



Coronavirus Impacts on Farm and Horticulture Businesses in England

Intelligence Report: 16th May - 12th June 2020

This is the fifth 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

In the **milk market**, compulsory contract reductions of 3% continue to be reported from some buyers, caused by the lower overall milk demand in the economy (from café/restaurant closures), while **Freshways** suppliers continue to report issues regarding ongoing contracts and payments. Looking ahead to July and August, milk prices are looking unsettled with the euro-pound exchange rate, and potential impacts of tariffs on import-export of processed products, cited as reasons for reduced prices; some are noting that Brexit concerns appear to be a bigger challenge currently than Covid-19. **Egg producers** have continued to benefit from recent higher egg prices from the increased (home baking) demand due to Covid-19.

Farm Inputs

Some farmers continue to report that **school closures** have helped with having older children available to help with farm work. For others with younger children, this has led to labour shortages as childcare has taken priority over some farm tasks; as with many factors, the impacts of Covid-19 on farm and horticultural businesses are often very case specific.

Some farmers have reported **problems in sourcing dust masks** after the government announced that masks should be worn on public transport. One farmer was concerned that they may not get masks needed for normal farm practices (e.g. pre-harvest cereal crop bin cleaning). Other farmers were having trouble purchasing new **cattle trailers** due to factory closures. Some **machinery spare parts** for Italian made machinery (grassland equipment) are in short supply; it is hoped that this will ease as Italy relaxes their lockdown. Some input suppliers have changed their terms and conditions and have **reduced credit availability to farmers**. There still appears to be challenges to supply chains and some companies are carrying significantly lower amounts of stock.

Horticulture

There are reports of late frosts causing significant damage to vineyards in the South and West. Combined with the fall in demand for English wines because of restrictions on retail outlets for this market, this may turn out to be a **poor year for English vineyards**. Horticultural and vegetable growers in the West Midlands are reporting to have now **successfully recruited sufficient picking staff** for the rest of the season. However, there appears to be some **confusion** regarding the rules for **hiring overseas staff and the quarantine measures** required.

One nursery was able to use social media promotion to provide **home deliveries** of ornamental bedding and herbaceous plants to landscapers and garden centre customers. Although some produce was thrown away at the start of the Covid-19 crisis (when stock could not be sold immediately), the heavy rain in February and March was also partly to blame through causing crop damage. The **re-opening of Garden Centres** has now led to a shortage of plants available from this nursery because they were able to sell so much through home delivery. Some horticultural units who grow specialist crops have been

particular badly hit by Covid-19; for example, one watercress and rocket grower noted that their market had decreased by 70% due to hotels, restaurants and racecourses being closed.

Brassica producers in Lincolnshire have been affected more by the lack of rain than Covid-19, with crops planted into poor seedbeds and in dry conditions; at the same time these producers have noted the high demand for these crops.

Arable

The wet autumn and winter led to a **large increase in spring barley planted**, however Covid-19 has led to a major **fall in demand for malting barley** that a number of growers had realigned their cropping towards following the wet autumn.

Across the major arable sectors, the exceptionally dry April and May are having larger impacts on arable farmers than impacts from Covid-19 directly. Short cereal crops, poor sugar beet establishment, and concerns over the current and long-term potential for oilseed rape, and potentially also sugar beet, to remain in arable rotations (due to ban on the use neonicotinoid seed dressing) are all at the forefront of arable producers concerns.

Livestock

Increased prices for lower end beef (e.g. cull cows) have been reported due to the increased demand for lower quality beef cuts (e.g. mince). While beef and sheep farmers are still concerned over the volatility of prices of the end markets, others have reported being satisfied with prices received for trading (e.g. store) cattle. One farmer noted that they are holding finished cattle on farm as the abattoir they normally supply to is closed due to staff shortages.

Some livestock markets are closed (Newark) leading to farmers travelling from Newark and Nottinghamshire to markets further afield; with reports of some cattle travelling from Essex to Darlington livestock market. Some markets continue to stream auction sales as a way of letting sellers see their stock sold. This however has become a target for vegan activists who object to live animal sales and have been abusive to the actioners online. Certain markets in the South West are now allowing vendors to watch their livestock sold, should vendors wish to do so.

Wool prices are very poor, trading at 30p/kg or below with no sign of any improvement soon. British Wool announced a big carry-over of 2019 wool that remained unsold partly due to the knock-on effects of Covid-19 and China not taking any wool. There is also low UK demand as carpet factories have been closed. Farmers are paying anything from £1.30 - £1.80 per sheep for shearing and receiving only 90p per fleece, or less, for hill breeds.

The lack of rain and Brexit are causing as much if not greater concern than Covid-19 currently. Issues of needing to rely on mains water, rather than farm-supplied water, for livestock, feeding of hay/silage to livestock, due to very poor grass growth, and the recent overturning of the Agricultural Bill amendment, has created increased uncertainty for a number of farmers.

Diversification

The **cancellation of holiday let bookings** and return of payments made to customers has had a large impact on a number of farm businesses, in particular where mortgage payments on these cottages have not been deferred. However, farmers who have holiday cottages, caravan parks and campsites were pleased to receive the £10,000 **small business grant fund** with reports that it was easy to apply for and promptly paid, which has allowed some of them to meet mortgage payments. The recently announced relaxation of social restrictions was welcomed by many farmers with diversified enterprises; in particular, the mention of summer holidays in the UK being viable by July has been welcome news for those providing self-catered holiday accommodation. Whilst this is a big relief for many, from a cashflow perspective, some owners are very concerned over the local "R" rate remaining high (e.g. in the South West), with some considering not re-opening for the rest of the summer regardless of the government guidelines, to try and

reduce the spread of Covid-19. It is highly unlikely that these businesses would be covered for loss of earnings by their insurance companies, due to the government advice that they can safely open.

Other **non-vacation related building let income** (e.g. for light industrial / office use) has also been impacted by Covid-19 as business operations were substantially reduced or closed.

Demand for meat direct from farm shops continues to be strong, with shops and freezers being emptied faster than ever. There remains an increase in buying produce locally, whether it be to keep journeys short, or to support local farms and businesses. Farms with pop-up shops have seen sales beyond expectation. In rural communities, there is definitely a sense of people becoming more engaged and interested in their local farms. However, farmers who operate **milk vending machines** were reporting that the recent high levels of demand had fallen now, as supermarket shelves were stocked up again, albeit that the amount of milk being sold through vending machines was still higher than pre Covid-19 levels.

Some **Pick Your Own** businesses have re-opened with strict social distancing measures in place and this has been working successfully so far. Some direct sellers have found that despite high demand, they are spending considerable time delivering many small orders with consequent cost increases relative to the revenue obtained. Other farmers with off-farm income from postal/delivery driving have benefited from the increase in on-line purchasing during Covid-19.

Farm Business Management and Financial Operations

Farmers are completing insurance reviews, Crop Assurance Assessments and other associated business aspects, virtually. Several farms are **behind with preparing accounts**, as they are attempting to sort out queries via email with their accountants and this brings further delays to their financial record keeping.

Some smaller growers are seeking professional advice on Covid-19 safety procedures (e.g. for Pick Your Own reopening) through larger bodies (e.g. Farm Retail Association FRA).

Social

Continued social restrictions at livestock and other farm markets are adding to the **social isolation** issues in many farming communities. Reduced cars on the roads has been beneficial to farmers who need to use roads with tractors and large pieces of machinery; however the increase in runners, walkers and cyclists using the roads has been a huge concern due to the potential increased risk of accidents. The **countryside continues to fill up with more people** as lockdown is relaxed causing increased anxiety and work (picking up left litter, closing gates, stopping people barbecuing on farm footpaths). Some farmers feel there are more people visiting the countryside due to country parks still closed.