



Coronavirus Impacts on Farm and Horticulture Businesses in England

Intelligence Report: 18th April to 1st May 2020

This is the third 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

Dairy farmers supplying **Freshways** in the **Midlands** have been emailing their local MPs and their local NFU representatives as a plea to the government to put in place some sort of financial crisis help fund. Freshways have also emailed their supplying farmers this month (April) again to say that the milk price will be dropping further (on top of the previous reduction) in the coming months. A farmer who supplies **Muller** reported that they had been asked to reduce supply, with rumours amongst some dairy farmers that this may be due to Muller sourcing milk from Freshways at a significantly lower price. Media coverage of the dairy industry crisis has increased, but local farmers are getting desperate and are saying that even if the government does intervene and help financially, it may be all too late, as some farms have not received a normal milk payment since February.

Arla are not taking on any new producers in **Cornwall**, and are introducing a price drop for all conventional producers as of 1 May of 0.9 pence per litre (ppl). Dairy farmers who have been producing their own milk for retail, and who have lost their retail markets, are finding it impossible to get a new wholesale contract. In the **North** there are reports of dairy farmers, that have been hit by their buyer contracts, cutting production hard, reducing concentrate use and focusing on achieving more milk from grass and drying off more cows.

A **West Midlands** farmer concerned about his **potato** market, as he supplies a lot of chip shops, is wondering when the chip shops will reopen. Impacts on **beef markets** continue with Under Thirty Month cattle difficult to sell as most abattoirs having waiting lists, with price reductions widespread. The general perception of farmers amongst the public has been noted to have changed positively in a matter of weeks from 'villain to hero' during the crisis as consumers value the vital work that farmers are doing in **feeding the nation**.

Farm Inputs

Cases of **farm labourers** being off work for being in high-risk groups (both age and/or underlying illnesses) has been causing difficulties in getting work done on some farms. Reports of **contractors furloughing staff**, reducing the ability to get contractors on farm has been noted in a few cases. A Staffordshire dairy farmer has halted plans for herd expansion because construction contractors for the new cattle shed are now isolating/off work. **Haulage difficulties** for inputs continue due to lack of available drivers, and lorry drivers furloughed by companies due to the reduction in concentrate use in the dairy sector.

Difficulties in sourcing livestock **sundry inputs** has been reported due to overwhelmed online sales, or where supplies are possible, there are long delays in receiving orders

because of slow logistics. Getting supplies more generally is also proving more challenging (particularly for smaller farm businesses) with most merchants operating click and collect type services and/or with long lead times. With **oil-based inputs** falling in price (e.g. red diesel at 38.8ppl) farmers are continuing to stock up.

Horticulture

In the **East**, a flower producer has quickly adapted to supply online and is experiencing large demand from local orders, having picked up orders from a supermarket and local shops and florists. These more direct sales based outlets, removing the wholesale market, are resulting in temporary increases in margins. Reports of a supermarket sourcing flowers locally, rather than importing from Holland, were welcomed by horticulture farmers. Demand for vegetable plants has been reported to be very high. Some horticulture **Hardy Nursery Stock** businesses, across the regions, that have adapted their businesses (e.g. on-line / local shops) have been successful and are struggling to keep up with demand; others have been less fortunate in attempts to adapt to the market shock. Concerns remain about the effects on sales longer term, and the potential post-lockdown recession.

Hop and cider growers are faced with a major fall in demand for their produce (with 2/3rd of beer market originating from pub sales where the market has collapsed, but 1/3rd from retail sales that has seen a 25-30% market increase). Because the demand for **hops** will be drastically lower, growers are reducing production by around 25%-30% to prevent a flooded market and unnecessary waste. Hops from 2019, to be used in 2020 for brewing, are also being held back, so the oversupply is also likely to be an issue for the 2021 harvest. The price of hops sold outside of contracts is likely to collapse, whilst those on contract will be taking reduced contracts for the foreseeable future, with some growers being forced out of hop production altogether. For **cider fruit**, the large producers are looking to reduce their tonnages this year; Thatchers are only accepting 80% of their contracted apples and it is likely others will follow. The length of restrictions on pub and restaurant closure over the coming months will directly affect hop and cider grower businesses.

Arable

The dry weather over much of April allowed spring fieldwork to be completed on farms where inputs, farm labourers and contractors were not impacted by Covid-19; the rains in the latter few days of April have been most welcomed by arable farmers.

Livestock

Reduced **beef** prices, due to carcass balance issues, continue to be reported, with some reports of farmers being unable to sell finished cattle at market because of no demand from usual outlets due to restaurant and other business closures.

Farmers noted that there has been little coverage of the ban on selling trading or breeding livestock, with some noting that assistance from the NFU has reportedly been poor on this issue. The ban on trading of breeding livestock has had major impacts on farm businesses whose main enterprise is to sell breeding stock. However, the change in rules to **allow livestock markets to resume the sale of breeding stock**, but with the social distancing demonstrated and different sales occurring on different days of the week, was welcomed. While this is good news to buyers and sellers, some sellers were still concerned about the 'drop and go' policy, which just leaves buyers to enter the market; most farmers were putting a reserve price on their stock to prevent sales at low prices. Live-streaming of auction sales has been welcomed by farmers selling stock. Some auctioneers have set up **internet-based systems** to foster farmer-to-farmer transactions.

Some farmers are reporting **difficulties in getting vets** to do routine jobs such as dehorning, as they cannot source anaesthetic, as well as more general difficulties in getting

vets to attend farms. Some sheep farmers who usually have vet students for lambing suffered as the students were unable to come and stay on farm; however the excellent weather and having older children at home, rather than at school, had helped considerably with lambing.

Eggs were still in high demand with some farms who sell direct to consumers not keeping up; the increase in home baking has led to the increased demand. Small holders were finding it difficult to purchase point of lay (POL) pullets, as people with big gardens have been purchasing them to supply their own eggs.

One farmer in the Midlands was hoping to have a dairy herd reduction sale this spring/summer; this has been postponed.

Diversification

Loss of income from cottage rentals, B&Bs, campsites, hosting events and other diversification income streams that rely on the movement of people, is affecting various businesses. A report of the public miss reporting to the police that there were visitors to a campsite has been noted, when the campsite was actually being used to graze sheep.

Farm Business Management and Financial Operations

The **Rural Payments Agency (RPA)** announcement of an extra month to submit Basic Payment Scheme (BPS) and other scheme applications has been welcomed.

Book-keepers continue to be unable to get onto farms to help those complete their VAT returns, with consequent impacts on availability of electronic farm accounts. Some accountants in the South West have been noted to be more active in email bulletins and webinar productions, with weekly rather than monthly offerings. Some accountants are requesting that farmers submit their accounts earlier than usual. However, there are also issues with regards to farmers obtaining supplier invoices, or payment statements, to enable March 2020 year-end accounts to be made available.

Some farmers may be unaware or unsure of government support which may be available to them - an accountant in the South West is publicising this widely within the local press, warning that whilst there is an immediate concern over cash flow pressures, it is going to be over the next 12 months that issues really begin to emerge. Farmers are being urged to **check their eligibility for the various government schemes** now, rather than at a later date when the schemes may no longer be available.

Organic inspections, in line with farm assurance schemes as previously noted in these reports, have proposed to be undertaken remotely.

Social

Multiple concerns have been noted from farmers regarding the **heavy use of footpaths/fields** by dog walkers, some of whom are not sticking to paths and walking over crops, others leaving dog mess leading to potential disease problems with livestock. Some walkers are failing to practice social distancing with the farmer if seen. An **increase in fly tipping** continues to be reported, and is of serious concern to farmers.

There are general concerns from farmers over **how much longer the current lockdown will continue** and what the "transition" period will consist of. Farmers share the same concerns as the rest of population, for example, with family members in care homes, and being unable to visit, and suffering from isolation. However, many farmers have also commented on how fortunate they feel to live in rural areas with plenty of space.