

# FARMING UPDATE

Spring 2023

## FARMING OVERVIEW

Welcome to this quarter's Farming Update, which is produced by our Farming Research Group and reports on market and administrative issues that affect farmers' business decisions and on which they may need to act.

At the time of writing in mid-February grain and oilseed markets have been gradually improving for three weeks due to several factors including the weakening sterling and the uncertainty surrounding the war in Ukraine. Although prices remain well below the market highs of almost twelve months ago, UK ex-farm prices do appear to be feeling some positive effects of a reinvigorated world market. Further good news came from the fertiliser markets with nitrogen prices continuing to fall.

UK beef production is expected to grow by 0.6% in 2023, yet recent analysis has indicated that the Scottish beef herd size has decreased

in the last year (2022). The outlook indicates consumer spending is likely to be lower due to the cost of living crisis. Milk prices have reduced for the first time in almost 2 years.

In farm business news, Defra has announced an increase in the payments on offer under the Countryside Stewardship Scheme (CSS) and Sustainable Farming Incentive (SFI); something which has been welcomed by the industry.

Please contact our team for further information on anything you read here.

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## MARKET UPDATE

Commodity	February 2022	February 2023
Beans	£247.00/t	£242.00/t
Oilseed Rape	£567.90/t	£463.00/t
Feed Barley	£203.10/t	£207.10/t
Milling Wheat	£253.30/t	£282.20/t
Feed Wheat	£217.50/t	£225.80/t
Beef cattle (deadweight R4L)	413.50p/kg	472.90p/kg
Lamb (old season deadweight RSL)	590.00p/kg	511.60p/kg
Milk	34.12p/l (Dec 21)	51.51p/l (Dec 22)
Red Diesel	75.00p/l	86.45p/l
UK Ammonium Nitrate	£645/t	£550/t

Source: FW, AHDB & agricultural traders

## DATES FOR THE DIARY

14th March 2023	BPS applications and CS/ES revenue claim declaration open
15th May 2023	BPS 2023 applications and CS/ES revenue claim declaration deadline
28th April 2023	Higher Tier applications deadline
1st August 2023	RPA makes advance BPS 2023 Payments
18th August 2023	Mid-Tier and Wildlife offers applications deadline
1st December 2023 to 30th June 2024	RPA makes final 2023 BPS payments and CS/ES revenue payments

## ARABLE

### GLOBAL GRAIN MARKET

- Escalations to the war in Ukraine including concern over whether the Black Sea grain export corridor will be renewed, has added some support to wheat markets.
- Black Sea exports remain very competitive on the export market
- Both Russia and Ukraine are expected to have planted less cereals for harvest 2023.
- US markets were pressured by a storm front, however weather has improved again.
- Malting barley supply and demand could be tighter in 2023/24, as an expected 5% reduction in area to be sown this spring has been reported. Demand is expected to reach, and possibly exceed, 1Mt and supply looks marginal without good yields.

#### OSR

- Rapeseed values have regained a significant proportion of what they lost after the proposal from the German Federal Minister to remove all crop-based content from German biofuels.
- Many EU crushers have switched from crushing soybeans to crushing rapeseed due to the attractive margins on offer and the strong demand generated by the relative cheapness of rapeseed.

### UK MARKETS

#### Wheat

- Improved wheat availability offsets the increase in projected usage and exports, leading to the largest wheat end of season stocks since 2015/16, estimates put the UK surplus at 2.25Mt.
- Wheat use for the bioethanol and starch industries is expected to increase by 8%, offsetting the decline in flour miller demand.

#### Barley

- The barley balance sheet remains tight, despite seeing a rise in production and a fall in animal feed demand.

#### Beans

- Demand for old crop beans is increasing for May to September. This demand is driven by compounders seeing beans as better value compared to other midrange proteins such as rape meal or distillers' pellets.
- The UK demand alone will not be sufficient to consume the large number of beans still left unsold on farm.

#### S&P Comment

The ex-farm grain prices have seen a significant and sustained fall since October 2022, however recent improvements (of up to £15/T in only two weeks) suggest that we may have seen the bottom of the market for the time being. The improved prices have prompted some more farmer selling to start to clear the balance of the 2022 crop. Forward prices for the 2023 crop should be carefully considered and growers should not expect to see prices hit the same levels as we saw last May. That said there are signs that we may see some improvement to the forward prices currently on offer.

### UK WEATHER

The UK had favourable weather in autumn 2022, which meant that the majority of cereal and oilseed crops were sown by November, with crops doing well so far.

- UK Rainfall = 736.3mm (July 22 - January 23), this is near enough average for the same period over the last five years.
- UK frost = 27.1 days (July 22 - January 23), which is around the average for the last five years. However, December has had the highest amount of air frost since 2010, totalling 14.5 days.

Source: AHDB & Met Office National Information Centre



#### S&P Comment

The increase in air frost during December 2022 is helpful for growing crops, as for winter crops to optimally perform and produce good yields we need a cold climate for vernalisation.

## LIVESTOCK



### Lamb

- Through January (7 Jan – 4 Feb) GB OSL SQQ prices averaged 232.1p/kg.
- Weekly prices saw fluctuations, ranging by 11.4p
- Prices in January were down 36p but were 8p higher than the 5-year average.
- Overall throughputs (NSL & OSL) for January 2023 totalled 486,700 head. This is down 5.7% (-29,700 head) in comparison to the previous year's levels, and also down 3.5% (-17,600 head) on the five-year average.



### Pigs

- GB deadweight pig prices continued to increase in January.
- GB estimated slaughter fell in January, weekly throughputs averaged at 157,500 head, 12,900 head lower than the previous year and down 17,200 head on the 5-year average.
- The EU-spec standard pig price (SPP) stood at 204.8p/kg deadweight at the end of January 2023, compared with 138p/kg deadweight a year previously (2022). This does show an increase, however the National Pig Association has stated that this is still below the cost of production for most producers, with high costs wiping out profits.
- Due to the decline in the UK breeding herd, pork production is predicted to decrease by 15% in 2023.



### Beef

- Prime cattle prices continue to be strong, with prices consistently higher year-on-year and significantly greater than the 5-year average.
- Cattle prices ended 2022 on a historic high when prices peaked at 448.1p/kg.
- UK beef production is expected to grow by 0.6% in 2023 due to higher cattle availability. However the outlook indicates consumer spending is likely to be lower due to the cost of living crisis.
- Lower domestic demand will discourage imports, which are forecast to drop by 2%, according to the AHDB, while export volumes could increase by 3% on the year.



### Dairy

- 2022 GB milk production totalled 12.4bn litres, this is 0.5% down compared to 2021.
- Farmgate milk prices have reduced for the first time in almost two years, with price reduction in January and February through to March.
- Farmgate milk prices still remain higher than the same time in the previous year (February 2022, 32.55p/l to February 2023, 46.40p/l = 35% increase), but production costs are estimated to be at their highest level for at least 9 years.

Source: AHDB & DEFRA

### S&P Comment

The AHDB Agri-Market Outlook report suggests that the cost-of-living crisis and changes in consumer behaviour are expected to reduce overall spending on red meat during 2023. Export volumes should help to offset some of the losses from the domestic market, but lower farmgate prices and high on-farm input costs will eat into profit margins for some sectors.

## FERTILISER & FUEL

### Fertiliser

- Prices of Nitrogen have decreased recently, to the lowest since September 2021. However the majority of farmers have already bought for this year, please note that prices are fluctuating daily.
- Availability of Ammonium Nitrate (AN) in the UK continues to be low, with an expected competitive market for early season orders for the 2024 harvest.

Source: AHDB

### Fuel

- The average price of oil stood at £80.53/barrel for 2022, an increase of 45% compared to 2021.
- Red diesel has increased by 45% and diesel at pump has increased by 27% over the same period (21-22).
- However, more recently prices have fallen, with red diesel having dropped to 86.45p/l from 90.47p/l in the previous month (January 2023).

## POLICY AND REGULATION NEWS

### FARM BUSINESS NEWS

#### Countryside Stewardship and Sustainable Farming Incentive

Defra has announced an increase in the payments on offer under the Countryside Stewardship Scheme (CSS) and Sustainable Farming Incentive (SFI), to encourage more farmers to sign up to an agreement. [Read more.](#)

For existing Countryside and Environmental Stewardship agreements ending in 2023 Natural England will be carrying out inspections within the next 2 -3 months to check which agreement holders will be eligible for an agreement rollover to mirror the existing agreement.

SFI will see six new 'standards' available in 2023. More information is available [here](#).

#### Basic Payment Scheme

The BPS application window will open on 14th March. Payments will be cut by 35 to 55% compared with historical rates as this scheme continues to be phased out. A first payment will be made around July and another one towards the end of the year. The table below shows the value of the BPS in 2023 for a 100ha Non-SDA farm compared with the payment the same farm received in 2020:

<b>Area (Ha)</b>	£100
<b>2020 BPS Payment received</b>	£23,330
<b>% of 2020 BPS payment receivable in 2023</b>	64%
<b>£/ha of BPS payment receivable in 2023</b>	£152
<b>2023 BPS Payment to be received</b>	£15,165

#### England Woodland Creation Offer payment rates revised

Base payments for planting new woodland have been increased by 20% to £10,200/ha from £8,500/ha and annual maintenance payments have also increased to £350/ha. Previously, payments covered around 75-80% of costs and the new rates are expected to cover almost all of the costs of a planting scheme. [Find out more.](#)

#### National Living Wage increase in 2023

The National Living Wage will increase by 9.7% in April 2023 to £10.42 per hour. This may affect farm pay reviews, particularly where other benefits such as provision of a house and vehicle make up employees' remuneration.

#### Farming in Protected Landscapes scheme extended

Farmers and land managers within National Parks and Areas of Outstanding Natural Beauty will have access to the funding for an extra year, as the programme has been extended until March 2025. Projects that can be funded include those that will enhance the natural environment, mitigate climate change impacts by increasing carbon sequestration or reduce flood risk, and increase the resilience of the landscape.

#### Farming Technology and Equipment Fund (FETF)

The next round of Defra's FETF is now open, with grants of between £1,000 and £25,000 available for farm businesses. Grants available are to help purchase equipment that will enhance environmental sustainability, increase productivity, and improve animal health and welfare. The first theme of the fund will cover productivity and slurry and opened for applications on 21 February, while a second part of the fund will open in March, focusing on animal health and welfare.

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