**Executive Summary**

*This intelligence was collected over a six-month period (April 2022-October 2022).*

**Drought** has reduced **winter forage stocks**, exacerbated by some farmers applying less fertiliser.

Higher **milk** prices have aided dairy enterprise margins; however, the costs of production are continuing to rise. Farmers were forced to **buffer feed** cows to maintain **milk yields** due to lack of grass although the dry autumn saw cows outside until late October easing pressure on winter forage.

**Beef** producers are concerned about rising input prices as market prices have stabilised and are not increasing, putting pressure on margins.

**Lambing** 2022 went well and lambs have generally grown well over summer, dependant on grass growth but prices have fallen with the cost-of-living crisis being partially blamed*.* Prices for **cull ewes** and **cows** are high with demand for mince likely linked to demand from budget conscious consumers. Some **early lambing flock producers** are concerned that heat stress at tupping and lack of grass for flushing ewes will reduce lambing numbers for 2023.

**Pig** and **poultry** producers continue to leave the sector due to the cost of inputs, low returns and threat of **Avian Flu**. Many in the industry are suffering severe distress and mental anguish. Demand for **pig** and **poultry manure** has seen a sharp increase this year due to inorganic fertiliser price increases.

The **harvest** of 2022 was exceptional, aided by the long dry summer, with some experiencing the earliest harvest on record. The **cereal** and **oilseed rape harvest** has been profitable, however there is a high variability in prices. **Volatility** and living with risk are now the norm.

**Autumn drilling** is going well with crops generally being drilled into good soil conditions. Some planting has been delayed until the beginning of October to allow for the germination and spraying off of grass weeds including blackgrass.

Dry weather resulted in a notable yield reduction of the autumn **maize**, **potato** and **sugar beet** crop.

**Top** and **soft fruit** producers have reported a good harvest, however, record high input prices remain a great concern including storage, labour and fuel.Similarly**, vineyards** produced an exceptional harvest with very high sugar content and quality grapes. However, the **hop** crop has suffered due to the drought and heat and thus yields have been decimated.

**Bedding plants** and **hardy nursery stock** producersstruggle with the paperwork required to import stocks from the EU and export plants and very high input costs remain a huge threat to the sector.

Farmers have welcomed the advance half payment of the **BPS** during July 2022 andthe ability to extend their **Higher Level Scheme** agreement for five years to ensure cashflow. There is seemingly a lack of interest for **Environmental Land Management Schemes** (**ELMS)** and **Sustainable Farming Initiative (SFI)** given the relatively low amount of money available and the cost implication involved in contrast to the BPS. Regarding **capital grants**, standard pricing has not kept up with costs.

Instability in the **government** and changes in PM and the cabinet are making it even more difficult to plan; food security versus environmental management?

The general message from all sectors is that market **uncertainty**, increased **volatility** of commodity prices, input costs, labour issues and extreme weather events are making planning near impossible.

Farmers are finding it increasingly difficult to have face to face discussions with agricultural **banking** experts. Banks are more cautious in lending and the increase in **interest rates** is of great concern for those who have high borrowings.

**Livestock; Dairy, Beef and Sheep**

In the **North**, the weather and grass growth resulted in good **silage** yields providing reasonable stocks of forage for the winter. However, the prolonged, dry summer, led to a declaration of **drought** in other areas reducing levels of **winter forage stocks**, exacerbated by some farmers applying less fertiliser and later silage cuts were either not possible or lacking in quality and quantity.

The ground in late summer was too dry and hard to drill **stubble turnips** and **kale** in the **Southeast**, which will have a knock-on effect on the availability of fodder and also on the store sheep trade; traditionally stores are purchased in the autumn and finished over the winter on fodder crops.

The improved **milk price** has eased the immediate pressures of the increased input prices. August saw **milk** prices achieve over 50p/litre. However, the costs of production are continuing to rise; notably feed, electricity and labour. A dairy producer in the **Northwest** is actively switching from **organic** to conventional milk production due to the high conventional milk price and price of organic feed.

Dairy farmers were forced to **buffer feed** cows to maintain **milk yields** which reduced due to lack of grass and compounded by cows suffering heat stress. **Cell counts** increased as cows sought the shade and packed together, soiling the areas where they were lying. Additionally, drier dung caused cubicle houses to become very slippery when scraped out resulting in more casualty culls.

Some dairy farmers have had to house their herd earlier than normal to aid feeding of supplementary forage. However, in other regions, the dry autumn saw many cows still outside until late October easing pressure on winter forage stocks.

**Dairy calf prices** continue to fall especially for the poorer quality types; with milk powder and feed prices escalating, rearing quality stock only are considered potentially viable. **Newly calved dairy cow** trade remained strong which was aided by the improved milk price and strong cull cow trade.

**Nestle/First Milk** are requesting that farmers renewing/signing up to a new milk contract also sign over their **carbon credits** in perpetuity, in return Nestle/First Milk will give a guaranteed price.

**Beef** producers are concerned about feed and other input prices as market prices for **finished** stock have stabilised and not increased in line with costs, putting pressure on margins. **Store** cattle prices saw a dip at the end of the summer, due to the shortage of fodder and rising costs, making the prospect of finishing store cattle too risky.

**Processors** are also experiencing much higher costs for labour, electricity and transport.

**Lambing** 2022 generally went well, with good weather. There were reports of **Schmallenberg** virus in the **southeast**, however very little sign of this in the **north**. **Lambing rates** have been good, and lambs have generally grown on well over summer, dependant on grass growth.

**Old season** prime lamb prices reduced during spring, whilst **new season lamb** prices have also fallen with the cost-of-living crisis being partially blamed*.* There is a large gap in price between store and fat lambs due to the lack of grass to finish lambs. One buyer commented that the dairy farms which usually over-winter sheep, were grazing cattle or taking a late crop of silage instead.

Prices for **cull ewes** and **cows** are disproportionately high compared to prime livestock, with high demand for mince likely linked to budget conscious consumers.

Some **early lambing flock producers** are concerned that heat stress at tupping and lack of grass for flushing ewes will reduce lambing numbers for 2023. Veterinary and medical supplies are a concern with many drugs being unavailable such as **Heptavac P**. There has been a rise in fly strike at the end of summer as temperatures cooled and rain moved in providing the ideal warm, damp conditions.

**Pigs and poultry**

**Pig** producers continue to leave the sector; a pig farmer in **Norfolk** ceased production this summer due to doubling of the electricity cost and soaring feed prices but is now concerned how he will service capital investment charges. Many in the industry are suffering severe distress and mental anguish.

**Avian flu** is a serious threat to the **poultry** industry and combined with huge increases in feed, poult and energy costs, many producers including free-range are ceasing production. Furthermore, Avian Flu threatens farmers with the inability to sell their produce as free-range and / or organic.

June saw DEFRA consult on the ending of **cage production**. Whilst welcomed by some welfare groups, poultry farmers in the UK argue that welfare standards are the highest they can be in modern battery houses and banning them would leave a market for low welfare eggs to be imported.

Demand for **poultry manure** has seen a sharp increase this year due to inorganic fertiliser price increases. One farmer reported being offered double the price for his manure on the previous year.

**Arable**

**Spring drillings** went well with damp weather aiding germination and establishment. Cereal and oilseed prices remained strong during spring 2022.

The **harvest** of 2022 was exceptional, aided by the long dry summer, with some experiencing the earliest harvest on record and few incurred drying costs. The **cereal** and **oilseed rape harvest** has been profitable, due to early purchasing of inputs, reasonable yields and generally strong market prices however there is a high variability in prices. **Volatility** and living with risk are now the norm. Despite the higher price of inputs, some farmers are not willing to deviate from normal input levels as they believe it is important to maintain yields. Two small arable farmers in the **southeast** have confirmed that they will not be planting for 2023 harvest because they lack the cashflow to buy the fertiliser.

The expectation that arable farmers would chop more **straw** this year to retain nutritional value and reduce inorganic fertiliser requirements, appears not to have happened on the scale expected. As a result, straw for sale as bedding is plentiful and the price has eased compared to recent years.

There are concerns that **seed** prices will rise considerably in autumn, due to high grain prices. Precision farming techniques are being considered to reduce costs due to the rise in input costs.

Autumn drilling is going well with crops generally being drilled into good soil conditions. However, **Cabbage Stem Flea Beetle** is reportedly ‘absolutely rife’ in **Essex**, and as a result large areas will need to be redrilled. Some planting has been delayed until the beginning of October to allow for the germination and spraying off of grass weeds including blackgrass, as spray options to tackle these problems are reduced. The hard dry ground causes difficulties with ground works such as sub soiling, resulting in damage to machinery and an increase in loss of topsoil when windy.

Dry weather has had a serious effect on the autumn **maize** crop, resulting in stunted growth and a distinct lack of cob maturation at harvest, reducing both **anaerobic digester** and forage supplies.

**Potato** producers suffered due to drought, with yield losses of 15-20% reported with unirrigated crops being more severely impacted.

**Sugar beet** yields are reduced this harvest due to the drought. Prices for do not reflect the true costs, particularly the long-term impact on soil structure and following crops. Beet haulage is also challenging and more needs to be paid to attract / retain hauliers as it is long hours and in difficult conditions. **British Sugar** are offering reasonable money to rent ground for growing sugar beet for 2023 harvest as they need to ensure supplies. As a result, some farms are increasing or returning to sugar beet this coming season due to the improved contract prices.

**Horticulture**

**Top fruit** producers have reported that high temperatures literally cooked the **apples**, however, for those orchards that were not exposed to such high temperatures, harvest 2022 is a bumper crop. The **cider** makers are taking all the crop this year and the outlook going forward is more positive. Record high input prices remain a great concern including storage, labour, fuel and electricity. One producer reported that he will not be replanting orchards this year which are on a 10-year cycle, due to reduced margins and another grower said that he does not think he will be in business this time next year.

**Soft fruit** yields and prices are strong following the record temperatures with a good appetite from the supermarkets to buy British although the sector is struggling with input prices.

**Bedding plants** and **hardy nursery stock** producersstruggle with the paperwork required to import stocks from the EU and export plants. Trying to source from the UK is proving difficult due to lack of availability. Demand for flowers such as **roses** has been low possibly due to households cutting back.

**Vineyards**: the warm weather produced an exceptional harvest with very high sugar content and quality grapes. This summer also saw a high demand for wine tasting and tours, which has become a crucial aspect for marketing and selling wine.

**Christmas Trees** survived the dry spring / summer, but the fungus **Rhizoctonia** has been identified for first time in the crop and so there is great concern over possible loss of the fungicide **mancozeb**.

The **hop** crop has suffered due to the drought and heat, yields have been decimated, 50% down in the **southeast,** 40% down in the **west midlands**. The UK hop industry is in a very poor situation, due to covid lockdowns and pub closures and rising costs and more growers are leaving the industry. However, shortage of hops may force some brewers to think they need to make a forward contract.

The 22ha **glasshouse** business being developed near **Ely** is causing concern that the economics may be driven by the combined heat and power, and not by crop production and therefore existing producers, facing high energy costs, may not be able to compete.

Horticultural producers are rethinking their methods of production in response to the critical shortage of labour, for example, investigating **robotic technology** for flower selection and picking.

There is ongoing concern about restrictions on **water abstraction** in **Norfolk** and pressure from environmental groups. Producers have commented that there is a need to differentiate between and better understand the impacts of winter and summer abstraction.

**Basic Payment Scheme (BPS) and Environmental Schemes**

Farmers have welcomed the advance half payment of the **BPS** during July 2022 to assist with the cost of living and input pressures. Most farms received their 50% **BPS** payment in a timely manner.

Farmers who wish to extend their **Higher Level Scheme** agreements welcomed the news that they could do so for five years, which provides an income stream in uncertain times.

There is seemingly a lack of interest for **Environmental Land Management Schemes** (**ELMS)** and **Sustainable Farming Initiative (SFI)**. The opening of ELMS has coincided with a busy period and given the relatively low amount of money available, applications have been paused. They also note that for each measure there is a cost implication involved in contrast to the BPS. There is disappointment that there is no funding available for **permanent pasture** farms until 2024 and concerns over Christmas tree exclusion from schemes. In terms of SFI, it has been highlighted by one farmer that without the additional pilot payment “it wouldn’t be worth it’. Concerns have been raised over the long-term aspect of **tree-planting** when short-term outlooks are very uncertain.

For **capital grants**, standard pricing has not kept up with costs, resulting in some farmers opting not to conduct works, with cost of the works exceeding the grants by a considerable level.

Instability in the **government** and changes in PM and cabinet is causing increased uncertainty of what direction the Government will encourage farms to move in, making it even more difficult to plan; food security versus environmental management.

**Nitrate Vulnerable Zone** rules and closed periods for organic manure applications are causing concerns over winter sheep keep availability as some farms are already at the limit before over-wintering sheep. This could also impact environmental schemes where winter cover and grazing options were previously used.

**Diversification**

Farmers continue to consider **alternative income streams**; farm shops, breweries, buildings for storage, barn conversions for residential or holiday lets or selling land for housing developments to offset the reduction in BPS. Some farmers commented that housing developments will increase the loss of productive agricultural land which is in direct conflict with increasing the UK's food self-sufficiency in terms of agricultural produce.

**Local planning restrictions** have caused issues for diversifications projects; one farmer is looking to build a farm shop but is having to spend excessive amounts to meet planning regulations.

As energy prices rise, farmers who had struggled to get planning whilst feed in tariffs were available are now being offered good prices for **green energy** being sold back to the grid. This is leading to a resurgence in confidence in the market and focus has been shifted back to bringing these developments to the forefront.

In the **Southwest**, there is an increasing trend of lowland livestock farmers reducing numbers and renting out land to vegetable growers for guaranteed income. Comments regarding diversification such as tourism in **Cornwall** previously being a bonus, is now considered essential to farm income. However, the demand for **holiday lets** has dropped as travel abroad restrictions have eased.

**Input Prices**

**Key costs** for labour, fuel, fertiliser, electricity, machinery and building are remaining high and continuing to escalate. **Electricity** prices for businesses have significantly risen, with those trying to renew being quoted prices as high as 80-100p/unit.

**Working capital** costs are a huge concern, notably fertiliser. The planting of crops is a risk, leading to increased stress and anxiety, due to higher costs, and uncertainty in the longevity of high grain prices. Farmers with cash flow problems are struggling and with no guarantee that they will achieve a margin. Consequently, some farmers are cutting inputs and rethinking the cropping for the autumn.

The rapid increase in the price of **fertiliser** caught many **grassland** farmers by surprise as they buy fertiliser as they use it. Many farmers tried to reduce their reliance on inorganic fertilisers by chopping and incorporating straw, using sewage sludge and digestate or spreading animal manures, also some larger arable operations were planning to buy fertiliser in April 2022 onwards to store in an attempt to mitigate possible price increases and lack of availability predicted for autumn 2022.

The huge increase in **fuel prices** coupled with other input price increases are resulting in increased **contracting costs**.

**Machinery** availability remains an issue, with dealerships quoting more than 12 months for delivery, which is driving up the price of second-hand machinery, making investment in equipment more challenging. Machinery purchases not arriving in time for harvest have been reported, leading to shortages of combine harvesters and business management complications over VAT. Machinery costs as a proportion of total costs are becoming increasingly significant and worrying.

The feelings that the government wants to provide cheap imported food to negate inflation against a backdrop of UK farms becoming carbon offset farms or rewilded is not providing confidence in current agricultural policy. There is concern about the burden in terms of tie and cost of **Red Tractor** assurance verses imports from countries which do not have the same strict standards.

**Topical issues**

The general message from all sectors is that market uncertainty, increased **volatility** of commodity prices, input costs, labour issues and extreme weather events are making planning near impossible.

There is a concerning increase in landlords taking back land from tenants. Farmers have been bought out of their **Full Agricultural Tenancies**, citing repairs and renewals issues. It has been reported that landlords including the National Trust are looking at **rewilding/tree planting schemes** where they will earn more money than renting out to tenants to farm and produce food causing some to exit tenancies early. All **Duchy of Cornwall** tenants are required to do a **‘Natural Capital’** audit.

**Carbon capture:** one farmer reportedly was offered £400 per hectare for 40 years if he agreed to sign up to a carbon capture deal for his permanent pasture ground.

Demand for some **organic** products seems to be reducing, perhaps linked to the cost-of-living crisis, with some organic poultry producers having their numbers reduced.

**Phosphate neutrality zones** in the **Somerset Levels and North Cornwall** are adding stress and costs to farms. Some are concerned they will miss out on grants for the slurry investment scheme due to planning issues, as they are caught in a planning backlog and additionally some councils are applying stringent ammonia regulations in effect restricting the approval of new/improved slurry pits.

The 2nd wave of previously exempt businesses now required to be **Making Tax Digital** compliant are finding this challenging, as they have a low turnover and cannot afford high accountant’s fees to complete it on their behalf; thus, many are still reluctant to engage with the change.

A **Suffolk** arable farmer has commented that **water** authorities should be more accountable for how they dispose of sewerage, particularly discharges into water courses. Nutrients should be better utilised in agriculture to offset the current very high fertiliser prices, particularly as sources of phosphorus and potassium (P and K).

A farmer in **Southeast England**, would like to expand to help support the younger generation and spread overhead costs, but is unable to find land, either to purchase, rent or farm on contract.

The problem in sourcing **herdspersons** continues to be an issue for dairy farmers, increasing strain on family labour. Sourcing, funding and retaining harvest and skilled labour across the industry is an increasing problem due to a high number of open positions in agriculture and other industries with farms having to raise rates to retain staff.

The extremely hot, dry conditions resulted in many **fires** this year, particularly during combining. There have been reports of fires destroying crops, straw and machinery across the regions**.**

Farmers are finding it increasingly difficult to have face to face discussions with agricultural **banking** experts, compounded by closures of rural branches. Farmers have lost the relationship and history with a specific contact who understood their business. Banks seem to be more cautious in lending at a time when farmers are experiencing difficulties with cash flow. Furthermore, the increase in **interest rates** is of great concern for those who have high borrowings.