

FARMING UPDATE

Summer 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.

Grain and oilseed prices have been dropping consistently since their peak in April/May 2022 due to a number of contributing factors including strong supplies, expectations of good harvests in the northern hemisphere and the extension of the black sea grain corridor for 60 days to keep grain flowing out of Ukraine. This has meant that the UK feed wheat prices have fallen sharply again, to well below £200/t.

UK Pig prices continue to gain much needed momentum, however figures for April 2023 stand at 765,400 head of clean pigs slaughtered, the lowest monthly figure since 2014. DEFRA has published the latest bovine TB figures; both England and Wales has seen reduction in the number of infected cattle slaughtered during 2022.

MARKET UPDATE

Commodity	May 2023	May 2022
Beans £/T	228	328
Oilseed Rape £/T	332	819.7
Feed Barley £/T	164	304.4
Milling Wheat £/T	250	353
Feed Wheat £/T	180	326
Beef Cattle (deadweight R4L) p/kg	502.9	447.5
Lamb (old season deadweight RSL) p/kg	679.9	612.7
Pigs (SPP deadweight EU spec) p/kg	220.2	172.76
Milk (DEFRA Farmgate milk price March 2023/2022) p/litre	45.98	36.79
Red Diesel p/litre	66.53	102.5
UK Ammonium Nitrate (New season 2023) £/T	330	785

Source: FW, AHDB & agricultural traders

ARABLE

GLOBAL GRAIN MARKET

- Uncertainty surrounding the future of grain exports from Ukraine is affecting global markets, the Ukrainian export corridor, the Black Sea Initiative, has been extended for 60 days.
- The US debt situation, has caused some uncertainty, as negotiations to avoid a default continue. This is generally negative for agricultural commodity prices.
- The International Grains Council (IGC) increased its forecast by 9.2Mt for 2023/24 global maize production, due to good prospects in both Brazil and China. The raised forecast more than offset more cuts to the US wheat crop. Despite outputs being lower from this season for both wheat and barley, the IGC still expects plenty of supplies at a total grain level.

In farm business news, Defra has announced that there is now no financial cap on Countryside Stewardship Scheme (CSS) capital only applications. The Farming Equipment and Technology Fund (FETF) for animal health and welfare is still open with a deadline of 15th June 2023. At the time of writing we await more details of the new SFI standards for arable.

The Prime Minister and the Secretary of State for Environment, Food and Rural Affairs, Rishi Sunak and Thérèse Coffey have written to all farmers stating that economic growth is a priority for this Government and the farming sector is key to this. At a recent 'Farm to Fork food summit at 10 Downing Street they set out steps to back British Farmers - to strengthen food security, boost trade and export opportunities, and support the long-term resilience of the sector.

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

FARM BUSINESS CONSULTANT

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DATES FOR THE DIARY

13th to 14th June 2023	Cereals
15th June 2023	FETF Animal Health and Welfare deadline for applications
22nd to 25th June 2023	Royal Highland Show
28th - 29th June 2023	Groundswell
11th to 14th July 2023	Great Yorkshire Show
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

UK MARKETS

Wheat

- In the UK, wheat futures have continued their decline for both old crop and new crop prices, and currently sit at around £190/t for November 2023 contract
- The USDA forecast larger carry-over stocks for the UK into next season, and on top of this the UK's harvest 2023 crop is estimated at 15.5Mt, just below this year's crop. Ending stocks are forecast for the new season at 2.6Mt, with stocks to use calculated at 15.1%

Barley

- Most spring crops are now in the ground after a very difficult spring for crop establishment for many growers. Earlier drilled spring barleys which were established in late February have suffered on heavy land, and on lighter land they have struggled to get going in the cold soils. Crops are at last responding to the warmer weather.
- In the UK, Carlsberg Marston's Brewing Company (CMBC) has committed to 100% regenerative barley for Carlsberg Danish Pilsner by 2027, and for all UK brands by 2031. 23 UK farmers are to grow an estimated 7,000 tonnes of regenerative barley during 2023.

Source: AHDB

S&P Comment

The UK wheat market was already in a fairly bearish position, with a high carryover from the previous harvest expected into the new crop year, the news of the Black Sea initiative extension for 60 days is adding further pressure to prices. The volatility in the arable sector continues and lower grain values means that margins for 2023 harvest crops appear far less attractive than on the first draft of budgets produced back in the autumn.

OSR

- Over the past two years, rapeseed prices have seen significant support in comparison to historic averages. However, since April 2022, prices have been on a downward trend, approaching prices that have not been seen since the 2020/21 marketing year.
- United Oilseeds is estimating that the area of OSR planted for the 2022-23 season is around 413,000ha, up from 360,00ha last year.

Sugar beet

- British Sugar has announced a £3,000/ha one-off payment for early delivery of beet between 7th and 13th September, regardless of volume produced, due to the shortage of early delivered beet in 2022.
- The wettest March for 40 years delayed sugar beet drilling well into April on all but the lightest land. Growers must adapt their herbicide programmes accordingly.
- 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.

UK WEATHER

Unseasonably wet, dull and cold weather is threatening to dent yields and increase disease pressure on crops, with growers currently hoping for a late blast of spring sunshine. According to the Met Office, the number of sunshine hours from 1 March to 7 May is on average around 20% lower than normal across the UK this year.

The UK had favourable weather in autumn 2022, which meant that majority of cereal and oilseed crops were sown by November. However, the wet spring has caused frustration on various fronts for spring drilling, spraying, silage cutting and fertiliser applications.

Source: AHDB & Met Office National Information Centre

S&P Comment

The wet spring weather caused frustration due to delays in field work; especially spring drilling. Much of May has seen dry weather accompanied by northerly and easterly winds, which have caused soils to dry out rapidly. Many farmers are now keen for more rain to help bring on late sown spring crops.

LIVESTOCK



LAMB

- Year to date auction mart throughputs of NSLs are 12.2% (-3,300 head) below May 2022.
- The UK imported 10,700t, 5,350t less than the same period last year. Exports have increased from 3,800t to 21,000t, a 452.6% increase.
- Looking at supply for the rest of 2023, AHDB's market outlook, forecasts that the 2023/24 lamb crop could be broadly stable versus a year ago. This assumed fair conditions at lambing and relative stability in the breeding flock.
- Australia and New Zealand has the potential to enter the UK market tariff-free from the end of May 2023 via tariff rate quotas (TRQs) for lamb, beef and dairy



BEEF

- The GB deadweight overall average cow price for the week ending 13th May 2023, averaged 384p/kg, up 24p year-on-year.
- GB cow slaughter numbers stood at 177,300 head, up just over 3% from the same period in 2022.
- Domestic retail demand for beef remained fairly firm in the 12 weeks ending 16 April (latest data period) compared to the same time period in 2022. Mince was a key driver, with volume sales up 1.5% year-on-year, according to the AHDB beef retail dashboard.
- DEFRA has published the latest bovine TB figures; England has seen a 20% reduction in the number of infected cattle slaughtered during 2022. Wales have also seen a fall by 11%.



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/lit to February 2023, 46.40p/lit = 35% increase), but production costs are estimated to be at their highest level for at least 9 years.



PIGS

- Pig prices continue to gain momentum; the EU spec SPP saw historic highs, as prices ended the month (29 Apr) at 219.07p/kg. This brought the monthly average to 217.8p/kg, with an average increase of 0.9p per week.
- Figures for April 2023 stand at 765,400 head of clean pigs slaughtered, the lowest monthly figure since 2014, and 17,800 head of sows and boars with pig meat production totalling 70,900 tonnes, the lowest monthly figure since May 2020 when the UK was in lockdown.

Source: AHDB & DEFRA

S&P Comment

The UK-Australia and UK-New Zealand trade deals which allows both countries to enter the UK market tariff free via tariff rate quotas (TRQs) for lamb, beef and dairy from the end of May 2023 does represent more of a threat than opportunity for UK agriculture. However, the analysis and trade modelling completed by AHDB and Harper Adams University indicates that the UK is unlikely to be flooded with imports from these two countries as a result of these trade deals. Both Australia and New Zealand are part of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which the UK has reached an agreement to join, where there may be more opportunities than threats for UK agriculture.

FERTILISER & FUEL

Fertiliser

- Prices of UK Ammonium Nitrate continued to fall through the spring, to £439 in April 2023, a £346 decrease from the same time last year (April 2022 - £785). Prices have been following the decrease in natural gas prices (natural gas making up c.60-80% of fertiliser production costs). UK natural gas futures sit at around the 100p/therm mark, prices that were last seen in the summer of 2021.

Source: AHDB

- New season prices for UK produced ammonium nitrate were released in late May, at £330/T for June/July delivery. Farmers able to take early delivery may find that these early prices provide the best value.

Fuel

- The average price of oil stand at \$71.20/barrel (May 2023), \$43/barrel reduction compared to May 2022.
- Red diesel prices continue to drop to 66.53 p/l (May 2023) since our previous spring update (February 2023), where it stood at 86.45p/l and 102.5p/l this time last year, a 35.97p/l price difference compared to this time last year.

POLICY AND REGULATION NEWS

FARM BUSINESS NEWS

Biodiversity Net Gain (BNG)

Many land managers are now aware that there are opportunities to get involved in the emerging Biodiversity Net Gain (BNG) market but still have questions about what is involved and what their first steps should be. BNG is the creation of a new habitat to offset the destruction caused from a major development, whether it be residential, commercial, renewable, road or rail. Our useful and practical Q&A can be found at [here](#).

Countryside Stewardship CSFO approval reminder and Capital Only Grant Update

Farmers looking to apply for any of the capital grants under the Mid-Tier Countryside Stewardship Scheme (CSS), which require approval from a Catchment Sensitive Farming Officer (CSFO), should make contact with the CSFO in the next few weeks if they have not already done so. CSF support request forms must be submitted by 9 June in order for the request to be considered. [Find out more.](#)

POLICY AND REGULATION NEWS

DEFRA have removed the maximum value that can be applied for in the CS standalone capital grant scheme. DEFRA will assess each application on its value for money instead.

Basic Payment Scheme

New guidance from DEFRA has highlighted that where a farm has recently sold then the reference amount on which delinked payments will be based can be transferred to the new owner. Delinked payments will apply from 2024 and will be calculated based on an average of a farmer's Basic Payment Scheme (BPS) receipts in 2020, 2021 and 2022. To be eligible for delinked payments a farmer must have claimed Basic Payment in 2023 (on not less than 5 Hectares of land). The latest guidance suggests that anyone can transfer all or part of their reference amount to another business or businesses, unless they have claimed the Lump Sum Exit Scheme, provided the receiving business made a valid BPS claim in 2023 (except for some inherited land cases). Details of how transfers of reference amount will be arranged are not yet available, but Defra says there will be a transfer period in early 2024. Please see the more detailed article on our Rural Hub if this is likely to be relevant to your business.

Farming Equipment and Technology Fund (FETF) for animal health and welfare

The Farming Equipment and Technology Fund (FETF) for animal health and welfare is still open with a deadline of 15th June 2023.

British quality wild venison standard for wild venison launched

The scheme aims to boost consumer confidence in venison and support the sustainable management of wild deer. It is aimed at those producing and dealing with large quantities of venison, and there is also a scheme for groups of deer managers. It covers England, Wales and Northern Ireland as Scotland already has a scheme. The scheme sets a number of standards that producers (deer stalkers and managers) and processors (Approved Game

Handling Establishments) have to adhere to. It was developed by and is supported by a wide range of stakeholders, from shooting organisations to the Forestry Commission. The expectation is that not all producers and processors will become members but that, if they do, then a premium will develop for assured venison.

Farmer confidence at three-year low due to high costs of production

88% of farmer respondents said that they are being negatively affected by input costs such as energy, fuel and fertiliser, according to a NFU survey. Please contact Jonty Armitage, our head of farming, if you would like to discuss your costs of production.

Water Management Grant - Farming Transformation Fund

Grants of up to £500,000 are available for arable and horticultural businesses in England to help pay for the construction of a farm reservoir or the purchase of efficient irrigation systems. The deadline for the eligibility checker round is the 12th July 2023 and if you're invited to submit a full application you have until the 31st October 2024 to do so. [Find out more.](#)

The Rural England Prosperity Fund

Defra has announced that £110m of funding is available to support rural businesses and community groups between 2023 and 2025. Funding will be operated by Local Authorities to support for projects such as farm diversification, boosting rural tourism and for start-up local businesses to create opportunities for rural areas.

SFI Update

At the time of writing, there has been no further announcement on the details of the six new SFI standards for 2023. The January announcement from DEFRA stated that farmers would be able to apply 'from the summer'. We are expecting to hear more during June, and when we do we will publish an article on our [Rural Hub](#).

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