



Intelligence from the Regions – April 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

- Arable yields from the 2015 harvest were generally much higher than average but farmers continue to be concerned about low grain prices and the possibility of low prices continuing in the long-term.
- Lower prices for peas and beans following increased crop supply as a result of growers opting to use legumes to meet their greening commitments are a concern to traditional growers of these crops.
- Many arable farms initially experienced a good 2016 autumn sowing period with good crop establishment. However, the subsequent poor weather conditions during November, December and January have had a detrimental effect on many autumn sown crops.
- Spring cropping has become an important part of the cropping mix on arable farms. Blackgrass control and Basic Payment Scheme (BPS) measures are the main drivers for this change.
- Cabbage Stem Flea Beetle problems seem to be widespread and serious this year with problems reported across the East of England.
- Potato growers have said that processing contract prices on offer for the upcoming season are too low and growers are losing confidence in the industry, meaning low reinvestment in machinery and storage.
- Horticulture growers face sharp increases in their wage bills as a result of the Government's new National Living Wage law.
- Dairy farmers say that they are essentially working to a quota system as processors are effectively issuing producer quotas by giving monthly profiles based on historic production, with surplus milk over the profile paid at a much lower value.
- Low milk prices continued to be of great concern to producers who had recently invested heavily. Often, the decision to invest was based on milk prices of at least 28 pence per litre and the current milk price meant that servicing loans was extremely difficult.
- Even the large pig companies are selling stock at below the costs of production and there are rumours of a large scaling back on the size of breeding herds.
- Confidence in the 2016 BPS application process remains low and many farmers once again have had to take additional professional advice to help with their applications and greening requirements.
- Many hill farmers have still not (April 2016) received their BPS income, due to complications of common land and the subsequent re-allocation of un-used common rights and notional areas.

Summary

❖ Arable

- Low wheat prices have resulted in large amounts of grain being retained on-farm, although there is very little optimism that there will be any significant price increase in the near future.
- High input crops such as winter wheat and oilseed rape are reported to be being replaced by less expensive crops, e.g. beans, oats, in an attempt to combat low arable prices.
- Lower prices for pulse crops are of concern to arable farmers, who blame the dramatic decline in 2015 prices on the increased areas grown for these crops by way of meeting greening requirements.
- A small number of farmers have grown niche specialist and medicinal crops with some encouraging financial returns being made.
- Many farmers in the **East of England** grew autumn/winter "green manure" cover crops and catch crops for the first time as a requirement for their Basic Payment Scheme (BPS) greening obligation. With spring cropping in mind, the focus is now on how to ensure successful crop establishments following the rapid growth of the cover crops due to the mild winter conditions.
- Spring cropping is becoming an increasing component of crop rotations on arable farms as a result of blackgrass control and BPS measures.
- Blackgrass control has been reported as poor in the **South East**, despite plenty of moisture and timely applications of residual sprays at high water volumes with angled nozzles to rolled seed beds.
- Barley yellow dwarf virus development is of concern as a result of aphid migration continuing into December, with strong winds making the application of aphid sprays difficult to manage.
- Wheat crops on some poorly drained, heavy land have suffered root death as a result of waterlogged soils.
- Flooding in northern England has caused significant crop losses, with large areas of cereal and vegetable crops being written off.
- Cabbage Stem Flea Beetle (CSFB) problems seem to be widespread and serious this year with problems reported across the **East of England** (even in the area where neonicotinoid dressed seed was subject to derogation). We are aware of particular problems on the border of Bedfordshire; an area where seed treatments are sometimes failing to prevent damage.
- The threat of CSFB, coupled with low prices is causing many farmers to evaluate the merits of growing oilseed rape in 2017.

❖ Horticulture

- The new National Living Wage law means that horticulture growers face increases in their labour costs which already account for a significant percentage of their inputs (35-60%)
- The top fruit market is reported as being very depressed. Growers, having made long term investments in orchards, find themselves locked-in to this enterprise and find it difficult to consider alternatives.
- Low juicing prices (£20 per tonne) are contributing to the low profitability of top fruit businesses.
- Eastern European imports of top fruit, previously bound for Russia, are depressing UK prices.
- The prospect for 2016 top fruit yields are not very promising following the very wet weather during the autumn / winter 2015, coupled with a poor spring.
- Cider apple production in 2015 is regarded as a good year. An £8 per tonne price increase and the possibility of bonuses related to the quality of tannin have contributed to increased outputs.
- The **West Midlands** has seen considerable areas of new orchards planted under cider producers subsidised schemes.
- The economic conditions for tomato production remain difficult for smaller glasshouses with these holdings continuing to leave the industry.
- Bedding plant sales for garden borders appear to be in decline at the expense of sales for hanging baskets and patio planters.
- There is an increasing trend for nurseries to diversify into garden centre activities as a way to maintain profits.
- One knock-on effect of a lower uptake of agri-environment schemes has been reduced sales of young woodland trees, although growers are hopeful that the HS2 scheme will increase the demand for trees in the coming years.

❖ Forage

- Wet weather induced leaching of soil nutrients is a concern for poor soil conditions, leaving grass short of some essential minerals.
- Generally, fodder stocks through the winter period have been ample, helped by the flush of autumn grass and later than usual housing dates.

- The relatively mild winter has been beneficial for broad-leaved perennial weeds emerging earlier than normal, with the risk that they will out-compete grass and reduce the quality of silage. Consequently, grassland growers have said that they plan to make herbicide applications in early to mid-April in an attempt to allow the grass to re-colonise the swards.

❖ Dairy

- Processor initiated monthly production profiles, based on historic levels of production are regarded by dairy farmers as a form of quota system, with surplus milk being paid at much lower prices.
- Some dairy farmers, upon the ending of current aligned milk contracts are finding it difficult to renew on the same basis and are having to sign non-aligned contracts instead, with consequent negative impacts on their milk price.
- Dairy farmers appear to be maintaining their investments in herd fertility and herd health, despite experiencing cash flow difficulties.
- There is some evidence of a move away from maize based forage systems, in favour of lower input grass based systems.
- Organic dairy farmers have not experienced the same level of milk price decreases as conventional producers and their optimism for maintaining healthy margins over costs is relatively high.
- The disparity in farm-gate milk prices is a constant source of dismay for some milk producers with a differential of up to 15 pence per litre (ppl) being recorded between neighbouring farmers selling to different processors.
- Many producers that have invested heavily in their dairying business, based on a milk price of around 28ppl, are currently finding it very difficult to service their investment loans.
- Dairy farmers in the **South East** are concerned that their low risk bovine TB area will not have access to a new government advisory service that is available in higher risk areas.
- The price of newly calved heifers has decreased as a result of low milk prices. Cull cow prices are down by approximately 15%, although continental calf prices are regarded as being good.

❖ **Beef and Sheep**

- Current (low) market prices for beef are preventing producers from being optimistic about their future prospects.
- Store cattle prices, in particular for continental breeds, remain high despite the decline in finished cattle prices. Achieving positive margins for purchased store to finished fat cattle is becoming increasingly difficult.
- Anecdotal responses from beef producers around the regions suggest that store cattle purchased in 2015 have been fattened and sold at prices similar to the purchase price, resulting in large losses per head.
- Recent changes to processor carcass specifications are of concern to beef producers, with many reporting reduced revenues as a result of the new regime.
- Some beef producers have stated that supermarkets have manipulated the market by holding back on procurement of animals due for sale on contract and then buying them late and possibly overweight, with price deductions being imposed.
- Some farmers are considering reducing their beef animal numbers as a result of continued low finished beef prices.
- In what is perceived to be a notable change from the past, farm assured lambs are receiving a distinct premium over non assured lambs.
- Lamb producers in the **South East** are concerned about the threat of blue tongue and the apparent unavailability of a vaccine, which seems to have all gone to France.
- Fat lamb prices were depressed in early autumn 2015 but did recover during the winter period.
- Some hill farmers found partial relief from cash flow difficulties when they received three HLS payments in November 2015.
- Breeding sheep prices have been down by approximately £10 per head on the previous year.
- Scanning results across the regions suggest that the 2016 lamb crop will be good and up on 2015. However, this is causing concerns regarding over-supply and depressed prices in the future.

Pigs and Poultry

- Lower feed prices have not raised margins as pig prices continued to fall with year-on year price reductions of around 15%.
- January 2016 saw pig prices fall to an eight year low.
- Russia's continued ban on pig imports continues to affect domestic and EU pork prices.
- With prices at very low levels, there are rumours of even the largest pig companies cutting back on the size of breeding herds.
- Producers continue to be advised to breed their own herd replacements as a result of a shortage of affordable gilts across the industry.
- The wet weather during the past six months has resulted in high incidences of respiratory problems within outdoor pig herds.
- Poultry is being regarded as a growth sector with many new units being developed during the last eighteen months.
- The free range egg price is approximately 2p per dozen lower than in 2015 with producers blaming the increase in new free range units or the expansion of existing ones for this slight fall. However, the demand for free range eggs is still strong and the market is not yet in an over-supply situation.
- The price of pullets fell further in March 2016 with savings of around 18p per pullet on the 2014 price.

❖ CAP Reform, Basic Payment Scheme (BPS) and Environmental Schemes

- Farmers were and some still are, concerned about the delayed BPS payments; especially tenants with rent to pay at the beginning of April 2016.
- Problems with the transfer of entitlements are the cause of around 20% of BPS payments being too low.
- Farmer confidence in the 2016 BPS application process is very low with farmers bemoaning the need to utilise the services of professional advisors to assist with their applications.
- Farmers who have been penalised in 2015 are concerned that they do not know the reason why, which is a huge worry for the 2016 round of applications.

- Hill farmers are particularly badly affected by late BPS payments, with the main complication being related to common land and the re-allocation of un-used common rights and notional areas.
- Furthermore, Dartmoor farmers did not receive their October HLS payment until February 2016, with banks offering short term loans to ease cash flow difficulties.
- Access to broadband in remote areas is of great concern to farmers as the drive for more on-line form filling continues.
- The Farmer Crisis Network has reported being extremely busy dealing with farmers that are worried about bankruptcy. Late BPS payments, sometimes unsupportive banks and low prices are all putting great strain on businesses.
- Some farmers have been put off applying to join the new Countryside Stewardship Scheme (CSS) due to the complexity of the process.
- In the **East of England** it has been observed that farmers who have recently left Entry Level Stewardship have acted quickly to remove field margins and replace these with crops.

❖ **Renewable energy**

- In the **East of England** there are some early indications that the area of energy maize will be less in 2016, coupled with lower rents for land growing maize for anaerobic digestion.

❖ **Rents**

- There are reports of farmers giving up Farm Business Tenancies (FBT) on, in particular, modest land that does not justify the high rent being asked for.
- Downward pressure on rents in general has prevented increases in rents associated with land growing crops for anaerobic digesters (**South East**).
- High land rents that were negotiated when cereal prices were relatively strong are now perceived as being unsustainable with arable prices at their current low levels.

❖ **General**

- Farmers are seeking clearer guidance as to what a post Brexit UK agriculture would look like. Issues such as what level (if any) of income support would there be and would there be less (or more) red tape to deal with?
- Unscientific feedback we have received suggests that farmers are split over whether to remain in or leave the EU.
- Flooding, particularly in the northern regions, has caused great distress and hardship to farmers. Storm Desmond accounted for many sheep and cattle deaths and there are calls for the government to provide a long term strategy to deal with similar events in the future.
- Since the December 2015 floods, lobbyists, environmentalists and government agencies have advocated the “wetting of the uplands” and “slow the flow of water” strategies in order to reduce downstream flooding on the floodplains. Upland farmers worry that such measures will result in increased water parasites, access problems and livestock losses.

Arable

Even though arable yields from the 2015 harvest were much higher than average, farmers continue to be concerned about the low grain prices and the possibility of low prices continuing in the long-term.

Poor wheat prices have meant that there is still a lot of grain being retained on farm if storage is available, although there is very little optimism that there will be any significant price increase in the near future.

There are reports of farms dropping or reducing acreages of the more expensive crops from rotations (especially oilseed rape and winter wheat) and replacing with beans or oats as there is less money to lose should prices continue to remain low.

An increasing alternative to growing oilseed rape is to grow maize for an anaerobic digester, which is either self-owned or owned by a third party but which is reasonably close to the farm. This will save money and obtain a better return per hectare.

Low selling prices have been the main topic of conversation with farmers in the **East of England**. With surplus sugar beet priced at £5 per tonne, one farmer had been trying very hard to find alternative markets such as anaerobic digestion (AD) but without much success.

The 2015 sugar beet harvest looks to have been a good one, with average sugar yields of 17.5%. The harvest has been affected due to the wet conditions with increasing levels of "tare" being reported. There have not been many reports of farmers utilising British Sugar's lifting and haulage package; this comes in the form of the grower receiving a lower price per tonne for their crop whilst not paying out anything for harvesting and haulage to the beet factory.

There have been many reports of concerns about the lower prices for peas and beans following increased crop supply, as growers opt to use legumes to meet their Greening commitments. To some farmers, this seems like coupled support. Peas have been selling for around £120 per tonne (compared to £200 per tonne in the previous year).

Amid disappointing financial returns from many crops, a small number of farmers have enjoyed encouraging financial returns from niche specialist and medicinal crops.

The recent cold weather has helped potatoes in store which were beginning to sprout and deteriorate in quality due to the unusual warm winter.

One vegetable grower in **Lancashire** is considering giving up farming after the winter floods when a nearby river embankment gave way, flooding his farm and causing 22ha of crop losses which he was uninsured for. Some fields were covered by 10ft of water and estimated losses were in the region of £48,000 of potatoes, £20,000 of cabbages and £160,000 of spring cabbage. He is concerned about re-establishing his crops and the embankment failing again, hence his consideration for going out of farming.

The mild October and November 2015 weather conditions meant that **Cornish** cabbages were ready too early, with many being ploughed into the ground. There were also significant in-store losses.

2016 Crop Establishment and Development

Many arable farms initially experienced a good 2016 autumn sowing period with good crop establishment. However, the subsequent poor weather conditions during November, December and January have had a detrimental effect on many autumn sown crops. The very wet conditions reduced opportunities for chemical weed control resulting in more expensive treatments during the spring as well as some farmers being forced to re-drill failed autumn crops adding further cost.

Many farmers in the **East of England** grew autumn/winter "green manure" cover crops and catch crops for the first time as a requirement for their BPS Greening obligation. However, these crops have grown rapidly in the mild winter conditions resulting in much discussion on how to deal with them to ensure a successful establishment of spring crops.

The recent mild weather is of concern to cereal growers with yellow rust identified in numerous winter wheat crops.

Large areas of land lying ploughed over the winter period have been observed in the heavy land parts of **eastern England**. Much of this land is in Bedfordshire, West Cambridgeshire and South Essex and it seems most likely to be part of the strategy for controlling blackgrass.

Spring crops are now an important part of the cropping mix on arable farms. Blackgrass control and BPS measures are the main drivers for this change.

Arable producers in the **South East** commented on poor results of blackgrass weed control despite plenty of moisture and timely applications of residual sprays at high water volumes with angled nozzles to rolled seed beds.

Unprecedented warm winter temperatures have, in some areas, resulted in aphid migration continuing into crops in December, with strong winds making further applications of aphid sprays challenging. This has presented an ongoing risk of the rapid development of barley yellow dwarf virus.

There have been reports of applications of nitrogen being delayed going into the spring as wet weather and saturated fields have meant that transport on the land has not been possible. Farmers have reported on missing a window for application earlier in March but did not view it as a major issue as much of the fertiliser would have leached.

Heavy rains since Christmas have resulted in waterlogged soils that have caused root death during critical stages of plant development. Wheat crops on heavy ground with poor drainage struggled in early spring with arable producers commenting that large areas are brown and look more likely to die than grow.

Arable producers have stated that direct drilled cereal crops, whilst not always as advanced as crops in cultivated fields, do seem to be showing less disease and are very well rooted this year.

More farmers are looking to winter wheat varieties with improved disease profiles, such as Crusoe and Skyfall. Autumn drilled arable crops are certainly looking very forward, and

this could increase disease pressure in the spring. This was a concern for a number of farmers.

Structural change in potato production is ongoing. One **East of England** grower recently stopped growing potatoes completely as he regarded the enterprise as unprofitable, stating that he could get a better return from renting out the land and has since sold all his machinery.

After the heavy rain in late December large areas of arable land around **York** were under water after the river Ouse topped its flood banks. The length of time the crops were under water left farmers in the area very anxious and expecting the worse. One grower with 150 acres of affected wheat commented that the crop couldn't survive under water for more than a fortnight and he feared the total area would be a write off. In some places the water was 8ft deep so by the time it's dried out there won't be any chance of planting a spring crop.

Potatoes prices started the New Year on an upward trend, at £154 per tonne which is £8 per tonne up on the previous year. One **Yorkshire** grower, whilst pleased with the current price was looking to the future and expected a larger area to be grown in 2016, pushing the price back down next year.

The wet and cold spring is leading to challenging conditions with potato planting. A lot of growers are still waiting for soil conditions to improve before they can complete the task. Late plantings could well lead to lower yields next autumn, which is a particular concern to those growers who are on contract.

One **Yorkshire** potato grower has said that processing contract prices on offer for the upcoming season are too low and growers are losing confidence in the industry, meaning low reinvestment in machinery and storage. This is due to a decline in fresh sales and slow crisping markets.

Cabbage Stem Flea Beetle (CSFB) problems seem to be widespread and serious this year with problems reported across the **East of England** (even in the area where neonicotinoid dressed seed was subject to derogation). We are aware of particular problems on the border of Bedfordshire where seed treatments are failing to prevent damage. Two oilseed rape growers in neonicotinoid derogation areas have commented that they thought the neonicotinoid dressed seed was more expensive than it should have been and not available in the varieties they wanted.

Some arable farmers in **Kent** have noted that they will seriously consider not growing oilseed rape in 2017. This is partly due to low prices but also because of the threat of CSFB and the need to apply expensive insecticides with no guarantee of the results. One farmer in Kent reported he had lost over half of his autumn planted oilseed rape crop at the end of 2015 and was not going to replant with oilseed rape; instead, he is considering planting linseed. However there have also been reports of oilseed rape crops in some areas of the **South East** not having as serious flea beetle damage as experienced further north. The reports suggest larger, earlier drilled crops seem to have coped better with the larvae, which appear to have been able to feed in the leaf petioles without needing to bore into the stems.

Pigeon damage (**West Midlands**) is said to be the worst for number of years on oilseed rape crops. Arable producers in the **South East** commented on the considerable damage done to oilseed rape crops by pigeons that were thought to be grazing the flower buds as well as the leaves and in extreme cases the side branches as well, compromising even the ability of strongly rooted plants to compensate.

Applications of sulphur nitrogen to oilseed rape in early spring have been reported as having little effect due to the below average temperatures.

Dry conditions in late February (**East of England**) allowed field operations to start and we saw quite a lot of spring barley drilled in the last week of February.

In the **South West** there would seem to be less oilseed rape being grown due to poor returns.

Horticulture

Under the new national living wage regulations, horticulture growers will have to increase workers' pay by up to 7% each year for the next 5 years. Labour costs already account for 35-60% of business inputs so this will have a big impact on businesses. The Gangmasters Licencing Authority will be looking out for breaches of standards, such as age discrimination, so only employing workers under the age of 25 in order to constrain costs will not be an option for growers.

Top Fruit

In the **East of England**, Bramley apple production continues its long term decline. One grower's solution is to pick the crop selectively to supermarket specifications; despite press indications to the contrary, their customer is not interested in the 'ugly fruits'. This grower is switching from Bramley to dessert apple production.

Top fruit producers in the **South East** are reporting on a very depressed market. With long term investments having been made in orchards, it is very difficult for fruit growers to consider changing their operations.

Feedback from top fruit producers in **Kent** suggest that pack house charges are becoming unsustainable and resulting in a negative output.

The current juice price of £20 per tonne is also having a negative effect on the profitability of top fruit businesses in the **South East**.

There is concern over top fruit continually being imported from eastern European countries such as Poland, whose previous export market of Russia is no longer available due to the dispute over the Ukraine. Whilst these imports are cheaper than English produce, there is also a high availability which is driving down prices further.

To compound the issue of the apple market being oversupplied with cheaper foreign imports, many Gala apple orchards in the **South East** are now coming into full production after many fruit producers were encouraged to plant Gala orchards (five years ago).

Top fruit yields are not expected to be very good for 2016 due to the wet weather during the autumn and winter, along with the poor spring weather.

Top fruit producers have welcomed the recent frost to allow for vernalisation but any further frosts will impact on the spring blossom.

Apricots are not expected to yield well in 2016 as the blossom will be too late and the growing season will therefore be too short.

2015 can be considered to be a good year for the yield of cider apples. Last year's price increase of £8 per tonne was of some help in clawing back the erosion of margin over the previous four years. One progressive processor in **Somerset** is now paying for quality of tannin and it is possible for growers to earn a further £20 to £25 per tonne over and above the industries guide line price of £122.00 per tonne. However, the loss of active ingredients in fungicides, insecticides and herbicides are expected to have an impact on profitability.

In the **West Midlands**, considerable areas of new orchards have been planted under cider producers subsidised schemes.

Cider price negotiations will be difficult for the growers this year with many factories holding good levels of stocks.

Soft fruit

One grower welcomed the recent finding by the Grocery Code Adjudicator (GCA) against a major supermarket over its treatment of suppliers. Unfortunately these misdemeanours against suppliers predate the GCA's ability to fine, but nevertheless it sent a strong signal to other buyers.

Glasshouse Production

Tomatoes

Economic conditions remain difficult for smaller glasshouse holdings, and the long term trend of these holdings leaving the industry continues.

Prices remain very tight with competition from abroad keeping prices down.

The traditional early season 'high' prices do not appear to be available at the moment.

The lower price of heating fuel is welcomed but cannot reverse the long term trend of reduced profitability.

Bedding plants and hardy nursery stock

In general, bedding plants sales for the garden are declining. The demand is for bedding plants for hanging baskets and plants to put in patio planters, and less so in garden borders.

A nursery in the **West Midlands** commented that bedding plants sales were in decline. In particular, sales through their own garden centre had declined more than sales to other outlets. This may well be due to increased competition from nearby garden centres.

In certain areas there appear to be a growth in garden centres as nurseries see diversification into this sector as a way to maintain profits. However, to do it well does requires a significant investment.

Bedding plant and hardy nursery stock producers in the **South East** are concerned about cheaper European imports and the current trend for some of the larger garden centre chains to start growing their own bedding plants rather than buying on the wholesale market.

There is still a feeling that although the UK is no longer in recession, money for a lot of people is still tight, and so spending money on ornamental plants is viewed with caution.

Young vegetable plants still continue to sell well as more people look to grow their own vegetables.

Nurseries selling fruit trees or young woodland trees have seen quite a drop in demand in the last year or so, in particular this winter (January/February). One of the main reasons for the drop in demand is thought to be a lower take up of agri-environment schemes, which have in the past been a good outlet for selling traditional orchard and woodland trees.

HS2 work in the **West Midlands** could generate a good level of orders for trees in the coming years.

Forage

Following a wet winter, nutrients have been leached from the soil leaving it in poor condition and the likelihood is that grass will be more unbalanced as a feed than usual, with a lack of some essential minerals.

Generally speaking, forage and bedding stocks have been ample on many farms as the requirement leading into winter was lower due to livestock being outside later than usual, along with lots of late grass growth from the warm weather right up until New Year. However, in **Oxfordshire** there have been reports of fodder stocks running out, causing worry and additional costs for local grazing livestock producers. Also, in the **North East** wet weather in the autumn reduced the grazing period for livestock farmers increasing the need for additional winter forage.

There have been reports from producers in the **South East** that the relatively mild winter has resulted in broad-leaved perennial weeds, e.g. docks, emerging earlier than normal. The fact that these weeds have good root systems means that as temperatures increase, there is a risk that they will out-compete grass and potentially reduce the quality and quantity of grass silage. In response to this, producers have stated they plan to make applications of modern translocated herbicides in early to mid-April to help reduce weeds well ahead of first cut, giving the grass chance to re-colonise the space left by the dead weed.

Dairy

The oversupply of milk continues to cause the milk price to fall and processors are stuck with the excess. In consequence it would appear that all links in the supply chain are more tenuous and fragile.

Dairy farmers say that they are essentially working to a quota system as processors are effectively issuing producer quotas by issuing monthly profiles based on historic production, with surplus milk being paid at a much lower value. This has put a brake on some producers who seek to increase production to compensate for the low milk price.

There have been reports of dairy farmers having to move from a favourable "aligned" contract (selling to a supermarket at an agreed price) to a less than favourable non-aligned milk contract (typically selling to a major dairy processor) once their current aligned milk contract expires as there is difficulty in both renewing or obtaining a new aligned contract at the present time.

Despite cash flow difficulties caused by poor milk prices, dairy producers are (generally) continuing to maintain investment in herd fertility and monitor key performance indicators such as mobility scoring, as well as essential herd health elements such as foot trimming.

In the **South West** there are reports that any breaches of farm assurance standards are resulting in milk not being collected and it is claimed that a major processor has terminated some contracts due to producers not fulfilling contract agreements.

Rodda's creamery (**South West**) is creating its own group of direct milk suppliers and is prepared to pay a premium over their previous suppliers.

There appears to be less maize being grown by livestock farmers as they return to lower input grass based systems.

October 2015 was dominated by falling milk prices and farmers becoming very frustrated about the situation. One **South Yorkshire** farmer who kept a notebook of his monthly milk prices back to when he started milking noted that his milk price for September 2015 was 22.6 pence per litre (ppl); 10 years earlier it had been 18.8ppl. More up-to-date comparisons of milk prices show that the Defra farm gate milk price for September 2015 was 24.4ppl which was in stark contrast to the previous year's price of 31.37ppl and 32.86ppl in the year before that. Falling milk prices continued to feature throughout the period covered in this report.

The picture is different for organic dairy farms. Over the last twelve months organic milk prices have not decreased to the same extent as conventional milk prices and consequently there is much more optimism for being able to maintain a healthy margin over costs of production within the organic milk sector.

One organic milk producer (**West Midlands**) has had his best ever year financially and doesn't foresee this changing anytime soon and they are planning a slight increase in cow numbers. They will also switch from mixed farming to specialising in organic dairying.

The disparity in milk prices is often regarded as very unfair by producers. One First Milk producer in the **North East** who has been receiving less than 20ppl for his milk said the difference between the top and bottom prices was "very unfair". He was bottom of the league table whilst at the top, the suppliers of Booths supermarket, were receiving 35ppl. He had calculated that on the amount of milk he was producing, the difference between being top and bottom of the table was £8,750/month. Another, typical **North Western** producer explained that his milk income to the end of January 2016 (70 cow herd), had fallen by around £34,000. One Meadow Foods supplier was particularly disgruntled with his milk price, now hovering around 18ppl. He commented that he was getting 7ppl more for his milk 20 years ago whilst supplying Milk Marque. He was also very angry at the fact Meadow Foods announced a profit of £13.7million in January 2016 and was mystified why some of this couldn't be passed back to farmers.

Low milk prices continue to be of great concern to producers who have recently invested heavily. Often, the decision to invest was based on milk prices of at least 28p/litre and the current milk price meant that servicing the loans was extremely difficult.

There have been reports of the decreased availability of brewer's grain in the **South East** region, with distillers less likely to sell in small loads, favouring to sell in bulk to larger clients. One dairy farm in the region reported that this has led to a 500 litre per cow decrease in milk yield per lactation.

There is a concern amongst dairy farmers in low risk areas of the **South East** for bovine TB, such as Surrey, Kent, West Sussex and the Isle of Wight, that they will not have access to a new government advisory service as much as those in high risk areas.

There have been increasing reports of Johne's disease in some dairy herds in the **South East** resulting in higher culling rates.

Despite an abundance of grass during October 2015, many cows were housed early to avoid damaging grass swards as a result of wet and windy conditions (**North East**). This could have had severe consequences for slurry storage capacity but fortunately, the dry weather in early March 2016 meant that dairy farmers were able to empty, or part empty slurry stores in perfect conditions. The opposite was generally true in the **North West** where farmers experienced wetter conditions with instances of farmers resorting to spraying slurry over the hedge from the main road just to make some room in the slurry store.

The lower milk price continued to have a negative effect on newly calved heifer prices. One farmer reported buying in in-calf heifers in April 2015 at £1,205/head and selling them after calving at between £1,300 and £1,500/head. To compound the situation, most of these heifers produced Holstein bull calves which sold for £15/head! However, there were reports of three week old British Blue bull calves selling for £400/head, with other continental calves making good prices. Also, cull dairy cow prices suffered with prices down by anything up to 15%.

Beef and Sheep

With current market prices sitting below those received last year, the mood is not optimistic amongst beef producers. Lack of demand and the strength of sterling are the main factors being blamed for a subdued demand from the processors.

The price of store cattle (especially prime animals e.g. continentals) remains high. However, with falling beef prices, the net margin for finished cattle is becoming increasingly tight.

Feedback received from beef farmers suggests that as a result of changes to the carcass specifications introduced by processors this year, producers are receiving significantly reduced revenues for their finished cattle.

The introduction of a 15-point system to assess carcasses rather than the 5-point system that was utilised prior to the aforementioned specification change and which processors argue will allow for quality to be better assessed and therefore rewarded, is said by producers to be a system that is confusing and unfair and it has become increasingly difficult to achieve the specifications needed in order to receive a trading bonus.

Feedback from an Angus beef producer in the **South East** suggests that a supermarket Angus bonus scheme which can add upwards of £150 to carcass value has now become so well known that abattoir lead times for booking in animals from named sires has increased from two and a half weeks to two and a half months.

Some beef producers have indicated that supermarkets have allegedly been holding back on procurement of animals on contract in a deliberate effort to manipulate the market,

allowing them to buy the animals late and overweight with price reductions and penalties being imposed.

St Merryn Foods have notified producers they will not be processing bull beef from October 2016, which will impact existing producers as there are limited alternative places to sell bull beef. On some farms, changing on-farm production of bull beef to another beef system may not be a cost effective option as the farming system is set up specifically to produce bull beef.

Bovine TB is becoming more of an issue for cattle farmers in the **South East**. There have been reports of a rise of "inconclusive" test results, following the introduction of regular testing after the movement of infected beef stores into the area from the South West.

Bovine TB testing in Cheshire was still causing problems for some store producers; one farmer who sells stores throughout the year was on a six monthly herd testing and pre movement test programme. He said the cattle he wanted to sell outside the main test period were costing £5-10/head to test.

The prospect of continued low and lower finished beef prices is forcing some farmers to re-evaluate their livestock enterprises with some considering significantly reducing animal numbers.

Anecdotal information suggests that the mild autumn and prolonged growing season may have seen some heavier calves being born this spring.

Fat cattle trade in the **North West** continued to be strong for the best cattle with steers realising over £1,300/head. Bulls were still a difficult trade with only the best animals realising over £1,100/head, with equivalent quality steers achieving 10-15p/kg liveweight more.

The fat bull trade didn't improve during December with Holstein bulls difficult to sell. One **Cheshire** producer whose 580kg Holstein bulls grossed £730/head was concerned about the low margins they produced. He had purchased the bulls as calves for £68/head but after having fed them over two tonnes of feed each, the margin was tight.

Other anecdotal responses from beef producers around the regions suggest that store cattle purchased in 2015 have been fattened and sold at prices similar to the purchase price, resulting in large losses per head.

Calf prices remained strong in the region's markets with Holstein bulls during February 2016 averaging £45/head with the best examples achieving up to £170/head. One extensive grazer put some of his better Jersey cross bull calves into the market and was pleased with the £35/head returns.

East of England cattle markets remain subdued with suggestions that buyers are waiting for their BPS payment.

There are several indications that the significant availability of spring British lamb is not being utilised by the supermarkets.

Farm assured lambs are receiving a distinct premium over non assured lambs; something that has never previously been reported as a significant factor in the lamb market.

Sheep producers in the **South East** have reported on the blue tongue threat from France becoming a real issue and concern. Many have requested the vaccine from local vets only to be told that there is no vaccine available as it has all been sold to French producers.

Fat lamb prices (**North East**) in October 2015 continued to be depressed with only the very best lambs reaching 200p/kg liveweight. One farmer who had sold fat Texel lambs for £63/head was disappointed especially when, in the previous week, his store lambs had made £61.50/head.

November 2015 saw some hill farmers receive a much needed HLS payment which helped cash flows. One farmer who received three payments in that month had described his relief as the lower lamb price had pushed his overdraft to the limit and the HLS payment was very timely.

Fat lamb prices improved during the winter months and although lower than the previous year they were much better than expected. One producer who bought, fattened and sold approximately 200 lambs in March 2016 was pleased with the gross price of £82/head. He had paid £57/head for these as stores in November 2015.

The average price for standard lambs in **Ashford Market** on 10th November was 157p/kg, but within that the range was from 168p/kg to 133p/kg, a difference of 35p/kg. It is thought that buyers were prepared to pay more for quality, but as one producer noted, quality is on buyer's requirements, not producer's own perceptions of quality.

Breeding sheep prices have been down by around £10/head on the previous year. Good for buyers but bad news for sellers.

Scanning results in the **North East** were showing figures up on the previous year. One **Dales** producer scanned mules at 215% which was better than the 201% last year. Whilst he was pleased with his own results he was concerned that if everyone was having the same success there would be 6% more lambs about next year and the price would inevitably be lower. Scanning results in the **South East** predicted a good lambing percentage in 2016 compared to the average, as ewes were generally in a good condition due to the mild autumn when plenty of grass was available.

Late December and early January 2016 saw record rainfall in the **North West** with farmers near the river Ribble reporting losses of sheep which were washed away as the river burst its banks.

A key player in **North Western** sheep marketing went into administration with the loss of 130 jobs.

Pigs and Poultry

A large **East Midlands'** pig producer has announced plans to close two sites, comprising 1,200 sows. A long running and disputed planning proposal for a 2,500 sow unit was earmarked for re-deploying staff and breeding stock but it seems significant job losses are likely.

One pig producer in the **East of England** has reached his overdraft limit and changed his production system in an effort to remain in production.

During December 2015 the fat pig and sow trade continued to fall. The liveweight sow market was very depressed with some sows down to 10p/kg with only the best animals making over 30p/kg and only the heaviest sows were grossing £100/head. One farmer commented that a few years ago he could 'swap' a cull sow for a maiden gilt but now he needs a cull sow plus £100 in order to buy gilt.

January 2016 saw the finished pig price fall further to an eight year low. One **east Yorkshire** producer was receiving 128p/kg deadweight. This resulted in a loss of £3/pig on his farm.

Lower feed prices have not benefitted all pig producers; one **Yorkshire** pig farmer fixed his wheat feed purchases at £120 per tonne (for 500 tonnes) not thinking that prices would drop to around £100 per tonne. He was philosophical about the situation saying that it was a gamble and he had lost on this occasion.

Pig producers have reported on feed and soya prices stabilising since the autumn, but this has been in contrast to pork meat sale prices which have dropped by around 15%.

Pig producers are showing concern about Russia's continued ban on pork imports that continue to affect domestic and EU wide pork prices.

Even the large pig companies are selling stock at below the costs of production and there are rumours of a large scaling back on the size of breeding herds. In contrast, Cranswick plc. is planning on increasing throughput at their **East of England** base over the next 24 months, which may be due to access to Chinese export markets.

The low availability of affordable gilts across the industry has meant that farms continue to be advised to breed their own replacement animals.

There have been reports of a high incidence of respiratory problems within outdoor pig herds in the **South East** as a result of the wet weather over the last six months.

Poultry is being viewed by some as a growth sector with many new units being developed in the region (West midlands) in the last 18 months.

The free range egg price fell during the year and finished 2015 at 98p/dozen, 2p/dozen lower than the previous year. One **Yorkshire** producer who follows the market wasn't surprised about this due to the number of people starting free range units or expanding existing ones. The low milk price is not helping as some dairy farmers are moving from cows to egg production. This has led to an increase in free range hen numbers to around

740,000 over the last 12 months. However, the demand for free range eggs is still increasing and the market is not yet in an over-supply situation.

The after effects of the avian flu outbreak in **Lancashire** were still being felt in October 2015 as the rigorous cleaning up process began. It is estimated that the clean-up process would cost in the region of £300,000.

March 2016 saw the pullet price fall further which was good news for egg producers. One **Lancashire** producer with 100,000 hens explained that two years ago he was paying £4.03/pullet, whilst in March 2016 he was paying £3.85/pullet, resulting in an annual saving of £18,000 for flock replacements.

There is some concern over the loss of Cargill's 'bread and battered' products business with Asda, production of which was in the **West Midlands**. However Cargill have clarified they will continue with their £35 million investment in fresh chicken, a sum which is being matched by the region's poultry producers supplying Cargill, who have assured growers that they will not reduce the demand for their produce.

CAP Reform and Environmental Schemes

Basic Payment Scheme (BPS)

We are aware of one farmer in the **East of England** who has reduced production in order to avoid the three crop rule.

Farmers were and are concerned about the delayed BPS payments; especially tenants with rent to pay at the beginning of April.

BPS claim statements started to arrive on farms in March; the first being observed on 18th March.

As already publicised in the agricultural press, our impression is that about 20 per cent of payments are too low, with the main problem area being when entitlements were transferred during the year.

Confidence in the 2016 BPS application process remains low and many farmers once again have had to take additional professional advice to help with their applications and greening requirements.

There is real concern amongst some farmers that they are going to have to complete a BPS application for 2016 without knowing why they were penalised in 2015. Unexplained penalties include payment at a lower rate of entitlement with no explanation and in some instances fields that were submitted on claim forms in 2015 that have been missed off completely in 2016 and subsequently not had payments made against them.

Late March 2016 saw some hill farmers in the **North East** still not having been paid their BPS money, due to complications of common land and the subsequent re-allocation of unused common rights and notional areas. One hill farmer was particularly concerned about cash flow and had extended his overdraft by £10,000, something which made him feel very uncomfortable. He had phoned the RPA numerous times to explain his plight but to no avail.

By early April 2016, all **Bodmin Moor, Dartmoor and Exmoor** farms with commons' areas had not received their BPS income. To compound the problem HLS payments for Dartmoor, normally received in October, didn't arrive until February. Banks have been offering short term loans and trade credit, in some cases, seems to have been extended.

Not untypical where upland farmers are concerned, is an instance of one remote farmer who has no access to broadband and his concerns that he would have to, once again, pay agents to act on his behalf regarding his 2016 BPS claim. He was becoming increasingly frustrated that everything was going online. He had to pay an accountant to submit his vat claim and now he would have to pay an agent to submit his BPS claim form.

The Farmers Crisis Network has reported an increased workload from farmers that are facing financial difficulties and are worried about the way forward. At the time of writing, 88% of BPS payments had been received with the remaining 12% largely associated with complex cases such as those on common land. Not all banks are being supportive and coupled with depressed prices, this has caused an enormous financial strain on some farm businesses, especially those without diversified incomes. For those farmers experiencing real difficulty, the RPA have established a hardship fund which can be accessed to provide some immediate relief.

Countryside Stewardship Scheme (CSS)

The perceived complicated nature of re-joining the new CSS, once current Entry Level Stewardship (ELS) agreements have ended, is putting farmers off applying; especially with the greening areas required for the Basic Payment Scheme.

There are reports from some dismayed farmers who are keen to join the CSS but have been unsuccessful in their applications (despite having taken part in ELS for years), concerning the very limited feedback to explain why they were not accepted for CSS.

Entry Level Stewardship (ELS)

In the **East of England**, farmers leaving ELS have acted quickly to remove field margins and replace these with crops.

A significant number of farmers have stated that they will no longer continue their commitment towards environmental stewardship once their ELS agreement ends.

Renewable Energy

Early indications in the **East of England** are that the area of energy maize will be down in 2016 and that rents for land for anaerobic digester-bound maize is also lower.

Rents

In the **East of England** a number of tenants have relinquished tenancies; usually only for a part of their farm. One farmer gave up a substantial area of Farm Business Tenancy (FBT) land after the 2015 harvest (which he had farmed for 12 years) because the land was of modest quality and he felt the rent too high to potentially make any contribution to profit. Another farmer is in the process of converting a large Contract Farming Agreement (CFA) to an FBT at the landowners request because of an agricultural property relief situation with the landowner.

An increasing number of tenants seeking rent reductions have been observed but we hear complaints that FBT's are still "stubbornly high".

Herefordshire county council recently voted to sell all of its tenanted farms. A total of 45 farming families will be affected across the farming estate which comprises around 4,800 acres. It has been described as pulling the ladder from under the next generation of farmers and stripping the county's assets for future generations.

There have been reports of an increase in crops being grown in the **South East** for bio-digesters such as maize, grass and rye. However, these reports suggest that this isn't pushing rents up locally as the general picture is one of downward pressure on rents as arable margins are down.

In **Kent**, arable farmers are reporting concern about the high land rents that were negotiated recently when cereal prices were strong. These are perceived as being unsustainable at the present levels with arable prices in their depressed states.

General

The forthcoming EU referendum is uppermost in farmer's minds with many voicing frustration at the lack of information on which to base their decision. Their overriding question is, "what would UK agriculture be like in a post Brexit era?" to which there are many conflicting answers. Clearly, the importance of the Basic Payment to total income is of great significance and farmers want to know if there will be any similar support from the UK government if the UK leaves the EU. Some farmers perceive an era of less red tape in a non-EU world, whilst others think the red tape will persist as it will be a requirement of being a trading partner with the EU.

At a January conference (**Nottingham**) where the theme was the EU and UK agriculture and which was attended by farmers and industry professionals, a straw poll showed that approximately 55% of the conference delegates would vote for remaining in the EU.

Generalised feedback from farmers in the **South East** suggests that there is a majority in favour of an exit from the EU with the strong feeling that being a member of the EU brings too many unnecessary regulations, such as the neonicotinoid ban. However on the other hand, horticulturalists are seemingly in favour of remaining in the EU, citing access to markets and trading as a good reason to remain a member of the EU.

We understand that Royal Agricultural Benevolent Institution staff have been actively dealing with cases of distress in the agricultural community.

Storm Desmond hit Cumbria and Lancashire at the beginning of December causing great devastation when a month's worth of rain fell in 24 hours. Initial estimations are that £20 million worth of damage has been caused. It is thought that 1,000 sheep and 200 cattle drowned during the storm. Forage aid has started up again to help farmers, with other charities and the government pledging money to help with the clean-up. There are renewed calls for the government to have a long term strategy to deal with flooding and extreme weather events like this.

With a renewed urgency since the December 2015 flooding episodes, pressure is mounting from lobby groups, environmentalists and government agencies to "wet the uplands" and "slow the flow" of water with a view to reducing/halting downstream flooding on the floodplains. This presents a number of challenges to farmers with livestock in these "uplands", such as increased waterborne parasite loads, access problems and livestock losses.

As a result of the August ban on hedge cutting, there have been calls for farming lobbying organisations to commission research to challenge the RSPB version that August nesting hedgerow birds contribute anything of value to end of season bird numbers.