

Executive Summary

The warm and mild autumn / winter of 2018 aided **grass growth**, reducing demand for limited forage stocks caused by the dry summer of 2018. **Milk prices** have remained at reasonable levels although Brexit uncertainty and reduced international demand is putting downward pressure on prices.

Bovine Tuberculosis (TB) continues to be a threat across all regions, with particular business impacts on those supplying beef cattle. Finished **beef** and **store** prices continued to fall with a lack of forage, and high straw and cereal prices reducing trading stock demand.

Store lamb prices were lower than a year ago due to grass shortages reducing demand. Ewes suffered from the dry summer of 2018 resulting in lower lambing predictions from scans. There is general negativity in the sheep sector due to Brexit, labour issues, dog attacks and assurance costs.

Large **eggs** are enjoying noticeable demand, but medium and small eggs are difficult to sell with free range eggs and increased supply depressing cage egg sales. Producers are concerned by Government not including eggs within a no-deal Brexit tariff protection.

Pig prices fell during early 2019 from increased supply and lower demand, vanguard, Brexit concerns over cull sow outlets, and a rise in militant anti-animal activists. Increased feed prices, reflecting higher grain prices, are **lowering margins** in the pig and poultry sectors.

Increased **grain prices** helped offset **lower 2018 harvest yields** while ideal autumn 2018 cultivation conditions has helped establish winter wheat and barley crops. **Oil seed rape** has been affected by **cabbage stem flea beetle**; the challenge of finding a suitable break crop in cereal rotations is increasing, while interest in **cover crops** has grown.

Lack of rain is causing issues for **root** and **vegetable** producers as they rely on winter and spring rainfall to fill reservoirs. **Sugar beet** and **potato** harvesting in the autumn took place in good weather, but yields were negatively affected; lower areas of these crops are anticipated as the area under **AD maize** production increases further.

Daffodil harvesting in the South was early and compressed, with ornamental plant sales strong despite higher import prices due to the lower value of sterling. Many **horticulture** business face labour shortages and concerns due to increased agency fees, Brexit uncertainty and weakness of the pound. Some **top** and **soft fruit** producers see the potential to market their products as a healthy, environmentally friendly UK snack.

Many farmers received their **Basic Payment** in December 2018, but those with commons land, or facing re-mapping were expecting to receive 75% bridging payments by March 2019. New **Countryside Stewardship Schemes Mid- and Higher-Tier** options continue to be met with a lukewarm reception due to their complexity, time demands and value. Some farmers are however actively looking into environmental schemes in response to lower agricultural profitability.

Farmers remain divided on the most preferred **Brexit-outcome** for agriculture and horticulture. Concerns over market access, tariffs, lower food prices, investment decisions and a lower interest from farm business successors have all been noted.

Making Tax Digital has caused concerns for some businesses with accountants tending to prefer farmers to use bespoke accounts packages; where these are cloud-based, poor rural internet connectivity is a major issue. On farm **security** is a growing issue alongside **fly-tipping**. Falls in the value of land and potential interest rate increases are forcing some business to reconsider their borrowing facilities.

Livestock; Dairy, Beef and Sheep

The dry, warm autumn of 2018 aided **grass** growth allowing extended autumn livestock grazing reducing demand for limited silage supplies following the dry summer. Furthermore, the mild winter and absence of snow enabled **forage** stocks to last longer than expected in many areas. The warm, dry February 2019 encouraged early grass growth reducing demand for expensive winter forage; for example, in the **North East**, hay and silage consistently reached £90/t. Consequently, farmers have sought alternative coarse fodder sources such as straw mixed with molasses. One **Cheshire** producer commented that the autumn weather had saved his **dairy** herd as cows were out for longer reducing the need for additional winter forage.

Milk prices have generally remained at a reasonable level although they are dependent on the contract / wholesaler. Increasing uncertainty over **Brexit** and reduced international demand is putting downward pressure on prices with the expectation of price falls during the spring and summer of 2019. Although costs of production have been high during the winter with concentrates costing £30/t more than a year ago, producers have tried to maintain milk yield as the consequences of allowing **milk** supply to fall can have long term negative effects; both for the cows and on the future farm production **milk** profile.

The **organic milk** market has enjoyed a significant price premium for several years, however, due to the uncertainty over Brexit it is facing the possible elimination of export markets if the UK loses its “organic equivalency standards with export markets”. In recognition of this risk Organic Milk Supplier’s Cooperative Ltd (OMSCo) are reducing prices by 1ppl and withholding the normal 13 month payment to producers worth about £5,000 to a 1m litre producer.

Bovine Tuberculosis (TB) continues to be a threat across all regions; the spread has been rapid of late with TB appearing in areas previously clear. Farmers in the **North** who were under TB restrictions bemoaned the lack of market opportunities for TB restricted calves. TB causes extreme stress and pressure on farm cash flows and farming systems, with cattle needing to be housed longer which in some cases has long term impacts on businesses, with particular impacts on farmers supplying beef calves and cattle.

Throughout March, **beef** deadweight prices continued to fall to their lowest since 2016. A **North West** farmer reported that increased feed prices had resulted in a financial loss on his store cattle sales. In the **Northern Regions**, store cattle prices have fluctuated and generally being lower than the previous year. The lack of conserved forage and high straw and cereal prices have contributed to the reduced interest in autumn store cattle. In the **South East**, the cautious use of straw in livestock yards has resulted in some stock being dirtier than usual, leading to extra stock work clipping cattle out, or deductions at the abattoir.

Increasing numbers of **beef** farms in the **North West** are interested in using the tissue sampling tags to screen for **Bovine Viral Diarrhoea (BVD)** in calves, although the cost is an issue. Tests for BVD are generally accurate and not compromised by the use of the Rispoval vaccine, used for both pneumonia and BVD, which is the case for the conventional antibody test.

Pneumonia has been very prevalent over the winter period across the Regions due to the changeable weather with very warm spells followed by much cooler weather.

September **store lamb** prices were lower than in the previous year with grass shortages and additional cuts of silage reducing demand for store lambs. **Prime lamb** prices throughout the winter and early spring have been reasonable but in March 2019, lamb prices fell below the 5 year average despite the predicted reduction in hogs after the difficult lambing in 2018. It is possible that due to low breeding prices, ewe lambs have been sold as fat which would contribute to maintaining the levels of fat lamb sales and restricting price.

Ewes which had suffered over the dry summer gained condition in the autumn due to continued grass growth. However, scanning numbers have been reduced with more singles predicted for 2019 across **all regions**, thought to have been a result of the very dry summer affecting ewe and / or ram fertility. There are several reports of lamb losses from either toxoplasmosis or enzootic abortions in some early lambing flocks in the **South East** and **North East**, with a higher rate of pre-lambing prolapses reported possibly from improved ewe condition at tugging (excessive body condition in ewes is one of the factors which can contribute to an increase in pre-lambing prolapse).

Concentrate feed prices have risen sharply this winter, with many ewe feeds increasing by £30/t compared to the previous year, due to the dry summer and reduced arable crop yields. Lower **sheep** gross margins were reported on many farms due to an increase in feed to compensate for lower fodder stocks and higher vet and med bills maintaining flock health.

There is a general negativity regarding the future of the **sheep** industry due to: lack of competent, available labour; low profit margins; uncertainty of exports and tariffs to be levied; and a lack of a home market for lamb. Several **East Midlands** farms have reduced ewe numbers with concerns relating to trade post Brexit. There also appears to be a rise in the number and severity of dog attacks on **sheep**. Anecdotal evidence suggests that this is due to the rise in new housing developments in rural areas and an increase in dog walkers.

Beef and **sheep** farms have incurred extra farm assurance costs. Since June 2018 flock and herd health plans are to be reviewed and signed off by a vet. For small farms this has added a significant extra cost for each animal sold especially as membership of assurance schemes have increased significantly. It is perceived that there is little option but to be farm assured due to impact on price, however **South West** abattoirs currently discount non assured **cattle**.

Pigs and poultry

Egg prices remain similar to the previous year with notable demand for large eggs, while medium and small eggs proving difficult to sell. One **North West cage producer** also bemoaned the rapid growth of free range producers in the region which had severely affected his business: as a result of growth in the free range sector **free range eggs** have entered the cage egg market further depressing prices. The Government's decision to exclude eggs and egg products from foods protected by tariffs in the event of a no-deal Brexit has caused concern in the industry; there is concern that the proposed lack of protection to the industry could result in cheaper imports undercutting the UK market.

The UK standard **pig** price continued to fall throughout early 2019 due to the increased supply and low high street demand; one **Yorkshire** producer commented that he thought **veganuary** had contributed to this. Farmers have expressed concern over the rise in militant **vegans** with one **Lincolnshire** pig farm being targeted resulting in protestors gaining access to pig buildings and staging a sit in. Increased concerns in the industry regarding animal welfare activists have resulted in CCTV being installed and upgraded. Increased feed costs for both **pig** and **poultry** producers have put further pressure on margins.

The impact of Brexit on the **pig** industry is a major concern for the trade in cull sows. A major pig meat processor commented that the cull sows may have little value in coming months as the meat from culls is predominantly exported to the EU for sausages. Producers may have to pay for disposal of this meat in the future. One pig producer in the **West Midlands** reported that they were currently operating at a £5 per head loss, but that there were indications of improving prices in the market. The presence of **African swine fever** in Europe is also a

potential threat and of great concern to producers with very high mortality for infected herds.

Arable

Higher **grain** prices in autumn/winter of 2018/19 have helped to offset the lower 2018 yields; albeit only a proportion of the grain achieved higher prices due to forward contracts use.

Autumn cultivations were reported as 'ideal' conditions. A farmer in the **North East** was cautious of drilling too early due to black grass problems, while in the **South East**, autumn conditions led to better black grass control from pre-emergence / residual products.

Across all regions, winter **wheat** and **barley** have established well. The warm, dry spring has allowed spring sowing on lighter land by mid-March, with sowing on heavier ground commencing by late March / early April, has enabling timely **fertiliser** and **spray** applications.

Across all regions, **oil seed rape (OSR)** crops have suffered from **Cabbage Stem Flea Beetle (CSFB)** infestations with relatively minor impacts reported on crops in the **North East** and reports of devastating infestations in the **Midlands** and the **West**. Some growers in the **South East** have tried defoliation as a cultural control method to destroy / remove the pest.

Lack of rain for both crops in the ground and to fill the reservoirs for **roots** and **vegetables** yet to be planted is an ongoing concern. Much-needed early March rain has resulted in some early spring sown crops to suffer due to cold, wet seedbeds compounded by slug infestations.

Cereal farmers are experiencing challenges in finding suitable **break crops** as OSR has become less popular due to **CSFB** and unsprayed **peas** and **beans** have been removed as **Ecological Focus Area (EFA)**; **spring barley** remains a popular crop choice.

Straw prices have fallen across all regions influenced both by the increased supply, in anticipation of a high-price season, and the mild weather which reduced demand. In the **North West**, prices reduced from £100/t post-harvest to £85/t by mid-spring.

One farmer in the **West Midlands** commented that increased machinery costs are making some smaller farms more reliant on contractors, and on relatively small acreage, some are having difficulty attracting a contractor.

Sugar beet harvesting occurred in good weather, but with lower yields due to the dry summer. Sales of **sugar** and **fodder beet** reached £36/t, from fodder shortage and demand from livestock farmers. In the **East of England**, farmers are concerned about growing sugar beet without neonicotinoid seed protection.

The 2018 **potato** harvest is lower than the 5 year average due to the dry summer; **potato** prices have remained £40-£50/t higher than a year ago. Tight potato supplies are predicted for 2019 due to delayed planting and reduced growing area. There is concern about the ban of Chlorpropham (CIPC) and UK restriction on using the alternative Dimethylnaphthalene (DMN) - which is approved for use in other EU countries. Increased **AD maize** areas are expected, due to the predicted reduced **potato** and **beet** area, further diminishing stocks of these crops.

Fears over low winter rainfall and increased irrigation charges are leading to decisions about irrigating **potato** and **vegetable** crops; either reducing area, stopping production or renegotiating contracts. There appears to be an increase in the amount of **cover** crops being grown, possibly due in part to Ecological Focus Area (EFA) requirements.

Horticulture

The **daffodil** flower picking season in the **South** was early and compressed with reduced stocks predicted for Mothering Sunday and Easter; yields and prices are down. Early **ornamental** sales have been good due to favourable weekend weather. Growers report higher EU import prices due to the unfavourable sterling:euro exchange rate.

Many **horticulture** businesses are facing difficulties in sourcing seasonal labour with increased labour agency fees. Eastern European staff have expressed views that they no longer feel welcome, fear that they could be asked to leave and note the poor value of sterling. Growers are concerned about the government's emphasis on highly skilled workers in their emerging immigration policy noting the need to consider the wider skill range required in their industry. Some growers anticipate changes to cropping but others have changed strategy to secure a local workforce offering long term posts. **South East** news has reported the need for a new Seasonal Agricultural Workers Scheme (SAWS) to be put in place after Brexit, highlighting that there is a shortage of local UK labour for **horticulture** seasonal work.

There is a positive feeling amongst **top fruit** and **soft fruit** producers about their products in a post-UK Brexit, given limited exports, the potential to market a 'local' product and the environmental and health attributes of fruit as a snack. There is a drive for top fruit producers to invest in good irrigation with the ongoing drought problems faced in order to drive yields, regulate fruit size and quality, and ultimately drive profits.

Average to good yields from the 2018 **cider apples harvest** have been reported, but there are also reports that the mills are not committing themselves to their requirements for the coming season with rumours of a forthcoming price drop.

Basic Payment Scheme (BPS) and Environmental Schemes

Many farmers were paid their **BPS** in December 2018, but those with commons land or re-mapping had not been paid and were expecting to receive a 75% bridging payment at the end of March. Delayed **BPS** and **environmental scheme** funds are causing cash flow problems.

The new **Countryside Stewardship (CSS) Mid-Tier** and **Higher-Tier** options and other environmental schemes continue to be met with a lukewarm reception due to the onerous time consuming application process, payment rates too low to encourage enrolment and delayed payments. A **Less Favoured Area (LFA)** farmer in the **West Midlands** noted the lack of available options effectively ruling out CSS on their farm. Farms in existing **Higher Level Schemes (HLS)** are being offered a one-year-at-a-time rollover; while welcome in the short term this impacts on long term plans. However, some producers are considering increasing CSS or alternative schemes uptake in response to general profitability concerns without **BPS**. There is concern that the 2nd round of the planned **Countryside Productivity Grants scheme** (early 2019) may not materialise due to a lack of information.

Brexit

Farmers remain divided on which way the UK should go, with strong support for both staying in and exiting the EU. Specific issues from **Brexit** policy development include difficulties selling **cereals** due to potential tariffs that might apply to exports after March 2019 and **vegetable producers** receiving limited guidance from supermarket buyers about arrangements in the case of a no deal Brexit and lack of clarity on import arrangements.

Few farmers had made arrangements to secure inputs in case of a no deal Brexit, but one **horticultural business** had arranged an early order of packaging materials from the

Netherlands; a **pig producer** in the **South East** is stock-piling medicines, a specialist **glass grower** noted the lack of haulage availability due large companies stock piling goods, with another asked to book deliveries to avoid the 29th March original Brexit date. An **East Midlands** farmer has brought forward spray purchases due to limited supplier storage. In the **South East**, more forward buying of fertiliser, and forward crop selling, is also reported.

Brexit uncertainty is impacting on farmers' mid-long term investment decisions, including successors being unwilling to succeed due to high costs and uncertainty, and widespread concerns in the sheep sector. Post-Brexit fears include a reduction of food standards, supermarket power, with many consumers being price focused in their food purchases.

Diversification is seen as a key development in keeping farms profitable. However increased holiday accommodation supply is reducing profitability of existing businesses.

Topical issues

Many farmers are considering their accounts package options to accommodate HMRC's **Making Tax Digital (MTD)** rules. Some producers and accountants have tried to be proactive, but others think the requirements are not clear and are not ready for the MTD changes. Many farmers are unhappy given the added cost, red tape, training needs and poor internet access to Cloud based packages. Those with good manual systems are uneasy with the unfamiliar computer programs. Most accountants are keen for businesses to use accounting software packages rather than using bridging software which can be used with existing spreadsheets. Some farmers have opted to leave it all to the accountants rather than invest in new software.

Farm **security** is a growing problem and farmers are investing more in security. **Fly tipping** on farms continues to be an increasing problem for farmers, with some calling for a review of authorised waste disposal charges which deter legitimate disposal.

Drainage is essential to attain better yields; however many schemes are requiring repair while routine maintenance has become less frequent with lower labour availability.

The squeeze on extending agricultural **overdraft** facilities continues. A major bank noted in a meeting in the **South East** that farmers need to consider their current borrowing, with many livestock/mixed farmers increasing borrowing in 2019 harvest year.

Interest rates are anticipated to rise whilst farm income falls along with reduction in the value of farm land, which will impact on both loans and levels of overdraft facilities being agreed.

There is frustration that some local authorities are working against the **Class Q policy** to make it easier to convert agricultural buildings to residential.

One farmer mentioned the importance of **benchmarking** to their business and the availability of improved tools for doing so on the AHDB website.

Farmers are calling on DEFRA to do more to support them over the current rise in **vegan** activism with a sense that a small minority are causing disproportionate damage to the farming industry through promotion of misinformation about farming practices. Farmers feel they do not have a voice and do not get praise they deserve for the **high animal health welfare standards** and **animal husbandry** maintained across all livestock sectors.