



Coronavirus Impacts on Farm and Horticulture Businesses in England

Intelligence Report: 4th April to 17th April 2020

This is the second in an ongoing report series – for earlier insights please see visit www.ruralbusinessresearch/publications - "Latest Publications" - "Intelligence Report from the Regions"

From RBR's delivery of the Defra-funded Farm Business Survey for England

Major Food Supply Chains

The impact of the Covid-19 outbreak on some **milk supply chains** continues, with some dairy farmers affected across many regions (e.g. North West, South West, Midlands). Some farmers are facing: price drops [Lancashire Farms down 3 pence per litre (ppl); Freshways 5-6ppl below supermarket contracts]; non-collections of milk [Freshways in some regions; spot market supplies; Tesco collecting half a producer's milk]; price increases but with associated cuts in production volumes [Muller, price up 1ppl, but with 3% production cuts]. These milk supply issues may lead to **some dairy farm businesses collapsing**. These impacts driven by closures of schools, restaurants and other hospitality outlets. In the North reports of impending milk price cuts are reported.

Potato values has fallen dramatically, mainly because of outlets such as McDonald's closing, forcing McCain and others to reduce contracted areas; this despite the difficult and short harvest in 2019 with some farmers unable to market current potato stocks. The potato market is therefore in disarray for both current crop and going forward, largely due to fall in demand from processors, fish and chip shops, and retailers. Some growers are **re-considering planting areas** for 2020 harvest, even though planting conditions are good, as a well-known processor has reduced their 2020 contracts by 40%.

Farm Inputs

Farmers are benefiting from the fall in prices for **kerosene** (down 50% since December) and **red diesel** (down 15 ppl in last two months), with some stocking up on these supplies at these lower prices. Some farmers are having difficulty obtaining **spare parts for machinery** due to factories being shut down. On-farm mechanics are still travelling to farms to repair machines in some regions, but in the South there are reports of farmers being unable to access machinery repairs as **some agricultural engineers are closed**.

Across the country, **collections of supplies from merchants are continuing** on an order then collect basis, with strict social distancing operating on collections. Second cut grass fertilizer is being pushed by merchants in the South West. **Agricultural haulage** (inputs and outputs such as grain) across many regions are impacted as lorries are looking to be loaded on both outward and return journeys, with the challenge of securing loads (e.g. due to construction industry restrictions) negatively affecting timings; Camgrain have reportedly halved their haulage fleet. Travel subsistence (i.e. toilet/shower/food facilities) for long distance lorry drivers (e.g. Hay/Straw merchants) is lacking, leading to some sharing driving of one vehicle to cover journeys in one day, rather than have to stay anywhere overnight; those self-isolating in their lorry cabs can cover the shorter deliveries. Farmers in Yorkshire cannot get liquid fertiliser because of a **shortage of tanker drivers**.

Concrete company and quarries in Cornwall have ceased to operate, so it is very difficult to obtain concrete, affecting ongoing **farm building projects**. Planned builds for agricultural buildings have also been delayed, leading to unplanned costs.

Seasonal labour continues to be a concern. A Cambridgeshire firm which usually employs about 2500 seasonal staff, has chartered their own flights to bring in workers from Romania. Some farmers have reported that having family at home has helped with labour – either due to school closures or family unable to work off-farm; which has increased help at lambing, milking and for spring cultivation work in particular.

Horticulture

An **East Yorkshire nursery** who supplies B and Q is struggling to survive after the stores were shut. They are throwing bedding plants away and have had to lay 30 staff off. In the **South**, there are reports of plant and tree nurseries giving away plants for free/with honesty boxes on the roadside. Horticultural businesses without contracts with supermarkets (both edible and ornamental) are most affected. There is however, some level of business which is continuing between nurseries and landscape contractors who had already ordered plants, and are able to stay working. There are also **reports of mail orders** from the general public with high uptake; however, many of these small nursery businesses are too small and not geared up to operate a large scale delivery service.

Arable

The recent spell of fine weather has **enabled much field-work to continue**, with more work than usual at this time of year due to delayed planting from the autumn of 2019. Many areas across the country have rapidly gone from a situation of wet fields where field-work was not possible, to farmers and growers now **needing rain**. In the South West, inputs of **maize seed** are available, but there are delays in actual deliveries that may impact on sowing dates. Drilling of **vining peas** in the East has been significantly delayed due to the dry and cold spring has pushed back the schedule significantly.

Livestock

In the North, **deadweight beef price** dipped by 20p/kg in the last fortnight. Processors were blaming carcass balance issues with increased demand for mince and decreased demand for expensive cuts (e.g. steak) following restaurant closures. Finished lamb prices increased after the recent crash after abattoirs resumed lamb exports, but some farmers are frustrated as NZ lamb and polish beef are being imported and sold in supermarkets.

Livestock markets are still operating but under a strict 'drop and go' or 'stay in truck' policy, with no breeding stock (e.g. dairy cows) being sold nor sellers allowed in the market; buyers must maintain social distancing in the auctions. Buyers need to register in advance with the market and viewing of stock before sale is restricted to one person at a time. Concern continues that that beef prices will drop considerably with an over-supplied market. The change in livestock market operations is causing frustration for some, especially store cattle sellers, who like to watch their stock sold. Some markets are to **introduce live streaming** so farmers can see their stock sold. Store prices were down at Sedgemoor. Some farmers are concerned about markets being shut down altogether, but there are also reports of more cattle being sold remotely.

In the **South West**, a goat milk producer has had to throw milk away, as specialist processors have closed and furloughed staff, leading to no market for the farmer's milk.

Diversification

An East Yorkshire farmer who runs a **home-grown vegetable stall** in their village could not keep up with demand as villagers purchase produce on their one hour exercise when walking past the farm.

Diversified farm businesses in tourism sector are struggling, with farmers returning deposits on bookings over the next three months, but payment from the government's small business scheme has helped. Some diversified businesses in the **South West** have

reported an upswing in September/October/November bookings as holiday agents have allowed guests to change bookings to other dates without losing their deposit or payments; albeit that autumn holiday let properties make significantly less per week than April/May. Small business grants from Cornwall Council for holiday cottages are now starting to be received.

A farmer with holiday cottages in Northamptonshire has had to ask all guests to leave as the cottages are located close to the farmyard, leaving the farming family more exposed to picking up Covid-19 due to the property's proximity to the farm house. There are reports of adult family members who work on farm, but live off farm, moving back to the main farmhouse or holiday cottages to reduce the risk of catching or spreading Covid-19.

Farm Business Management and Financial Operations

Red tractor audits are continuing, but **via facetime**, with the farmer showing the auditor around the grain store and other facilities, and with documents sent in via e-mail. Agents for Basic Payment Scheme (BPS) completions are being undertaken **over phone/internet**. Concern that this could cause problems later on with added potential for incorrect field data being submitted due to this sub-optimal way of working.

Business Interruption Loans are available to farmers, but to secure a loan, it is necessary to show that the business can meet the repayment plans afterwards; the NFU have reported that no agricultural businesses have yet secured these loans. Businesses with stronger cash flows requesting a loan to cover debtors not paying are likely to receive a required loan, but businesses already struggling may be turned down as they may not be able to demonstrate ability to repay. Cases of pre-Covid-19 agreed business loans not being completed by Barclays, due to sickness of staff in India, have been reported. This has prevented the purchase of land/assets and led to sales falling through. Incidences of **bank charges rising considerably** have been reported, with the 'above base rate' of bank charges doubling from 2.5% to 5%, along with the arrangement fee. Some farmers in the **East Midlands** have explained how some **banks are reluctant to extend overdrafts** even though agreements were made prior to the Covid-19 outbreak.

There have been a number of incidences of **increased fly tipping** due to closure of local authority recycling centres. **Farm sales**, where farm businesses typically sell their machinery, livestock and other (non-land/building) tradable assets (e.g. tools, hay, farm supplies held on farm), have been cancelled.

Many **farm administrative staff are working remotely** and not going into farm offices or onto farms, impacting on the production of electronic farm accounts. Accessing farm data from farm administrative staff working remotely is more challenging due to lack of contact details. Business interactions with farmers (including the work on the Farm Business Survey) via phone calls are tending to take longer than usual.

Social

Farmers in East Yorkshire are commenting how **busy the footpaths are** around farms. There was however a police presence at some busy tourist areas over the Easter weekend turning walkers away. A farmer in the North East has reported over 250 walkers (290 on Easter Sunday; one person per 3 minutes) through his farm-yard daily – touching gates one after another. Whilst sympathetic for the need to exercise, these numbers are in sharp contrast to the pre-Covid-19 numbers of around 30-40 per day. Farmer is now wearing a mask and has contacted local MP and NFU and considered rerouting footpath, but this is not practical in the short term. The farmer finds himself regularly interrupted to give directions and advice on "if the cows are safe".

Farmers generally feeling concern about Covid-19 and are maintaining social distancing, with business phone calls often representing their **only social contact for a long while**.