

Executive Summary

The warm and wet summer of 2019 aided **grass growth**, providing ample forage stocks for the winter months. Exceptional **maize** yields are being reported, however harvesting problems are being encountered due to the autumn rain. There are developments in the **dairy** sector relating to environmental management and herd health, such as **Arla** working towards **zero net carbon** and **Nestle** offering price increases as an incentive for their points-based system.

Finished **beef** and **store** prices have fallen, in part due to **Brexit** uncertainty, noting concerns around export tariffs, however the post-harvest fall in concentrate, forage and straw costs will help to offset the impact on margins.

Store lamb sales achieved higher prices than the previous year partly due to their improved condition. However, **fat lamb** prices fell in September as many more lambs entered the market before 31st October. The potential impact of trade tariffs is a notable concern to the **sheep** sector as highlighted by the launch of **Operation Yellowhammer**.

Egg producers voiced their concerns over a **no-deal Brexit** and the prospect and impact on prices of tariff free eggs entering the UK, which might not be produced to UK standards.

African Swine Flu in **Asia** has increased demand for **UK pig meat** which has increased pig prices; when combined with lower feed prices, margins have seen recent increases in the pig sector. However, the threat of diseases in the UK herd continues to be a great concern.

Reduced **grain prices** are offsetting the impact of the high cereal yields on enterprise margins. The wet autumn is hindering and delaying cultivations with the prospect of an increase in spring sown crops. **Oilseed rape** has been affected by **Cabbage Stem Flea Beetle**; resulting in the dilemma of which break crop to include in the arable rotation as growers look to reduce oilseed rape production.

Potato yields have improved, compared to last year's drought hit season. The withdrawal of neonicotinoid seed dressings for **sugar beet** in 2019 is a major concern. Wet harvest conditions are hindering the lifting of sugar beet although yields are looking promising.

Summer hailstorms in the **South East** have damaged large areas of **fruit** orchards. **Bedding Plants** and **Hardy Nursery Stock Nursery** growers have reported strong wholesale and retail sales. **Labour availability** and **cost** post Brexit continues to be a concern for horticultural businesses.

Countryside Stewardship Scheme (CSS) Mid-Tier and **Higher-Tier** options have been noted to have an onerous application process and low payment rates. However, uptake seems high for the '**Countryside Productivity Grant Scheme**' with positive feedback regarding a local '**Stewardship Cluster**' in the **South East**, encouraging initiatives, collaboration and best practice sharing.

Despite divisions between **Brexit** outcomes, all farmers are concerned about the uncertainty and believe that UK farming will suffer without a deal. Concerns over market access, tariffs, lower food prices, investment decisions and long-term planning have all been noted. The resulting current weak pound is having a profound impact, such as increasing machinery costs and values.

Making Tax Digital (MTD) has resulted in increased accountancy bills and smaller businesses are begrudging of the requirement to use complicated and costly software. Levels of **anxiety** amongst many farmers has increased for varying reasons, including Brexit uncertainty and financial concerns compounded by issues such as **crime** and **Bovine Tuberculosis (TB)** which continues to be a threat across all regions.

Farmers have reported that, there is a growing **negative publicity** towards farmers for their apparent role in **climate change**, raising the importance of providing the general public with a balanced view and a need for an appreciation of farmers' contribution towards climate change mitigation, biodiversity delivery and high animal welfare standards.

Livestock; Dairy, Beef and Sheep

Across **all regions**, significant quantities of **grass** have provided ample **forage** for winter, however quality is reported to be reduced. Both **silage** and **hay** prices have fallen; in the **North**, silage is valued at £15/t down £10/t on 2018, whilst hay in the **West Midlands** has fallen by £15/t to £56/t. In the **West Midlands**, growers are reporting exceptional **maize** yields. Most crops were established in fine conditions into good seedbeds and have thrived with the warmth and sunshine. However, the wet autumn has made maize harvesting difficult in some areas due to lodging. There has been an increase in machinery getting stuck in fields and more mud on roads than would be desirable. **Concentrate** prices have been well above the 5-year average since the 2018 harvest putting pressure on livestock margins, however, post-harvest, concentrate prices have declined.

In the **Northern Regions**, **milk companies** reduced their milk price, but **Arla** and **First Milk** kept prices stable. **Arla milk prices** for non-organic and **organic** milk have held at around 30ppl and 41ppl respectively. **Arla's** price has caused problems for other producers as some companies use a 'basket system' to calculate their milk price. Unfortunately, for **Freshways** producers a change to their pricing system resulted in a 4ppl price reduction over two months. **Dairy Crest** was sold in May with shareholders receiving a windfall, which in some cases has been used to offset this last year's poor financial performance. In June 2019, in the **Northern Regions**, **Meadow Foods** gave 650 suppliers, producing 650 million litres/year, 12 months' contract end notice, which accounted for 3.5% of their total milk volume produced. The increased **organic** milk price premium over non-organic milk, following an increasing demand for organic dairy products, has pulled a number of **dairy** farms back into organic production.

Arla is working towards **zero net carbon** and are pushing for every-other-day milk collection and offering financial incentives over the next three years. They are also aiming to phase out shooting of bull calves, which could have calving management repercussions and will lead to an increase in the use of costly sexed semen. From August 2019, **First Milk** farmers that supply **Nestle** are on a points-based bonus (worth up to 2ppl). Points are given for hedge laying, tree planting, educational visits, attending meetings and discussion groups and soil testing. Nestle suppliers are also required to provide costings and carbon footprint figures. **Muller** are offering their producers an additional 0.5ppl to those that meet criteria for three herd health schemes – Farm Insight Programme, Antibiotics, and Johnes management.

July saw flash floods hit the **North East** with **Reeth** and **Leyburn** in particular badly affected. Farmers lost livestock and forage which was washed away. In the **West Midlands**, autumn **slurry** spreading is a problem, as the period for spreading started on 15th October, but it has been too wet to spread and high rainfall has resulted in lagoons becoming full. Calls for the deadline when slurry can be spread to be extended or abolished are ongoing, but no definite decisions have yet been made on resolving the situation.

In the **North East**, scanning percentages for 2019 lambing were lower than the previous year, but the good lambing conditions are expected to have resulted in the 2019 lambing rate exceeding that of 2018. In the **West** and **East Midlands**, lambing had mixed results; there is evidence to suggest that the 2018 drought lowered conditions of ewes and tups leading to poor conception rates.

Northern store lamb sales achieved higher prices than in 2018 partly due to their improved condition. However, **fat lamb** prices fell in September as more lambs entered the market, as farmers wanted to sell lambs by 31st October; more under-finished lambs entered the market thus reducing prices. **Southern, breeding** and **store lamb** prices have remained strong despite Brexit uncertainty.

A fall in prices or introduction of high trade tariffs could make **sheep** farming unprofitable and thus, some producers are already reducing stock numbers or ceasing expansion. September saw the launch of operation **Yellow Hammer** which stated that the agri-food industry would be worst hit by a no-deal Brexit and highlighted the potential impact on the sheep industry.

Some sheep farmers have commented on proposed support measures for the **sheep** sector in the event of a **no-deal Brexit**, citing a proposed breeding ewe headage payment; a slaughter premium or

compensation payments for the destruction of excess lamb, as a mechanism to maintain the price. Farmers are very concerned at the negative PR that the latter would inevitably attract.

Worm burdens have increased as a result of the prolonged wet weather and farmers are using anthelmintic earlier than is usual. There is increasing worry about the rise in the **South East** and the **Midlands** of **ewes** and **lambs** being slaughtered and butchered in fields by criminal gangs. **Dog attacks** continue to be a highly emotive cause for concern across the regions.

Beeston Castle, the last **cattle market** in **Cheshire**, went into liquidation in June with many farmers owed money, including dispersal sale money representing a farmer's retirement funds.

In the Northern Regions, very heavy rainfall in September resulted in farmers on heavier soils housing **cattle** many weeks early to minimise poaching, and suckler calves are receiving creep feed early as the wet weather is impacting on grass quality. There is widespread concern about the low prices of **finished cattle** which has also affected the value of calves and stirks; Brexit uncertainty around export markets, and the increase of beef into the UK from Ireland, being cited by farmers. Some **suckler** producers in the **South East** have sold their breeding stock and changed the focus of their farming. Others are looking towards traditional breeds and thus more extensive systems.

With cereal prices having fallen post-harvest and a high exportable surplus, more farmers are looking at the economics of on-farm **mill and mixing** to produce their own concentrate feed. The re-opening of exports to **China** after the signing of a new UK-China beef protocol in June that secures market access by the end of 2019 is welcomed across the sector. The production of **veal** in **Cornwall** has faced issues due to transport times to markets. Some have reported difficulties in accessing **vaccines** and **anaesthetic** products locally, so have had to plan more for the use of alternative products in their farm health plans.

Pigs and poultry

Due to **African Swine Flu** in **Asia**, **pig meat** demand has increased from **China** resulting in a price rise for British pig meat. One **Yorkshire** farmer said the price equated to an increase of around £17/fat pig. However, the industry is worried about the threat of African Swine Flu reaching the UK. In addition, an outbreak of **Swine dysentery** was reported in **East Yorkshire** causing concern about the spread of this disease. Farmers are being urged to join the "**Significant Diseases Charter**" which monitors and reports outbreaks. The **National Pig Association (NPA)** have proposed a compulsory membership under the Red Tractor Scheme. In the **South East**, a few **pig** farmers are expanding into breeding and contract finishing. A contract producer reports that they have received larger batches of pigs following consolidation in the number of other contract rearers, and reduction in rearing capacity. Pig farmers are concerned about the rumoured ban on farrowing crates for sows. It is felt that it would make UK production uncompetitive, and the investment needed would not yield an economic benefit; for smaller units it could effectively mean an end to pig production.

Egg producers voiced their concerns over a **no-deal Brexit** and the prospect of tariff free eggs not meeting UK standards. **Free range egg** prices for the second quarter of the year saw prices at 80.4p/dozen, the lowest for five years, with over supply to blame. One **free range producer** who had been in the industry for 20 years was bemoaning the fact that a lot of new farmers had put sheds up and were putting more eggs into an already saturated market. **Egg prices** have fallen from the 2017/18 year and as **feed** costs have not fallen by the same degree, margins have reduced.

Arable

In the **South East**, the dry spring weather was a major concern. Despite low disease pressure, programmed fungicides were used to protect yield. The wet summer in the **North** increased disease pressure and the high winds worsened the problem as chemical application was hindered. In general, **winter wheat**, **barley** and **bean yields** were higher than 2018 crops and **spring cereals** to a lesser extent, but **oilseed rape** yields were lower. Rainfall resulted in a prolonged and difficult harvest in some

areas. In the **North**, significant areas of **wheat** and **barley** were lodged (flattened) making them very difficult to harvest and reducing yield with **oats** the most severely affected. Across **all regions**, those that were unable to complete their harvest before the rain arrived have incurred significant **drying charges** and some loss of quality premiums.

The average **cereal prices** for 2018 and 2019 will vary considerably depending on when crops were sold. Post-harvest prices of £130/t compared to £177/t in 2018. A fluctuating market coupled with low prices and Brexit uncertainty are affecting both current and futures markets. A number of farmers used the weak value of sterling to take advantage of high grain prices earlier in the season, but these reduced sharply due to high yields and uncertainty about export tariffs post 31st October 2019.

An increasing amount of **straw** has been baled in the **South East** to meet **non-agricultural** requirements, where historically the straw would have been incorporated. However, on farms where harvest became late, straw was chopped to facilitate cultivation timing and reduce the soil damage. In the **North**, due to lodged crops, less straw has been baled than normal. Some farmers tedded it (aerated the straw by lifting and separating to hasten drying) and rowed back up prior to harvesting, whilst others chopped it so they could cultivate. However, where straw has been baled, yields were much improved, which has led to a drop in demand and reduction in value. One large producer who feeds a lot of straw has predicted the lower price could save him £12,000/year.

Many **oilseed rape** crops experienced damage from **Cabbage Stem Flea Beetle (CSFB)**, **pollen beetle** and **pigeons**. Some failed crops were abandoned in autumn 2018 and early 2019 while others developed with difficulty; spring CSFB levels were also high. Some forward crops suffered due to drought stress. In the **North East**, some farmers re-drilled failed oilseed rape crops. The future viability of oilseed rape being questioned by many, due to CSFB impacts and high production costs. A couple of growers have used cultural methods to control CSFB; one using grazing sheep to reduce pests and the other trying companion crops, including turnips, around the edge of the field. Across all regions, **oilseed rape** autumn drilling and crop viability has been dependent on the protracted cereal harvest determining drilling date, seedbed conditions, and CSFB infestations.

Autumn cultivations have been problematic due to heavy continuous rainfall, with drilling either delayed or carried out in less than ideal conditions, which might lead to soil structure issues / poor drainage in spring. The move to later winter wheat sowing to counteract the **black grass** threat has exacerbated this problem. Whilst the weather has encouraged a flush of black grass prior to sowing, spraying opportunities to create stale seedbeds prior to drilling have been reduced. There is likely to be a significant move to spring sown crops. In the **West Midlands**, black grass issues have led to herbicide applications increasing, sowing dates being delayed, and some cases of cereal land being put into grass for grazing to tackle the issue.

The **Northern regions vining pea** harvest started in July, a week later than usual due to wet and cold weather in June. Much of the crop was ready at the same time with large areas not harvested due to the wet conditions and much was simply ploughed back in. In the **Northern regions**, **Ryegrass** is becoming an issue due to resistance to herbicides or requiring a high application rate. Land previously in stewardship schemes being returned to arable production is being sown to grass followed by deep ploughing to control the Ryegrass.

Potato harvest in the **West Midlands** came early, as spells of rain made the soil moist enough to harvest in September. Potato yields have improved, compared to last year's drought hit season. Heavy rain in the **East Midlands** causing soil wash on potato ridges has increased the number of green potatoes. For 2020, the AHDB reports the **UK potato growing** area to be up 1% compared to 2019, but the total area remains one of the lowest on record.

Following the withdrawal of neonicotinoid seed dressings for **sugar beet** in 2019, growers described their concerns about virus impacts with some crops damaged by CSFB. In the **South East**, sugar beet was suffering from a lack of meaningful summer rain. Wet conditions in the **East Midlands** are hindering the

sugar beet lifting although yields are looking very good. Farmers expressed frustration that **British Sugar** took so long to reach an agreement on next year's sugar beet price or formulate a 3-year contract which could influence their cropping plans.

Horticulture

In the **South East**, an **apple** and **pear** grower reports that a frost of -2C caused significant damage to early flowering Bramley apples, potentially reducing yield, and another producer expected to have less uniformity at harvest. The **South East** was hit by hailstorms in June/July with large areas of **fruit** being damaged; there are reports on one farm of over 90% of orchards being damaged.

Bedding Plants and **Hardy Nursery Stock Nursery** growers have reported strong wholesale and retail sales through the summer on the back of "good gardening weather". Some traditional forced **bulb producers** in the **South East** are reviewing whether to continue with their own production. **Flower** producers have noted low flower prices, high bulb costs and high labour costs. As production transfers to larger and automated systems, the larger businesses express frustration that they are ineligible for the new Seasonal Workers Scheme, and not permitted to form Producer Organisations.

A **leaf salad producer** has decided to cease glasshouse lettuce production as he can no longer guarantee crop quality following the ban of Cruiser (neonicotinoid) seed treatment. Some **Glasshouse vegetable** land in **Hertfordshire** and **Humberside** has been lost to development. In the **South West**, there seems to be an increase in the use of cover crops, especially for field vegetable producers, e.g. phacelia to mitigate soil erosion and improve soil health.

In the **South East**, there is relief among growers that EU nationals will still be able to come to work and live in the UK in a 'no-deal' Brexit outcome, under the "Temporary Leave to Remain" scheme for up to three years after arrival. However, there is concern that farming and horticultural occupations have not been included on the **Shortage Occupations List (SOL)** and that the future points-based immigration policy may favour highly paid jobs in IT and medicine and overlook the 'lower cost' requirements of the horticulture sector. Larger fruit farms are helping their EU employees to apply for 'settled status' to enable them to stay working in the UK after Brexit. In 2019, there were reports that a shortage of pickers and packers led to **fruit** and **vegetables** being left in the fields to rot. **Labour** is one of the biggest fixed costs for horticultural business that employ casual staff, so the increase in hourly pay and welfare benefits can quickly bring a significant rise in total costs.

Brexit is seen with some optimism for reducing competition and stabilising prices for UK produce. As biosecurity protocols may also be affected by a no deal Brexit, which would in turn restrict or slow the supply of non-UK plant material, more people are turning to UK suppliers. The Scottish Government is pushing for large scale forestry expansion, leading to high demand for tree stocks which is forecast to last for three or more years.

Basic Payment Scheme (BPS) and Environmental Schemes

BPS issues remain in the uplands pertaining to land areas and entitlements following common land re-mapping during 2018. Farmers commented on the complexity of completing their **BPS** in **2019**, having encountered bugs in the software requiring repeated data entry. Across all **Regions**, outstanding/delayed **UELS/ELS/HLS/CSS** monies, which caused early 2019 cash flow problems, have been paid or temporary bridging payments paid. The current CSS Mid-Tier and Higher-Tier options continue to be met with lukewarm reception due to their onerous application nature and low payment rate. Existing non-organic HLS scheme holders are being offered a one-year-at-a-time rollover. Organic farms in the HLS are not being offered an extension.

Uptake seems high for the '**Countryside Productivity Grant Scheme**', although anecdotal evidence suggests that the purchase of the capital asset within the deadline is proving difficult. Positive feedback has been received from a farmer regarding a local '**Stewardship Cluster**' in the **South East** which encouraged initiatives and collaboration and sharing of 'best practice'.

Brexit

Despite divisions between leave and remain, all farmers are concerned about the potential impacts and uncertainty and believe that UK farming will suffer without a deal. Farmers feel unable to make long term business plans, however some have discussed plans for conversion of **assets** to generate **rental income**, although this is not always possible for tenant farmers. There is evidence that agents are looking for assets on tenanted farms to take back from the tenancy. There is frustration that **Brexit** talks are using up all available time and that the new **Agriculture Bill** is not getting enough parliamentary time. There is worry among producers that in any **post-Brexit** recession, customers will review their spending choices, potentially buying food on price rather than quality. There is concern that food and organic standards may be weakened or diluted in the pursuit of possible US trade deals post Brexit. **Fertiliser prices** are expected to rise from November largely due to supply and demand issues as farmers are being urged to buy early due to the potential for import tariffs.

Topical issues

Natural England's revocation of the general **gun licence** for controlling pigeons/crows/magpies on 25th April has caused issues and confusion.

Second hand machinery values are increasing; the weak pound is increasing the prices of imported new machinery and making second hand machinery exports relatively cheap. High repair bills are common place as new machinery becomes more complicated; thus there is increasing demand for older, simpler, well maintained machinery. Careful **machinery investment** is a key management strategy and because of fierce competition between manufacturers, machinery is more expensive than ever, so it is worth considering options carefully regarding replacements and repairs.

Due to **Making Tax Digital (MTD)**, some accountants have moved their clients onto 'cloud based' software packages resulting in increased accountancy bills and in some cases loss of business control by the farmer, as accountants complete vat returns. Some farmers continue to keep their own manual records plus a computerised system; smaller businesses are begrudging of the requirement to use complicated and costly software for monitoring their 'straight forward' business.

Levels of **anxiety** amongst many farmers has greatly increased due to the fall in beef and sheep prices, threat of tariffs, future loss of BPS, Brexit uncertainty, MTD, finance, the threat that banks will withdraw overdraft facilities, and post Brexit paperwork. Many producers who import and export are unsure of tariffs and paperwork requirements post Brexit.

Farm vet practices in the **Northern Regions** are being bought by corporate businesses, e.g. Alnorthumbria. Vet businesses that want to remain independent are joining forces with others to form a consortium, e.g. XL vets, to centralise their marketing and training and form buying groups. Ultimately this will lead to increased costs for farmers through reduced competition.

In the **South East** there is a sharp increase in fuel filter sales and problems with "**dirty**" fuel, believed to be due to the increase in the amount of biodiesel that regulations require gas oil blends to include, resulting in impaired performance of machinery and higher servicing costs.

Farmers have reported that, there is a growing **negative publicity** towards farmers for their apparent role in **climate change** with many farmers noting that the general public need to be provided with a balanced view. Farmers want to be recognised for their role in climate change mitigation and also that biodiversity of grasslands is ignored by the press. Farmers would welcome increased public awareness of the high animal health and welfare standards in the UK, resulting in higher food production costs which increases prices compared to cheaper imports produced to lower standards.

Fly tipping, trespassing and **theft** continue to be issues for farmers. **Bovine Tuberculosis (TB)** and **Bovine Viral Diarrhoea (BVD)** continues to be a threat across all regions. The proposed **badger cull** in **Derbyshire** has been rejected and stopped despite the opinion that a reduction in Bovine TB is seen where wildlife control has been carried out.