

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.

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	182	326
Beef Cattle (deadweight R4L) p/kg	508.9	441.3
Lamb (new season deadweight R3L) p/kg	707.3	684.7
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.

The farming team together with many of our farm sales, land management, and residential sales teams will be present at the Royal Highland Show with activities planned on our stand for each of the four days. Please come along to see us for some refreshments and a chat at any time. Our stand is located on Avenue P (stand L 40) just opposite the east end of the main show ring by the opening to the underpass.

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

SENIOR ASSOCIATE DIRECTOR

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DATES FOR THE DIARY

22nd to 25th June 2023 Royal Highland Show

28th - 29th June 2023 Groundswell

11th to 14th July 2023 Great Yorkshire Show

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. It was simply not possible to drill early on heavy land, and on lighter land crops 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



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.

Potatoes

- The wettest March for 40 years delayed potato planting well into May on all but the lightest land. Late planting closely followed by a lack of rain has led to growers having to irrigate well before plants have met in the rows.

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.

UK WEATHER

Unseasonably wet, dull and cold weather had threatened to dent yields and increase disease pressure on crops, but the change to warm sunny weather has reduced disease pressure and brought on a rapid growth spurt. 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.

As ever, crops are catching up with the expected growth stages for the time of year, and the lack of disease is a welcome consequence of the warm dry weather. Winter cereals are looking very promising, while the spring crops do appear stressed from lack of nutrient uptake.

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 late May and early June has seen dry weather accompanied by northerly and easterly winds, which have caused soils to dry out rapidly. Crops are starting to show signs of drought taking effect. There is rain on the horizon for many parts though so hopefully that won't be too late 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

- The full year for the 2022-23 milk season ended up by 0.2% on the previous year (2021-22).
- Farmgate milk prices continue to be cut, with cuts ranging between 1.2ppl and 6.45ppl so far this year, with further cuts that have just happened in April/early May.
- Demand is forecasted to fall further through 2023 due to recessionary pressure, with retail sales of key dairy products expected to fall by 3%. Liquid milk sales will see a smaller drop of 1%, returning to its long-term trend.
- AHDB's recent survey of major milk buyers, estimated that there were 7,500 dairy producers in GB as of April 2023. Compared to the April 2022 survey, this represents a reduction of 380 dairy producers (-4.8%).



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.
- 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.

Source: AHDB

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

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](#).

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.

Preparing for Sustainable Farming Funding

There is funding available through the PSF scheme to have carbon audits carried out. We have seen many of the more recent funding schemes having the pre-requisite of a recent Carbon Audit in order to qualify and this is likely to be something we see more of as we transition to new agri-policy over the next couple of years. If you do not currently have a recent CA for your business please do get in touch with a member of the farming team.

Currently, a significant amount of detailed soil analysis on payment region 1 land is funded at £30/ha as long as a carbon audit has been carried out within the previous three years to the required standards. Please get in touch for more information and we can help facilitate either or both funded options as well as the claim process.

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