## Executive Summary

This intelligence was collected over a six-month period (October 2020-March 2021). Changing circumstances surrounding Covid-19 impacts may now be different to those reported here.

Tight **fodder and straw** supplies, plus increased **concentrate** costs, have led to **substantial cost increases** for livestock farmers. Some warmer, sunnier spells in February and March allowed land work and some stock-turn out in **Southern** regions and on **drier land**.

While **milk prices are generally stable**, some remote location dairy farmers in the **North** have been refused milk contracts. Dairy breeding stock prices have remained at high levels.

**Beef prices have risen** as abattoirs seek supplies in a tight market. Similar increases in store cattle and calf prices have also occurred. **Bovine TB (bTB)** remains a constant challenge.

Finished and store sheep and cull ewe prices have **increased substantially** during early 2021. More variability in **lambing scanning percentages** were seen; South West higher, the North lower.

Problems with **processing capacity at pig abattoirs** and meat processing plants due to Covid-19 have restricted throughput and led to pigs remaining on farms beyond their optimal age. **Pig concentrate feed price increases** have also occurred.

Following the **Avian Flu** outbreak, keeping flocks indoors brought **challenges for free-range producers.** Some **South West** egg producers have lost their market due to Covid-19 restrictions. The **increase in concentrate feed** costs has led to pressures that may result in some exiting the sector. **Christmas Turkey** producers selling direct to the public found strong markets.

**Sugar beet** yields were substantially **lower** (by 60% in some cases) and lifting was impacted by heavy autumn rainfall. While a temporary **neonicotinoids seed dressing ban derogation** was granted, some growers are considering the long-term viability of the crop. The **oilseed rape** (OSR) harvest was poor following **Cabbage Stem Flea Beetle** damage. Lower harvested areas and yields have however led to **substantial price increases** (£440/t reported). However, OSR plantings are at historically low levels.

Later autumn **crop drilling was difficult** across many regions due to the wet weather. **Cereal prices** across the regions are however very strong, up around £30/t or more on last year, albeit that on-farm crop stocks are often low. **Input costs** have however increased from a relatively lower level in 2020.

Over production of **potatoes** has led to low market prices and some buyers reducing, or pulling out of, contracted tonnages for 2021. **Access to water** continues to be a key issue for producers.

Due to Covid-19 market impacts, **hop growers** are currently facing **massive uncertainly. Cider apple** producers reported a below average crop, which helped to reduce market over supply. Horticulture producers remain worried about **labour shortages.** There has been a **very high demand for daffodils** this year and the **Christmas tree** market was strong.

The new **Agriculture Act**, passed in late 2020, has left many farmers apprehensive about the future of their business. While there is interest in Environmental Land Management Scheme (**ELMS**), farmers are waiting for more details to allow them to make informed decisions.

There has been an increase in **fly tipping**. More people accessing the countryside for recreation has led to a **rise in sheep worrying** and a widening of footpaths in fields. Farmers have made full use of **Covid-19 Bounce Back Loans.**

There has been a significant rise in farms offering **on-farm accommodation** and farm gate / farm shops sales have continued to do well.

## Livestock; Dairy, Beef and Sheep

Fodder (**hay, silage, maize**) and bedding **straw** supplies across all regions have been in short supply over the winter and spring. Driven by the poor 2020 arable harvest reducing straw supply, spring 2020 droughts, and the cold wet winter of ‘20/21 delaying stock turnout to grass, many livestock farmers have faced **substantial increases in forage and bedding costs**. Prices for straw have been reported to be regularly in excess of £100/tonne(t) and up to £160/t in some areas. Straw availability has been further reduced by some livestock farmers increasing their ‘whole crop’ silage production. Straw has become an increasingly valuable commodity for arable farmers, with some holding on to stocks over the winter in anticipating of rising prices in early spring. **Increased wheat and barley prices** have led to concentrate prices increasing by around £30/t to average £240-260/t. In addition to the lower 2020 crop yields, increases in imported raw material costs have been cited as a factor leading to these concentrate price increases.

The wet and cold winter of 2020/21 has been followed by some warmer sunnier spells in February and March allowing land work and slurry applications to begin, plus some stock-turn out in **Southern** regions and on **drier land**. Despite higher rainfall and cold snaps, grass growth is looking promising, which dairy, beef and sheep producers have welcomed.

Arla are increasing their farm-gate milk prices, but Muller have cancelled more farmer contracts. Overall, **milk prices seem stable**, with a small price increase to reflect extra feed input costs for supermarket aligned contracts. While some wholesalers have provided guaranteed prices for milk producers, some farmers in the **North** have been refused contracts (with national buyers) due to their remote locations (in Cumbria). Stable milk prices have maintained dairy heifer and cow prices across all regions, with the best newly calved heifers achieving in excess of £2000/head. Interest in cross-bred heifers continues to increase as farmers look for cows with increased longevity, and those more suitable for grass-based systems.

Finished and cull cattle **beef prices have steadily risen** as abattoirs seek supplies in a tight market. Finished and cull prices have led to similar increases in store cattle, with 13 month old steers averaging £1075/head, heifers £1025/head and continental steers regularly grossing over £1400/head in the **North**. These prices rises have been despite the increased number of stores for sale as some farmers reduced stock numbers to lower their forage and bedding costs. Prices rises have also filtered down to calf prices, with Holstein bulls averaging £38/head and British Friesian calves at over £150/head.

**Bovine TB (bTB)** remains a constant challenge for both dairy and beef producers bringing both emotional and financial challenges for farmers affected by a bTB outbreak and the need for three clear tests before being able to sell some of their stock.

Despite some issues from Brexit and Covid-19 at the start of 2021, **finished sheep prices have increased substantially during early 2021**. In the **North**, hill breed lambs have achieved 220-240p/kg liveweight (LW) and continental type lambs 245p-285/kg LW, with the best lambs achieving over £150/head gross. Cull ewe prices have also increased, with good quality hill ewes achieving £50/head and poorer ones from £25/head upwards. Anecdotal evidence suggests that some farmers in the **South East** are considering selling ewe lambs now for the fat trade that they would normally be sold in autumn breeding sales. This may lead to a shortage of breeding stock for the following year. Store lambs also continued to achieve good prices, with hill breed store lambs achieving (£40–60/head) and mule or continental stores (£60-80/head), up around £20/head on the previous 12 months ago.

The autumn’s breeding sheep sales also saw **high prices in the North**, with gimmer mules averaging £109/head, up £29/head on the previous year and ‘mid-life’ hill and upland ewes trading at around £85-90/head, a rise of around £15-20/head year on year. Whilst prices have remained buoyant, wet weather and variable grass availability in the autumn led to an increase in **variability in lambing scanning percentages**. Increased grass in the **South West** led to higher scanning results than normal, while in drier parts in the **South East**, and colder areas in the **North**, scanning percentages were noted to be down 10-20%. Numerous cases of urban fringe dog worrying have been reported in both **North and South Yorkshire**.

Farmed venison prices have remained stable. There was a short period of high demand for locally produced farmed venison, as heavy snowfall in February caused problems for Scottish producers and hauliers trying to get venison into England.

## Pigs and poultry

There have been **problems with processing capacity at abattoirs** and meat processing plants where Covid-19 outbreaks and social distancing have significantly restricted throughput, with a large amount of their trade linked to schools and catering businesses. The knock-on impacts were felt at farm level with some pig producers having to find new markets and incurring increased transport costs. **Concentrate feed price increases** have also occurred for those who did not secure fixed price feed contracts, which, coupled with some restrictions on the sale of pigs due to disrupted markets, led to producers retaining pigs for longer. For some this also led to the loss of feed conversion efficiency bonus payments by not being able to sell at the correct weight. Weaner producers were particularly impacted, with finishing units refusing to take weaners until they could move on/sell their finished pigs.

While pig prices have started to recover following a price fall (of around 20p/kg), the recovery has been very poor, with some concern from a number of producers about imported pig meat undermining prices. Cull sows were reported to be virtually worthless due to EU export difficulties. Consequently, these outlet, rearing/finishing capacity, and input/output price challenges have caused difficulties for a number of pig producers.

Following the discovery of **Avian flu** in wild and captive birds in the UK, new housing measures came into force on the 14th December meaning all flocks had to be kept indoors. This brought **challenges for free-range producers** in terms of flock management and bird health. Some egg producers are also unable to move on cull hens, through sale, disposal or re-homing, due to a combination of Avian flu and Covid-19 restrictions.

Some **South West** egg producers selling direct to hotels have lost their market due to Covid-19 restrictions. While retail sales of large eggs has remained strong, demand for smaller eggs, that largely comes from cafes, restaurants and hotels, has been weaker with even medium sized eggs being reportedly sold as 'seconds'. While the retail price rises for some eggs benefited producers, there has been **an increase in feed** costs (reported to be up to £70/t more than last year in some cases), and also in packaging costs. The price of point of lay pullets has also increased by 30p/bird. These price pressures may lead to some to exit the sector.

**Christmas Turkey** producers selling direct to the public found strong markets, albeit with a request from many customers to change their orders to smaller birds in response to changing Covid-19 restrictions leading up to Christmas. Some producers adapted to this by offering a free 'jointing service' enabling customers to "use part" – "freeze part" of the bird; this was well received by customers. Securing labour to pluck and dress the birds was also a challenge.

## Arable

**Sugar beet** outcomes showed both **lower yields** (down by as much as 60% in some isolated cases) and **lower sugar percentages** across the **East and East Midlands**. This was in part the result of Virus Yellows leading to a large number of beet growers to consider reducing or removing their beet acreage for next year. Sugar beet production challenges were exacerbated by heavy autumn rainfall that led to lifting difficulties. During the winter months, the topic of a **neonicotinoids seed dressing ban derogation** was a major determining factor in growers' decision-making. While the derogation was granted in early January 2021, the temperature trigger required to permit this derogation to be used, plus longer-term restrictions on the following crops that could be grown (no flowering crops can be grown for 22 months after sugar beet), means that the future scale of beet production remains uncertain.

**Oilseed rape** (OSR) plantings are **considerably lower** than their historic levels due to poor harvests following **Cabbage Stem Flea Beetle (CSFB)** damage. However, there is increasing interest in High Erucic Acid Rape (HEAR) OSR varieties due to price incentives (+£100/t over typical OSR) and anecdotal evidence that these varieties may offer some CSFB attack resistance, given that the neonicotinoid ban has reduced OSR yields and profitability. The lower areas and yields of OSR has led to **substantial OSR price increases** (£440/t reported).

The combination of Sugar Beet and OSR crop challenges is reducing the variety of crops grown on some farms. There has been an increased interest in winter oats and barley. Soya is also starting to be grown in the **South East**, with trials currently being undertaken. A farmer in the **East** has stopped growing maize for a third party Anaerobic Digestion (AD) producer, due to soil damage and negative publicity about this damage. There is an increased interest in growing cereals (and Rye) for AD, reducing soil damage as these crops are harvested earlier in the season.

**Autumn crop drilling was difficult** across many regions due to the wet weather. Some growers made an active decision to sow winter cereals earlier than normal in response to challenges they faced in the wet autumn of 2019. Where crops were established early, ahead of the wet autumn, these appear to be growing well. However, later drilled crops went in to unsatisfactory seedbeds, and some fields were once again not drilled with winter crops, while others will require re-drilling. However, overall, winter crop establishment in 2020 was considerably greater than that in 2019, but the recent occurrence of **wet autumns/winters followed by very dry springs** is a concern for growers. Some spring drilling in the **South**, **East** and **Midlands** has been undertaken, but some areas remained waterlogged. Where it has dried sufficiently in later March, crops have gone in well and farmers are currently applying fertiliser when conditions permit. Lack of drainage funding support is reported to be an issue on heavy clay soils.

**Cereal prices** across the regions are very strong **up around £30/t** or more on last year (wheat £195/t; barley £170/t), but many farmers do not have much crop in store to sell due to the knock on effects of a very wet 2019 autumn and poor 2020 harvest. Cereal prices are predicted to remain strong for the next 12 months or so. **Input costs have however increased**, from the lower levels seen in 2020. Blackgrass remains a challenge, inevitably increasing the cost of herbicides. Yellow Rust has been identified in crops in the **West,** which has not previously been reported.

The **potato industry** is suffering due to overproduction in the last couple of years. Some farmers in Warwickshire did not plant their headlands as the supplier (McCains) cut back their quotas. More generally, **an exceptional yield for potatoes has led to a very poor price**. Examples of buyer uncertainties over production requirements, and buyers pulling out of contracts have been cited, with Covid-19 uncertainties noted as the driver for this. Some producers responding to Brexit uncertainty in the autumn of 2020 sold crop early and secured EU seed potatoes earlier than normal to avoid potential Brexit-related import challenges.

**Access to water** continues to be a key issue in root crop areas, particularly potatoes. Abstraction licences are being revoked as the conflict between farm needs and environmental issues continues. Consequently, uncertainty regarding water will continue to threaten the production of potatoes and other water dependent crops unless significant investment in water resources is made. However, applications for the construction of surface storage facilities have been cited as being blocked by local planning on the basis of environmental protection.

## Horticulture

**Hop growers** are currently facing **massive uncertainly** with their markets having been decimated by Covid-19; year on year cask ale sales are down 59%. Many growers are trying to decide how much to grow/grub/idle to match demand for brewing in 2022. Some merchants have asked for contract reductions or contract roll forwards of between 50% and 90% of most traditional UK varieties.

**Cider apple** producers reported a below average crop, which helped to reduce supply in a substantially reduced cider market resulting from pub closures. The long-term oversupply of apples, pre pandemic, has been dealt with by large-scale reductions in crop areas, compensated by the relevant companies. Heineken (Bulmers) have stated they will take all contracted apples from 2021 crop. By contrast, Magners are reported to be negotiating to take no apples from the 2021 crop.

The announcement of the extension of the **Seasonal Workers Pilot Scheme for 2021** has given some additional relief for fruit and veg growers. Either capacity or contractual issues are making it difficult for some growers to market/pack their produce, which may result in their ceasing to grow fruit. **Ornamental producers** are extremely worried about **labour** in the future as currently under the points based system there is no exemption for workers to meet their labour needs.

There has been a **very high demand for daffodils** this year, but many daffodil producers have struggled to find staff to pick flowers in **Cornwall**, while in the **East** snow in early spring helped to delay daffodil blooms until more migrant workers were available. Flower exporters must specify precise quantities in advance, making trading very difficult as supply depends on crop development and harvest progress. Covid-19 uncertainties have remained a challenge for horticultural growers.

The **Christmas tree market was strong** with solid sales and good prices. Farmers had been doubtful that they would be able to sell any trees due to the Covid-19 restrictions. Uncertainty around Brexit meant fewer imported Christmas trees, allowing more British Christmas trees to be sold.

## Basic Payment Scheme (BPS) and Environmental Schemes

The new **Agriculture Act** was passed late in 2020 with many farmers apprehensive about what it means for the future of their business. Some **hill farmers** are concerned that the fall in BPS payments could lead to them going out of business. Others were frustrated about the lack of information about the new land based schemes making planning very difficult.

There is a marked increase in interest from farmers for investigating Countryside Stewardship schemes, with the greening requirement removed from this year's BPS and with the confirmation that farmers can break the scheme without penalty when **Environmental Land Management Schemes** (ELMS) are introduced. Most farmers, where possible, are opting to "roll over" their recently expired Upland/Higher Environmental Land Management Schemes (UELS/HLS). Several farmers have said they are interested in applying for the ELMS national pilot. Mid-tier scheme seems more farmer friendly and less restrictive than previous schemes.

There is considerable concern over the funding gap that will appear once the current schemes finish and before the replacement schemes are up and running. **Most 2020 BPS payments have arrived** on time. There are however instances of large payments being withheld on issues relating to commonland where aerial mapping has incorrectly identified ineligible features.

## Brexit

Concerns were raised about imports and exports to the EU for all crop/livestock/products. The time input, changing agreements and cost implications were noted in particular. One farmer felt there was a lack of acceptance in the new legislation of organic farming as a positive ecologically intensive farming system.  Concerns also remain over the management of agriculture in government decision making.  Many farmers are holding off making investment plans and other business changes until details of future agricultural and environmental policy options are released.  Some farmers remain convinced that a reduction to the amount spent on agriculture will be the outcome.  Some older farmers have cited Brexit as a reason behind their intention to retire.

## Topical issues

Arable farmers have expressed a positive interest at the prospects of gene editing being used in UK agriculture after the government unveiled an upcoming consultation in January 2021, hoping that yield increases and improved resilience against pests and diseases may become possible.

Many farming businesses have been contacted over the past few months by the ICO (Information Commissioners Office) regarding the need to register with them to meet data protection regulations. Many are unaware of the need to be registered if they have any CCTV on their premises.

The recent announcement of the **Super Deduction Tax** for limited companies by the chancellor has generated interest in new plant and machinery purchases as it offers 130% first year tax relief on qualifying plant and machinery such as tractors and trailers.  However, all input and capital costs (including machinery) have increased considerably with availability challenges also being noted, in part due to global Covid-19 impacts affecting production and imports.

## Coronavirus

Covid-19 related issues has been a problem for accountants resulting in delayed accounts.  **Fly tipping**, including garden waste tipping, has become a major problem for farmers across a number of regions, in part due to Covid-19 impacts on the closure of recycling/refuse premises or the need for advanced booking to use these facilities.

The increased number of people accessing the countryside for recreation has led to a **significant rise in sheep worrying** in some areas.  During winter, many field footpaths saw increased footfall leading to significant increases in footpath widths, into farmers' crops/grass.

Red tractor assurance scheme inspections, and other interactions, are being undertaken online.  Some farmers have welcomed this approach, while for others this has caused technical challenges, in particular where access to high quality broadband is a problem.  Some agricultural technical events and shows are planned to resume in 2021, while others have been postponed to 2022.

Farmers in all regions have made full use of **Covid-19 Bounce Back Loans**, taking the opportunity of easy access to funds as an insurance against future cashflow issues.  Farmers and horticultural growers have used furlough payments where they have had to reduce their labour needs due to Covid-19 impacts.

## Diversification

There has been a significant rise in farms offering **on-farm accommodation** (campsites, glamping, shepherds huts, pods etc) with enquiries from customers increasing substantially following the Covid-19 roadmap plan announced on the 22nd February.

Following a boom in farm gate and farm shop sales early in the first Covid-19 lockdown, many of these increased or new outlets have continued to perform well, providing a longer-term benefit for some farm businesses.