



Intelligence from the Regions – April 2014

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.

Contents

Please use the hyperlinks below to access individual pages

Key Points.....	iii
Summary.....	iv
Topics:	
<u>Arable.....</u>	<u>1</u>
<u>Horticulture.....</u>	<u>5</u>
<u>Dairy.....</u>	<u>8</u>
<u>Beef and Sheep.....</u>	<u>10</u>
<u>Pigs and Poultry.....</u>	<u>14</u>
<u>CAP Reform and Environmental Schemes.....</u>	<u>16</u>
<u>Labour.....</u>	<u>17</u>
<u>Renewable Energy.....</u>	<u>18</u>
<u>Rents.....</u>	<u>18</u>
<u>General.....</u>	<u>19</u>

Key Points

- The 2013 cropping year is being regarded as one of the most difficult in recent times, with significant areas of failed winter crops that were subsequently either left fallow or expensively re-drilled with the same crop or spring sown crops
- The weather induced increased area of spring sown cereal crops (2013) has generally resulted in greater than expected yields and thus reduced the negative impact of a reduced winter sown cropping area
- Germination difficulties with sugar beet have resulted in variable 2013 crop yields
- Prospects for the 2014 cereal harvest look more promising as a result of more timely and effective autumn drilling operations. However, some later sown crops have fallen foul of the wet weather and some re-drilling has been necessary
- The horticulture sector recovered from a tough start to 2013 as improved summer weather and general economic improvements brought some financial gains
- Top fruit yields in 2013 were generally up on 2012 levels but prices were significantly down on the previous year
- Hardy nursery stock producers suffered greatly due to the wet weather of 2013 which resulted in poor yields and low demand from garden centres
- Farmgate milk prices were around 3.8 pence per litre higher in January 2013 when compared with January 2012 prices
- Amongst suckler cow herds, fertility and calving rates have been a problem; a consequence of low quality forage and poor body condition
- Store cattle sales were strong but detrimental to fat cattle producers who buy in stores to take on to finish
- There is some general optimism within the sheep industry as a result of notable improvements in fat and store lamb prices and lower feed costs
- Pig prices were at a record high at the end of October 2013
- The CAP reform 'three crop rule' whereby farmers growing more than 30 hectares of arable have to have a minimum of three crops on their land is causing concern where land is on contract farming agreements and thus in different ownerships
- It is thought the ending of the Seasonal Agricultural Workers Scheme (SAWS) will have a varied impact on the horticultural and field scale vegetable sector, with the larger operations feeling the most impact
- There is concern that the presence of nearby anaerobic digesters (40 miles radius) is distorting the price of annual land rents, often to levels where it becomes unprofitable to grow traditional crops
- Field scale solar panel farms are becoming more common and are seemingly being financed by lending institutions without any real difficulty

Summary

❖ Arable

- The 2013 arable harvest was severely impacted by the wet weather, in particular the difficult autumn drilling season (2012) which resulted in many failed, re-drilled and/or patchy crops that failed to meet original yield expectations
- Re-drilling operations significantly increased grower's input costs for a year when crop outputs were notably lower
- Good performing spring sown crop yields proved to be some compensation for their generally poor yielding winter sown counterparts
- A reduced level of supermarket promotions has negatively impacted on potato sales, making them more difficult to sell. The mild autumn has prompted those producers without cold stores to sell early in order to avoid chitting problems. This has generally resulted in lower output returns
- 2014 crop cultivation and drilling operations have generally gone well and there is some welcome optimism especially after the difficult 2013 season. Some later drilled cereal crops have suffered from excessive rainfall and necessitated some re-drilling. However, plantings of potatoes and sugar beet are progressing in a timely fashion and into some good seedbeds
- Some regions have experienced severe flooding with the resultant loss of sizeable areas of cereal crops. There is also concern that those crops not completely lost to flooding will not perform as expected and yields will be severely affected
- Arable farmers are guardedly optimistic regarding 2014 output prices, based on global politics and the cold weather recently experienced in the USA. However, forward selling of grain is common with farmers attempting to lock into favourable prices amid some uncertainty that they will prevail

❖ Horticulture

- Garden centre sales were down (15%) in February 2014 compared to the sales of February 2013. This weather related downturn in sales will be difficult to make up and growers are concerned about the effect that a wet selling season could have on their businesses
- West Midlands' 2013 cider yields were lower than normal due to the continued effect of the wet summer of 2012. Contract prices for 2013 cider apples were around £17 per tonne below what is required in order to make a profit. It is expected that a significant number of apple trees will have perished due to flooding. The prospects for 2014 dessert apples are not promising, due to winter flooding, tree deaths, canker and a lack of winter chill which reduces vigour and causes weak fruit bud

- In the South East, a good top fruit harvest was recorded, with yields being slightly up on 2012 levels. In particular, cherries yielded well but the gross price received was significantly down
- There is some concern amongst soft fruit producers that the mild winter and lack of a chilling period will be detrimental to plant pathology and yield
- West Midlands' hardy nursery stock producers have entered 2014 with some optimism which is based on an increased presence by supermarkets and other high street retailers in the sector which is hoped to increase sales
- Daffodil producers in the South West have been badly affected by the weather which has disrupted production and resulted in no produce for the early premium market. The crop matured at much the same time, resulting in a glut and reduced prices. Also, the quality of production was normal but yields were low, further compounding the negative affect on price

❖ **Dairy**

- The year-on-year price of farmgate milk (January 2014) was in the region of 3.8 pence per litre greater than in 2013
- In early 2014, milk producers witnessed a welcome fall in feed costs with high energy concentrate feed trading for approximately £15 per tonne lower than in January 2013.
- Disappointingly, due to heavy rainfalls, many farmers were forced to house their cows whilst there were still significant amounts of grazing to be had
- A lower cull cow price has not affected the price of newly calved heifers, which in October 2013 were on average £1660 per head (North West)
- Eastern counties dairy farmers continue to come to terms with the increasing presence of bovine tuberculosis (bTB) in their area, whilst West country producers are possibly more accepting of its presence and have adapted to the stress and inconvenience that the disease causes
- Future bTB related changes to the rules concerning the movement of animals that are reared off the farm are causing some concern. Such changes could severely affect productivity and profitability as many farmers rely on being able to rear animals in situations that are separate from the main farm
- In general, the autumn and winter period has been a good one for dairy cows, with yields being good and concentrate usage low, factors that were strongly influenced by good quality forage and improved body condition, especially when compared to the year before

❖ **Beef and sheep**

- For suckler herds, 2013 calving rates have generally been disappointing due to poor body condition and low fertility of cows; factors that are regarded to have arisen due to poor quality conservation in 2012
- A sustained increase in the number of heifer throughputs at markets could be an indication of fewer females being retained for breeding in the UK, which could have implications for the future UK beef industry
- During the last ten years, producer final retail price share was below 50%; in 2013 producers received 58% of the final retail price of beef
- Prices of cull cows, fat and store cattle continued to be at high levels during the winter 2013/14. However, producers had to contend with high feed and straw costs and finishers of fat cattle from purchased stores have struggled to make decent margins due to the high price of the store animal
- On-farm retailers have reported higher footfalls in recent months
- News that the electronic tagging of all lambs less than twelve months of age from 2015 has been disappointingly received by the NFU and sheep producers. It is estimated that the additional cost to producers will be approximately £400 for a 500 ewe flock
- Incidences of fluke have been high due to the warm temperatures experienced in November 2013
- In the North East, sheep scab is beginning to re-appear. Irregular dipping is thought by some farmers to be the primary cause
- The Schmallenberg virus seems to have disappeared off the radar and does not appear to be a major concern at the present time
- Upland sheep producers continue to pay increasing costs for straw, with many considering alternative options such as other bedding products, reduced or no winter housing. Mixed farms have the option of growing longer straw varieties and thus reducing the amount of purchased straw required

❖ **Pigs and poultry**

- October 2013 witnessed a record high for pig prices, reaching an average deadweight price of 172 pence per kg; 11% higher than in 2012
- Favourable movements in pig and feed prices have enabled producers to achieve positive margins (approximately £18/pig) thus reversing recent losses of £11/pig
- Refurbishment and re-investment in pig units is a high priority amongst producers but a longer period of productivity is required before they make any significant capital investments

- Sales of chickens and turkeys via farm shops and farmers markets are reported to have increased, having dropped to levels that were 50% of those achieved in the pre-recession years
- The recent drop in free range egg prices (5 pence per dozen) comes after a six month period of lower feed costs and reasonable egg prices. The fall in egg prices means margins have been significantly eroded

❖ **CAP Reform and Environmental Schemes**

- LFA tenant farmers are concerned at the prospect of a move 'uphill' of support payments; a move that is thought could initiate LFA rent rises or even reduce the value of the tenant to the landlord, leading them to effectively dispense with the tenant farmer
- The requirement under the new Basic Farm Payment (BFP) scheme to grow a minimum of three crops if more than 30 ha of arable are grown is causing concern amongst farmers with contract farming agreements which are in different ownerships.
- It is thought that some arable farmers will forfeit the 30% Greening payment as they continue with their very profitable 'less than three crop' systems
- Ecological Focus Areas (EFAs) are an area of concern for some farmers for whom uncertainty about their administration is a worry. Also, existing ELS/HLS holders are worried that they will be penalised by having to take additional land out of production

❖ **Labour**

- Many large scale businesses in South Lincolnshire regard immigration from Eastern Europe as a very positive development. However, some smaller businesses may regard immigrants as unfair competition for jobs
- In larger field vegetable businesses, Eastern Europeans are a growing part of the management structure
- The demise of the Seasonal Agricultural Workers Scheme (SAWS) will, it seems, have variable impact on horticultural and field scale vegetable businesses. It is thought that it will be the larger operations that will face any future challenges concerning the sourcing of labour, with the smaller businesses being mainly self-sufficient and sourcing casual labour via networking and word of mouth
- There is concern that Bulgarian and Romanian workers who would have normally entered the horticultural industry, may opt to work in other industries as a result of the UK job market opening up

❖ **Renewable energy**

- Farmers continue to explore possibilities for on-farm energy generation via wind, photo-voltaic and Anaerobic Digestion (AD). Significant problems remain with grid connection fees and landlord resistance/opportunism
- The distorting impact on land rents that are in the vicinity of AD that utilise feedstocks is a major concern for short and longer term tenant farmers. Reports have been received of potato land rentals doubling due to competition with AD
- The South East has witnessed the installation of a significant number of field scale solar panel operations in recent months, with seemingly little difficulty in obtaining finance with which to carry out the projects
- The South West has seen the installation of numerous biomass boilers by the broiler industry

❖ **Rents**

- Coupled with the AD / high land rents issue highlighted above, farmers continue to express concern over the growing food versus fuel debate, with productive arable and grassland areas being offered to grow maize to fuel AD plants

❖ **General**

- The high usage of water in the fracking process and the potential for pollution is a major concern for farmers. Aside from the possibilities of land contamination, it is thought that the cost of water could increase as a result of the fracking industry's high utilisation of this valuable resource

Arable

Germination difficulties with sugar beet have resulted in variable 2013 crop yields. The wet conditions have caused difficulties with sugar beet harvesting. An **East of England** grower with a sugar beet contracting operation explained that his profitability had been compromised by the wet winter (difficult to work to usual schedules and higher than usual repairs - including to his very expensive Maus self-propelled cleaner loader which had to be pulled out of the mud several times during the campaign).

Potatoes are proving to be difficult to sell, in part due to reduced supermarket promotions on perishable crops. **North Yorkshire** potato growers have reported that potato yields were slightly higher than average, which was unexpected given the dry 2013 conditions. One farmer on lighter soils reported scab; however, the finish on the majority of potatoes was good this year. Prices for ware potatoes were between £140-190 per tonne. Due to the milder autumn many farmers without cold stores have sold their crop, as they have not been able to store potatoes without chitting occurring, which has a negative impact on price.

In the **South East** region, and others, there have been reports of complete failures of some crops for the 2013 harvest, with one farmer reporting the loss of his entire wheat crop where the wet autumn/winter/spring weather meant that he could not get on the ground to do the necessary operations and applications. He decided not to re-drill in spring 2013, but to cut his losses and leave the field fallow. One FBS co-operator reported that spring barley yields have been better than expected, with 8 tonnes per hectare being reported.

The effects of the wet autumn of 2012 are still being seen, with an oversupply to the market of 2013 spring barley and oats. Those farmers that have sold these crops forward were fortunate, but there have been reports of others choosing to store their crop until the demand returns to the market. Furthermore, the quality of the seed that was carried over from autumn 2012; winter arable crop seed that didn't get drilled for 2013, has been a cause for concern. One farmer confirmed he had received good germination results in his winter wheat seed and so drilled that for the 2014 harvest. Another farmer however, has decided not to use his 2012 retained wheat seed as he was worried about its germination traits.

The late 2013 harvest has increased farmers' workload during the autumn drilling window, but sustained favourable conditions have allowed very good progress with crop establishment. Some oilseed rape crops following wheat have been drilled later than planned, but crops have established rapidly. Cereals too, have made a good start and the weather has allowed progress with herbicide application.

The mild winter did little to check pests and diseases. Forward crops of oilseed rape will require growth regulation to reduce the risk of damaging lodging.

Arable farmers in the **East of England** report that the recent dry weather has provided ideal conditions for spring cultivations and drilling on many farms. However, numerous farmers report that soils remain wet below the surface and that there is a risk of long lasting soil compaction. The lack of winter frost has necessitated additional cultivations on even the best structured silt soils of South Lincolnshire. On lighter soils, favourable progress was made in the East of England while farms in other parts of the country remained flooded. Growers report favourable progress with sugar beet drilling. Seedbeds routinely look good on the surface, but, depending on soil type, some farmers are inevitably causing damage to wet subsoils.

In **North Yorkshire**, crops that were drilled in September and October 2013 all look particularly well – the effect of slug damage seems to have been lower this year due to better seed beds and drier conditions, although some slug damage on wheat that was sown after OSR has been reported. Drilling of winter beans has been mostly into good seed beds, helping the effectiveness of pre-emergence herbicides. The warm spring temperatures have encouraged crop growth and the dry conditions have allowed early fertiliser applications to proceed unhindered. Falling cereal prices have tempered spirits in an otherwise optimistic crop growers' year so far.

In the **West Midlands**, planned for winter crops were established in time before the worse of the wet weather in the December 2013 to February 2014 period, with reports of only limited re-planting. Later cultivations that followed maize or potatoes have posed more problems to farmers due to the wet weather with a higher proportion of this land needing to be re-planted. Cultivations and re-drilling in late autumn after maize can be problematic with one farmer commenting on his intention to reduce his area of maize by 40% to improve the winter establishment of cereal crops.

The wet weather in recent months has impacted to varying degrees on the growing of root crops with one large area of spring onions losing a notable proportion of the crop area due to waterlogged conditions. However, carrots have continued to be harvested with very little problems on lighter land.

Potato growers are relieved that the weather has given way to a drier spell in recent weeks and has allowed planting to progress at the normal time which is well under way across the region. Contracts for potatoes have been negotiated during the winter period with an uplift made to the contract guaranteed price helping with forward planning, especially as land rents continue to see significant rates of increase.

For many farmers in the **South East**, autumn cultivations went well, with farmers learning lessons from last year and undertaking cultivations and drilling as soon as possible after harvest. However, reports are mixed on the progress of winter drilled crops, particularly those drilled slightly later. Those on drier land have reported that crops have fared well and have reported good autumn establishment. The last few weeks of warm and sunny days brought development forward and crops are advanced for this time of the year. However, many other farmers reported some problems with crop development related to the exceptionally wet winter and some reported total losses. The wet weather has also made access to fields for fertiliser applications very difficult. For many, the fields are still

lying very wet and there are concerns about rotting roots of winter drilled wheat after being submerged in water for many weeks. One farmer noted that the poor root growth would lead to further problems should there be a drought this season and the mild and very wet winter has raised the risk of rust. Winter OSR development has also been affected with the wet weather. Reports on spring cultivations have also been mixed, with many reporting that they are well behind, with no spring cultivations or top dressings done and others stating that while they have started, the conditions have been tricky, as even though the ground is now dry on top, the soil remains cold. The very recent dry weather has helped however, and most are now up to date with field operations in the south east of the region.

December saw strong winds in the **Yorkshire** region, with some damage to buildings reported. The main issues came, however, with flooding caused by a tidal surge. Rural communities were particularly affected with many villages on the banks of the Humber being flooded. This has resulted in flooded grain stores and thousands of hectares of swamped crops. Although the damage is only very localised the impact it has had on the few farms affected is massive. Reports of lost livestock and thousands of tonnes of in-store wheat being ruined have been reported.

In the **South West**, the autumn work was undertaken in good conditions so crops established well and continued to grow in the mild weather, leaving many forward looking crops. Cropping patterns are back to mainly autumn sown crops so yield potential is higher than for the last few years. For those farms which chose to crop the land with spring varieties in 2013, autumn drilling was delayed by the wet weather and some winter crops will need to be re-drilled due to loss of plants in waterlogged soils. Some of the spraying was delayed due to poor ground conditions, so some herbicide and early fungicide applications were later than ideal, with weed and disease pressure high. Potato planting is well behind normal schedule with the early potato producers being worst affected, so the premiums received for these potatoes for the coming season are difficult to predict in an already volatile market place. Winter cabbage/ broccoli producers have received variable prices over the season, but probably an average price overall. There have been quality and size issues because of the rain and issues of increased competition from Spain with its growing conditions favouring better quality/size produce than in the South West.

Specialist swede growers have reported a drop in demand for their product this winter (possibly due to the mild winter?). The unsold swede stocks (organic and conventional) are now on the market as stock feed at a much reduced price.

The wet and early spring of 2014 provided arable farmers with time to reflect on:

- Reduced cereal and oilseed crop prices
- Rent payments based on negotiations at times of higher crop prices
- Uncertainties about implementation of the Basic Payment Scheme and Greening
- Uncertainties about the implementation of the New Environmental Land Management Scheme (NELMS).

There is guarded optimism about grain prices for the 2014 harvest, with hopes that global politics and the USA cold snap could push prices up. However many farms are still selling forward a proportion of their crop as there is the feeling that anything could change in the next few months. Fertiliser costs are generally down in price, but spray costs and the cost of machinery have gone up; but all in all, there is a general feeling that 2014 could be a better year for those with crops that have survived the wet winter.

Horticulture

After a tough start to the year, improved summer weather and general economic improvements brought some gains across many sectors of horticulture towards the end of 2013.

The exceptional levels of rainfall in 2012 that produced one of the wettest summers on record, created the perfect mild, damp conditions for slugs and snails to prosper and these pests were a major problem to horticulturalists in 2013.

Garden centre sales for the week ending 9th Feb 2014 were down 15% compared to the same week in 2013. There were also worries that the widespread heavy rains will likely have a knock on effect for growers in the season ahead, with an increased risk of disease.

Top Fruit

In the **West Midlands** 2013 cider yields were lower than normal due to the continual effects of the wet summer in 2012. With cider orchard yields down in 2012 and 2013 some growers have indicated they had to source additional finance to help with business cash flow. The contract price for cider apples in 2013 was £113 per tonne, with one grower expressing the view that cider apple contracts need re-drafting in the belief that a more reasonable price to start making a fair profit is around £130 per tonne.

This winter across the region there has been varying levels of field flooding and saturation but due to the nature of apple orchards it is difficult to evaluate what damage this has done to the trees. It is expected that a number of trees will have been killed, but a true assessment will not be possible until later in the 2014 season.

The prospects for the 2014 dessert and culinary apple crops are not promising. The results of waterlogging are likely to be considerable, with tree deaths probable. Canker is likely to also be a major problem and the lack of winter chill will almost certainly reduce vigour and cause weak fruit bud. However, some growers are reporting encouraging early signs with reports of better than anticipated prospects for the spring blossom. With the possibility of some dead trees and perhaps a lower 2014 yield, owners of cider and other apple orchards will be keeping a keen eye out for apple scab this year as the mild wet winter has seen ideal condition for the fungus to grow. Regarding the 2014 harvest the extreme wet weather experienced earlier in the year will have impacted badly on young orchards with lower yields expected. Whilst yields have a bearing on profitability, growers mention that the influences of producer prices and labour costs are paramount. The weakness of sterling is an important factor in helping raise producer prices at home as imports become more costly. With labour accounting for over 50% of costs and hourly rates of casual labour doubling in the past ten years, the financial prospects of the 2014 crop will depend to a high degree on prices paid by supermarkets and the number of producer funded promotions undertaken during the season.

There are reports from the **South East** of a good top fruit harvest in 2013, with yields slightly up on 2012, especially cherries which benefitted from good weather early on in the season. However, the gross price received has been significantly down from last year. The knock-on effects of the wettest winter since records began and the lack of winter chilling is causing concern. Even well drained soils have remained water logged for long periods as a

result of the volume and persistence of the rain. Possible effects are some root death and poor root growth in the spring. Disease risks include increased incidence of canker and possibly scab. Furthermore, the lack of any sort of long cold spell this winter is of concern amongst fruit growers for pest control purposes.

Soft Fruit

Early on in 2013, the **West Midlands'** soft fruit harvest was badly affected by the wet weather, though from July onwards crops yielded well, though prices were down on previous years. Success in 2014 will as always be heavily dependent on the weather. So far there is concern that the wet mild winter and the lack of a chilling period has been detrimental to plant physiology. Unlike top fruit, the weak pound does not benefit the prices paid for soft fruit due to limited imports in this sector.

Glasshouse production – edibles

There have been some reports of damage to glasshouses and polytunnels due to the winter storms, with one farmer in the **Chichester** area reportedly losing 30% of his glasshouse production area. However, the mild spring has allowed an earlier start to some glasshouse crops and has reduced heating costs.

There are reports of a poor and unreliable tomato harvest in Spain this spring, offering the possibility of higher prices for UK producers.

Bedding plants and hardy nursery stock

The poor, wet weather in 2013 resulted in a very poor harvest for **South Eastern** bedding plant and hardy nursery stock producers. One co-operator stated that his business may have to reduce staffing considerably in the coming year if the downward trend in sales continues.

It is being reported in the **West Midlands** that in 2014 retail garden centres aim to build on the small gains made last year. Increased presence by supermarkets and other high street retailers tapping into the potential market in this sector is expected to improve profitability for growers. However, this anticipated improvement comes on the back of some very difficult years since the economic recession began in 2008. This year's late Easter is another factor in boosting confidence.

Field scale vegetables

In the **South East** the winter harvest of potatoes and winter vegetables has been particularly bad for many farms, with reports of vegetables left rotting in the fields.

After a late start the planting of salad crops is now underway with the warm mid-March period allowing producers to catch up. There are concerns about soil damage due to the condition of the soil during drilling; the soil is dry on the surface but very wet underneath and planting operations will be causing compaction which may take several years to resolve. There are no reports of pest and disease issues at present; however, soil nitrogen levels are lower than they should be due to leaching and growers are expecting crops to need an extra application of spring nitrogen.

South Western producers of daffodils for flowers have been badly affected by the weather, which has resulted in no early production to catch the premium market and then all the flowers being ready for harvest at the same time. The quality of production is normal but yields are low.

Dairy

In the **North East**, trade continued to be good for calves during October 2013 with British Blue bulls selling for up to £440 per head for 21-day old animals, with many other continentals realising over £300 per head. The calf price dropped slightly during February 2014 with the poorest Holstein bulls selling for around £20 per head. One farmer commented that if the price got much lower it wouldn't be economical to tag and transport the calves to market and he may have to consider a return to a policy of shooting them.

The weather deteriorated in late October with producers housing cows, whilst disappointingly, there was often a lot of grass left in fields.

Feed prices in the region began to come down in January 2014, with high energy concentrate costing around £15 per tonne less than the previous year. The demand and price of brewers grains was notably lower this winter than in the previous year when farmers saved on feed costs by feeding brewers grains to supplement silage in 2013.

Drier weather in early March saw ground conditions improve and allowed farmers to complete some ground work and apply some fertiliser. One farmer in the region was disappointed that the fertiliser price hadn't reduced significantly. He was paying £299 per tonne for nitrogen, only £3 per tonne less than last year.

The increased milk price didn't prevent more producers leaving the industry in **North Yorkshire** during the winter period, with six producers leaving from February to March 2014 and a total of fourteen from October 13 to March 14, the biggest fall in any region in the UK.

In the **North West** the wet weather continued towards the end of the October meaning many cows were housed early, day and night on full winter rations. Some farmers were concerned about the amount of grass left on the fields and were considering taking in sheep to clear it. The early housing did not effect milk production which for October 2013 was 12% higher than the previous year; a difference largely borne from diets of much better quality silage.

The lower cull price of dairy cows had no effect on the price of new calved heifers with an October average of £1,657 per head. The best commercial and pedigree heifers in the region's markets topped £2,000 per head.

Milk prices in January 2014 were 3.8 pence per litre higher than the previous year with most dairy companies in the region paying improved prices. There was, however, still a big difference in what farmers in the region were receiving depending on which company they supplied and what contracts they were on.

New calved heifer prices in the region continued to be strong into the New Year and followed the national average with best commercial heifers reaching £2,220 per head at Gisburn. Young Holstein heifer calves were also in high demand with prices averaging £425 per head for three week old calves. Farmers selling these calves commented that they had an excess of heifer calves and thought the price was very good and not worth the risk of rearing the calves to a later stage and possibly losing out financially.

December 2013 saw more cases of bovine tuberculosis (bTB) in **Lancashire**, a county which historically hasn't been affected to any large degree. In 2013 the county had 100 reactors compared to only 18 in the previous year.

Woodcocks announced it was to build a new butter powder plant in **Lancashire** which was good news for their suppliers in the region.

February saw the UK produce 1,090 million litres of milk, the highest since RPA records began. This came as no surprise to one **Lancashire** producer whose cows were milking very well due to some good quality second cut silage. His cows were averaging an extra six litres per cow compared to the previous year.

The period from October 2013 to March 2014 saw six producers in **Cheshire** leave the industry.

East Midlands' dairy farmers continue to be concerned about the easterly spread of bTB, with an increasing number being affected by movement restrictions and the added financial pressure of increased housing and feeds costs that arise from such restrictions.

Being a high risk bTB region many farms in the **West Midlands** have had to cope with the disease for many years. For some, bTB is now at a manageable level, with the loss of only a 'few' cows per year and although not ideal, many farmers have become accustomed to the disease. Whilst many farmers have adapted to better deal with the loss of freedom of movement when under bTB restrictions, there is a new concern about future rule changes to the movement of animals that may affect young stock if they are reared away from the farm. If rule changes are imposed that affect the ability of some farmers to rear cattle away from the home farm, this will adversely affect their productivity.

The average UK farmgate price of milk (Defra) stood at 33.8 pence per litre in January 2014; 3.8 pence per litre (12.7%) higher than in January 2013. However, one farmer in the **South East** reported disappointment in the current milk price, following a belief that the price would be closer to 38.0 pence per litre, rather than 36.0 pence per litre that he is currently receiving. One farmer stated that he had more confidence in the future of his dairy enterprise than the arable side of the business, following two extremely challenging years of growing cereals.

For the majority of farms producing milk in the **South West** this has been a good autumn/winter period with cows milking well and concentrate feed use low. Quality forage has been the key factor, plus cows being in ideal condition. The increase in milk price has been significant with early Farm Business Survey accounts showing an annual increase of over 3.0 pence per litre. Those producers who were with Milklink and are now part of Arla are particularly happy with the increase in the value of their milk which is now higher than Dairy Crest's price within this region. Renewed optimism of the sustainability of dairy businesses is slightly tempered with the potential volatility of milk prices in the future.

Beef and Sheep

In the **North West**, suckler cow producers have reported that autumn 2013 calving rates were disappointing due to the poor body condition and low fertility of cows as a result of poor quality forage conserved in 2012. Store cattle prices remained strong in the region throughout the autumn/winter of 2013/14, despite the fluctuations in fat cattle prices.

In the **North East**, it has been reported that markets have seen lower steer throughputs but heifer throughputs that were up by 2% on the previous year. The sustained increase in heifer throughputs could indicate a reduction in the number of females being retained for breeding in the UK, a situation which clearly has long term implications for the UK beef industry. In January 2014, throughputs of fat cattle coming through the markets were up by 7% with this increased supply contributing to lower prices. In 2013, beef producers received 58% of the final retail price of beef; this is 4% higher than the share received in 2012. It is interesting to note that through the previous decade, producer final retail price share was below 50%.

The **East Midlands**, in line with other regions, is part of a national beef industry that continued to experience high output prices for cull cows, fat and store cattle. However, farmers buying in stores to fatten have struggled to make a margin due to the high price of the store animal, along with high feed and straw costs. As with the dairy sector, the improved yield of forage from 2013 has eased pressure on winter fodder supplies compared to the winter of 2012/13.

In the **West Midlands** there are reports of good strong store cattle prices coming from all areas across the region, with farmer feedback highlighting that 15 month old stores are fetching prices of well over £1,000 per head. Finished cattle prices have remained strong going into the winter months with good returns to be made at market but a recent dip in demand has seen deadweight prices fall by 18 pence per kg since November 2013.

Farmers selling butchered meats through their own outlets have reported higher footfalls in recent months.

bTB continues to be a problem for many farms in the **South East** where one affected farmer raised concern with the cost of pre-movement bTB testing, while another farmer struggles with the time and additional cost of annual bTB testing and questioned the reliability of testing on young cattle.

In November it was announced that all lambs under 12 months old in England will have to be electronically tagged from 2015 under new government rules. The NFU said the decision to outlaw non-electronic batch tags for slaughter lambs was "disappointing" and warned it could cost primary producers £1.8m. The Defra consultation on changes to electronic sheep movement reporting said non-EID tags currently cost in the region of 9

pence to 26 pence. EID slaughter tags typically cost 56 pence to £1.00. For a flock of, say, 500 ewes producing 800 lambs, that equates to at least an additional £400 per lambing year.

With the unseasonably warm temperatures throughout November, compounded with high rainfall, fluke remains an issue on most sheep farms – with some farmers experiencing higher than usual incidences of this disease.

In the **North East**, ewes generally went to the tup in autumn 2013 in good condition and with plentiful feed supplies. Limited snowfall over the winter period meant minimal supplementary feeding. Scanning results are high and ewe condition scores are high. The continued wet weather during February made outdoor feeding of sheep in rings and troughs very difficult. One **West Yorkshire** producer was finding it difficult to travel to sheep to feed silage and the damage he was causing to the field will take some months to repair. However, he commented that despite the wet conditions, the sheep remained in a surprisingly good condition.

Sheep scab is beginning to re-appear on farms in the region with more than one farm reporting incidences for the very first time on their farms. One farm thought this was due to farmers not dipping as regularly.

In the **North West** region, sheep flocks went into the winter in good condition; although in contrast to the North East scanning rates do not predict abnormally high lambing rates. Those sheep flocks that managed to maintain ewe condition through the winter will however look to see good lambing rates in 2014. The mild wet winter and lack of severe frosts has led to increased foot rot problems particularly in highly stocked areas or where supplementary feeding has been necessary. Breeding sheep prices have remained strong and broadly similar to the previous year. Store and fat lamb prices have seen more fluctuation and are slightly weaker than a year ago but the good summer and autumn conditions allowed producers to sell lambs earlier.

East Midlands' sheep producers have welcomed the recent warm and dry spring 2014 weather which has brought about a positive start to the lambing season, allowing ewes and lambs to be turned out soon after lambing. A continued mild season should prevent a repeat of the tight housing conditions that were experienced in 2013.

The Schmallenberg virus which has been affecting recent lambing seasons (beef suckler farmers have also mentioned this issue in the past) does not seem to be a major worry at present.

The rising cost of purchased straw is of concern to farmers, particularly those in the upland areas, who often have to pay high haulage costs on top of the increasing cost of the straw itself. Options such as the use of alternative bedding products, reduced or no winter housing of livestock or, for mixed farmers, the option of growing longer straw varieties of cereal crops, are all being considered.

Reports across the **West Midlands** region indicate some sheep enterprises are expanding and others are being dropped from the farming system. Expansion as a result of breeding and feeding improvements seen in the sector is a trend that has been noted over the last few years, with plans to reduce arable areas in favour of increasing flock numbers. In addition to expansion on specialist sheep farms there is evidence of new sheep enterprises being set up in the region alongside beef suckler cow herds.

The gradual reduction and sometimes disappearance of flocks in less favoured areas in the region has been observed by farmers and others working in the industry, such as local contractor scanners. The age of farmers and the snowfall in March 2013 have been attributed as reasons for the decline. Lower ewe prices in autumn 2013 appear to have stalled the plans of some farmers to sell their flocks.

The start of lambing has been delayed on a number of farms this year as a result of later tupping with the memory of last year and problems caused by the deep snow being uppermost in the minds of farmers.

In the **South East** scanning results have been reported as variable this year, but it would appear that most flocks are scanning at well over their normal average, one farmer reports his scanning results were at 170% when he normally gets between 130% and 140%.

Total input costs for sheep enterprises have been reported to be similar to the previous year. Concentrate costs are down, with reports of a drop of circa 12.5% from circa £240 per tonne to £210 per tonne. One farmer reported he chose to lamb indoors this year following the poor weather last year, resulting in higher feed costs. However, incidences of fluke have fallen on that farm, possibly as a result of bringing the sheep in earlier. Another farm had to bring in the second group of ewes to lamb several weeks earlier than normal due to the extended wet winter and reported an extra 15% consumption of bedding straw, concentrates, hay and silage.

In general, there is optimism about the sheep industry at the moment, with a marked improvement in prices being received for fat and store lambs, it is believed that the prices achieved at market are sustainable. There have been reports of stores making very good money at market in the east of the region, with several genuine stores making in excess of £80 per head with very few falling below £60. Furthermore, at the same market, there was an exceptional demand for the best export type hoggets which sold at 220 pence per kg. There have been reports of replacement breeding ewe prices being down about 10% from circa £140 per head to £125 per head.

The new electronic reporting system of sheep movements is not causing too much concern amongst those farmers contacted who think the change should be quite manageable.

South West sheep producers have reported a more normal marketing year and better annual prices resulting in a better year than last. There were more small lambs to finish than normal due to the poor spring of 2013 and lambs not growing so well in early life. These lambs have needed high cost concentrates to make up for difficult forage crop utilization in the wet conditions but should have left a decent margin with good post-Christmas prices. The scanning results for 2014 were lower than expected considering that ewes were in good condition in the autumn. There has also been a move to lambing later

with the costs of production of early lambing forcing a rethink of the enterprise. Unlike last year there have been no reports of Schmallerberg.

Pigs and Poultry

Pig prices were at a record high at the end of October 2013 when the deadweight average pig price was 172.1 pence per kg; 11% above 2012 prices. Costs of production in October 2013 dropped to their lowest monthly average since December 2011 at 147.5 pence per kg. This was due to stability in compound feed prices

With pig and feed prices both moving in favour of pig producers a loss of £11 per pig has been changed into a positive margin of £18 per pig.

Weaner prices in January recovered after dropping sharply over the New Year period. Average prices for a 30 kg weaner were £56.86 per head, considerably more than the same time last year.

Most pig producers should be operating at a profit in 2014 but many indoor units are in need of refurbishment and reinvestment and a longer period of profitability will be required to allow capital expenditure to take place to improve unit performance and facilities.

The wet and stormy weather of the last six months has been detrimental to the day to day running of outdoor pig enterprises, with a resulting negative effect on their performance and an increase in straw and feed use. There have been reports that the poor weather also had an effect on finding and retaining staff due to the challenges of working in such difficult conditions. Feed costs have dropped dramatically in the last six months, and as feed costs represent 60% to 70% of the cost of producing a pig, overall input costs have seen a significant reduction. Despite the adverse weather conditions, one outdoor pig producer stated that the last six months has been "fairly" good for pigs compared to the previous six months which were bad, mainly due to the high cost of feed.

Indoor pig production has fared better than outdoor production over the winter, benefitting from the reduced feed prices and not experiencing the problems associated with the adverse weather. However, there was a report of concerns over the weather resulting in an inability to remove FYM from the yard, as the neighbouring farmer who takes the FYM could not get machinery on to the land to move the muck, due to the saturated land.

There were no health concerns reported from those farms contacted. One farmer expressed interest in the spread of Porcine Diarrhoea Epidemic Virus (PED) in the USA and was seeking clarification from his own pig feed suppliers as to whether their products contain Spray Dried Porcine Plasma, which had been linked with the spread of the disease.

From January 2014 broiler chickens have to have enrichment e.g. small bales straw/wooden perches.

Noble foods, UK's largest egg packer announced it was to drop the price of eggs by 5 pence per dozen due to a surplus of free range eggs arising from last year's increase in chick placements.

One farmer who sells chickens and turkeys through a farm shop and farmers markets has reported a strengthening of demand in sales through this selling media. During recent years (recession years) the farmers market trade had reduced with sales at 50% of what they had been eight years ago. Poultry has been sold directly to butchers and the wholesale market instead. In the last six months however, trade has returned to the

farmers markets with sales up above what they had previously been. Demand now often outstrips supply.

One free range egg producer reported lower feed costs and reasonable egg prices over the last six months, however there has been a recent drop in the price received for eggs of 5 pence per dozen and feed prices have risen rapidly resulting in a small margin. The same producer reported a worm problem over the winter period, possibly due to the wetter conditions.

CAP Reform and Environmental Schemes

There are major concerns among LFA tenant farmers at the prospect of more money being moved 'uphill' in the form of increased support payments. There remains a fear that this will both initiate a series of LFA rent rises and might facilitate landlords to effectively dispense with the need of a tenant farmer.

The new Basic Farm Payment (BFP) system which comes into effect in 2015, will impact on the drilling of crops in autumn 2014 and as such some farmers with contract farming agreements have aired concerns regarding the requirement to grow a minimum of three crops on each 'parcel' of land that is in different ownership. For example, where a farmer has several rental agreements, each land area (if over 30ha) will have to fulfil the requirements and stipulations of the new system; that is to produce a minimum of three crops on each different contract arrangement, which is causing farmers concern regarding the practicalities and inefficiencies of conducting the required arable operations throughout the season.

One **East of England** grower of continuous wheat (on his whole farm) is incandescent about the three crop rule! His system is very profitable and he feels it is quite sustainable – it is likely he will continue with this established production system and forfeit the 30 per cent Greening payment.

The proposal of Ecological Focus Areas (EFAs) is a topic of concern to some farmers, amongst whom there is great uncertainty about its administration and farmers are worried that existing ELS/HLS holders will be penalised by having to take additional land out of production. It is being said by some farmers that environmental schemes will have to be very attractive financially to make it worthwhile for them to remove land from production when existing agreements end.

A farmer in the **East of England** whose ELS scheme ends in 2014 is planning to keep the options that can be used for the 5% greening requirement and probably not apply for the New Environmental Land Management Scheme (NELMS) in due course. His perception at the moment was that it would be difficult for a commercial arable farm (fens) to be successful with an application for the new competitive NELMS scheme.

There is concern that many large area agri-environmental agreements (HLS) are being arranged by the landlord, via an agent, and covering a number of tenanted farms with the tenants then being effectively subcontracted to provide (or withhold) grazing units. It is understood that this arrangement is preferred by Natural England and the RPA as it reduces transaction costs. This practice is commonplace in the **Pennines** region, especially amongst large sporting estates and it is seen to be a template for future catchment/spatial level agreements. In one local instance (**North East**), where a landlord held the agreement, the tenant has been removed from it with the landlord retaining the HLS revenues.

Labour

South Lincolnshire has seen a substantial and rapid growth in the Eastern European workforce over the last 15 years. Although some of the work is seasonal, the wider food industry requires staff year round. Most farm businesses would see immigration from Eastern Europe as a very positive development, however some (perhaps smaller) farmers see immigrants as unfair competition for jobs. The BBC website describes the scale of immigration in the following article.

<http://www.bbc.co.uk/news/uk-england-lincolnshire-24060176>

Whilst originally recruited to provide manual labour, a rapid and natural progression was to move into supervisory management. In larger field vegetable businesses, Eastern Europeans are a growing part of the management teams taking roles of agronomist, farm manager etc.

It is felt the demise of the Seasonal Agricultural Workers Scheme (SAWS) at the end of 2013 will have a varied impact on the horticulture and field scale veg sector. Smaller enterprises are normally fairly self-sufficient, sourcing casual labour by means of networking and word of mouth. Bigger operations are most likely to face future challenges with sourcing labour though early signs in 2014 suggest that is not yet the case.

Various companies have stepped up to offer recruitment services for farmers focusing on Bulgarian and Romanian nationals along with Polish and Lithuanian. However, one FBS co-operator stated that since the demise of SAWS, they have ceased to use a recruitment agency and now recruit direct from the country themselves. Another large scale vegetable grower stated that their good relationships with staff from previous seasons have meant that they return to the farm for several consecutive years. The future is uncertain though and there is concern that Bulgarian and Romanian workers may not choose to continue to work in the horticultural sector now the whole UK job market is open, or that they will use horticultural jobs as a stepping stone to alternative work in the UK. The expectation is that it will be those farms and employers who offer good working conditions that will succeed to recruit and retain sufficient seasonal workers.

The abolition of the Agricultural Workers Board has proved to be costly for some agricultural, and in particular horticultural, businesses. The cost of legal opinion and rewriting contracts of employment was about £2,000 for one business. The likelihood is that this, perhaps unforeseen cost, has been replicated on numerous other businesses.

Renewable Energy

Farmers continue to explore possibilities for on-farm energy generation via wind, photovoltaic and Anaerobic Digestion (AD). Significant problems remain with grid connection fees and landlord resistance/opportunism.

There are reports in the **East Midlands** and **East of England** regions, but not exclusively, of the distorting impact on annual land rents in the vicinity of AD plants using crop feedstocks. It is suggested that the rents are raised within a forty mile radius of each AD plant. One farmer reports that his rent for potato land has doubled due to competition with AD.

The take up of biomass boilers by the broiler industry has been high in the **South West**.

Field scale solar panel farms are now being seen throughout the **South East**. Banks appear happy to support investments in renewable energy projects. One farmer reported being granted a loan of just under £65,000 to pay for solar panels without the need for a full financial analysis of his farm accounts. A number of farms have invested in wood chip biomass boilers in the last year, for heating farmhouses, rented cottages and in one case for crop drying.

Rents

Farmers continue to express opinions concerning the growing food versus fuel debate. Reported instances of high rents being offered for good and productive arable and grassland on which to grow maize to fuel anaerobic digester plants are plentiful.

At a time of reduced arable profitability, farmers have experienced rent increases based on historic high commodity prices. Also, the purchasing activity of James Dyson and his Beeswax farming company is a regular topic for discussion on farms in the **East of England** and the **East Midlands**. There is a view that land prices would be lower in Lincolnshire in the absence of the 'Dyson effect'.

General

- Fracking; this is a very topical issue with a couple of issues being noted. The first is that fracking uses huge amounts of water that must be transported to the fracking site, at significant environmental cost. On-farm water costs are already very high and a cause of concern to farmers and further pressure on this resource could drive up prices further. The second is the worry that potentially carcinogenic chemicals used in the fracking process may escape and contaminate groundwater and thus potentially effecting farmer's livestock and crops.
- The introduction of Real Time Information (RTI) in 2013 proved problematic in some instances and resulted in expenditure on new computer software to enable the adoption of the new HMRC requirement.