at a more convenient time for the AD plants' production cycle and performs more efficiently in the digester than maize. Maize and hybrid rye are the top performing crops in the area in terms of gross margins.

Farmers would like to be able to invest more in renewable energy but do not currently see it as a viable option as a result in the fall in the FIT and RHI revenue available for such enterprises.

Proposals to cut FIT support for investment in Anaerobic Digestion are troubling with many still looking at it as a way of diversifying and doing more for the environment.

The past year has seen many farms make full use of the RHI biomass scheme in both commercial and industrial settings, but current interest seems to have reduced somewhat following the reduction in the payment rates.

Rents

Rents for vegetable land in South Lincolnshire seem to be a little lower in 2016 than in the two previous years.

The majority of farmers in the South East have reported that if they have had rent reviews for FBTs during the first six months of 2016, landlords have not asked for an uplift in rents charged.

General

There are currently some cheap (0%) HP finance deals on offer to bolster machinery sales by dealers in poor trading conditions when farmers' are reluctant to spend.

As cash flows are tight, (especially for tenant farmers with high rents), there are some instances of refinancing against existing assets. Input costs are increasingly being financed via short term loan agreements.

Farmers are concerned that if the BPS is removed or significantly reduced, then this could impact on bank lending decisions.