



Coronavirus Impacts on Farm and Horticulture Businesses in England

Intelligence Report: 2nd - 15th May 2020

This is the fourth 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 **reopening of MacDonald's drive through** restaurants was welcome news for some farmers, as it will hopefully increase demand for some of the lower quality beef; however current beef prices remain subdued (see *Livestock* section below) relative to pre-covid-19 period. Some **organic milk producers** have received price cuts for their milk despite demand from online vendors and supermarkets that is helping to offset the fall in demand from restaurants.

Freshways have been dropped by Starbucks as a milk supplier with immediate effect, reportedly due to the bad public relations associated with Freshways' dealings with farmers; Starbucks have turned to Arla to secure milk previously supplied by Freshways. **Arla has received some praise** from farmer suppliers following their initiative to donate milk/cheese/butter and yoghurt to hospitals, vulnerable families and school children via three food charities. **Demand for eggs** remains very high with price rises now filtering down to farm gate level.

Farm Inputs

One farmer has set up a shed for collections and deliveries to and from the farm with appropriate **quarantine procedures in place**. Farmers who also provide delivery of farm inputs are also being cautious to avoid contact with equipment on farms they are delivering to, in order to maintain health and safety. Difficulty in sourcing some **machinery parts** continues.

The use of PPE has been reported on a dairy farm to protect themselves, vulnerable family members and workers on the farm, while undertaking activities where working in close contact is unavoidable; this has allowed farm staff to continue to be employed and not furloughed. In addition this farm is providing supermarket supplies for all staff to limit the number of off-site visits between them.

In the sheep sector, **a shortage of shearers** is being reported on those farms that typically rely on shearers from New Zealand working in the UK over the summer months; some sheep farmers are shearing early to try to secure shearing services before the peak shearing period.

Horticulture

A major specific challenge for the horticulture sector remains the sourcing of labour as spring and summer harvesting picks up. Experienced workers from Eastern Europe typically provide a substantial proportion of harvest workers. However, the restrictions on the use of workers from Eastern Europe (from the Seasonal Agricultural Workers Scheme [SAWS] and travel restrictions), and despite some growers chartering in flights, means **substantial labour constraints exist**. Horticultural producers have reported an increase in interest from British applicants, who are currently out of work, for harvest roles; however in previous attempts to employ British workers, challenges of people wanting to

work only part-time, and not through the full summer months, have been found. **Substantial labour shortages on many horticulture farms are likely this year.**

Arable

For arable farmers who have been able to largely work as normal while under covid-19 restrictions, the weather (wet winter followed by very dry spring) has had a bigger impact on businesses than covid-19. There is a concern on one farm that a large amount of big bale straw destined for the power stations remains uncollected, coupled with worries that payment for some straw previously transported remains outstanding, and rumours of a fall in electricity demand following 'lockdown' adding to business concerns.

Livestock

Prices for **beef and culls cows** remain subdued relative to pre-covid-19 restrictions, however there have been **some prices rises** recently, but carcass imbalance issues are still a price dampening factor; some supermarkets are trying to help this with retail offers on high end cuts and the Agriculture and Horticulture Development Board (AHDB) have announced the launch of a **#steaknight campaign**. AHDB report that around 20% of beef is usually consumed via restaurants and other cooked food outlets, with steak being a popular choice, explaining the current carcass imbalance issue in the beef marker. Prices for prime cattle (rather than cull cows for example) has therefore been most affected, coupled with some buyers wanting to secure lighter weight animals, resulting in a reduced price and quantity of output for farmers supplying direct into deadweight markets.

Breeding stock sales began again in the North, with a 'drop-and-go' policy still in place. The trade for ewes and lambs was very good with prices ranging from £50-£70/life. Some sellers are still nervous about sending stock and not being able to see them sold. More farmers have been trying to **sell privately through websites**, such as sellmylivestock.co.uk, in order to have better price visibility. The cull ewe trade has recently improved with the prospect of more takeaway sales, with ewes up to £140/head in some markets. Finished lamb prices have improved recently with prices 510-520p/kg deadweight being reported; moving forward new season lamb will account for most of the lamb trade.

Farmers welcomed news of the government dairy hardship grant (£10,000 for dairy businesses that can evidence they have lost 25%+ of their income due to covid19), however for larger dairy farmers the £10,000 grant represents a relatively small sum when set against their monthly costs. Many medium/larger dairy farms who have invested heavily in recent years to achieve productivity and scale enhancements could be the most financially vulnerable if they have lost substantial income from milk sales.

Diversification

Closures of on-farm diversification enterprises continue to be reported, while diversification enterprises that require people to be present on farm (e.g. liveries) are having to implement social distancing rules.

The **increase in demand for milk from doorstep deliveries and vending machines has slowly declined** as the panic buying eased. One producer retailer who does door step delivery had a 200% increase in customers for a while, but are now reporting many new customers reverting back to the supermarkets.

There are major concerns about the impact on farm businesses from **holiday accommodation and B&B revenue** as it is unlikely summer holidays will be possible this year. In the South West there are some concerns whether or not the £10,000 council grant will be enough to cover such losses, or whether another round of grants will be made available. However, with many companies allowing customers to switch their holidays to another date, April-June 2021 is already getting booked up, providing greater certainty of future income.

One farmer who normally supplies a lot of forage to the horse sector said the demand for forage and straw has been substantially reduced since covid-19 restrictions were put in place. However, the farmer is unsure if this was due to the lack of training/riding or just the dry spring.

New diversification projects are also emerging, with a lowland beef producer now selling thorough an online box scheme, which has seen very strong demand. A farmer looking to establish a glamping business, has delayed this project.

Farm Business Management and Financial Operations

Some farm accountants and book keepers have been very busy **helping clients with financial challenges and planning for the future**, while others are operating under restrictive practices due to the covid-19 restrictions. Late payments of environmental scheme monies are causing cash flow problems for some businesses.

Reports of frustration that **no industry events** (e.g. Cereals and trial plots) will be taking place have been noted, reducing the opportunity for farmers to exchange ideas and view new developments. Many auction sales continue to be postponed.

Some farmers have expressed concern that Brexit planning may be reduced in intensity, potentially impacting on businesses at the end of the year. Farmers also share the concerns of many people and businesses with respect to the **future global financial position**.

Social

The **large increase in walkers on footpaths continues** to be reported, with increased signage costs on some farms, and fears over the safety of walkers all coming into contact with the same gates.

Farmers are concerned about the relaxing of the 'lockdown' measures especially those in the more tourist areas. They are expecting an influx of visitors. One farmer commented that they will be getting all the challenges of gates be left open by walkers and visitors, but without the benefit of the diversified income streams as B&B's and campsites remain closed.