

# FARMING UPDATE

Autumn 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.

It has been a varied, mild, wet and windy harvest. There has been significant variation in reports in relation to drying requirements across the country, ranging from 10% to 100% of crops cut so far, as farmers balance the need to protect valuable milling and malting premiums against the cost of drying wet grain.

There is positive news in the pig sector as finished pig prices are now reported to be above the cost of production, which is the first positive net margin in ten consecutive quarters. In the dairy sector

more detail has been provided by Defra about new regulations on milk contracts which are due to come into force later this year; these regulations are intended to ensure clearer pricing terms for farmers and allow them to challenge prices if the correct process has not been followed to generate the original price.

In farm business news, three of the main suppliers of fertiliser in the UK, CF, Yara and Origin Enterprises, made a combined net profit of \$5.45bn in 2022, which was up from £920m in 2020. Meanwhile, farmers will soon be able to apply for the new Sustainable Farming Incentive (SFI) 2023 scheme and the Calf Housing for Health and Welfare Grant is set to open in summer 2023 (England).

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

## MARKET UPDATE

Commodity	August 2023	August 2022
Beans £/T	221	280
Oilseed Rape £/T	350	527
Feed Barley £/T	153	221.3
Milling Wheat £/T	238	285.2
Feed Wheat £/T	177	243
Beef Cattle (deadweight R4L) p/kg	469.5	446.2
Lamb (old season deadweight RSL) p/kg	575	524.6
Pigs (SPP deadweight EU spec) p/kg	225.6	196.5
Milk (Defra Farmgate milk price June 2023) p/litre	36.48	43.58
Red Diesel p/litre	78.3	99.2
UK Ammonium Nitrate (July 2023) £/T	353	841

Source: FW, AHDB & DEFRA

## ARABLE

### GLOBAL GRAIN MARKET

- Global supply and demand of grain remains finely balanced, with the International Grains Council (IGC) forecasting an increase in global consumption of all grains in the current year 2023-24 to 2,307 million tonnes. Production is forecast to be 2,294 million tonnes meaning that, once opening stocks are taken into account, ending stocks are forecast to fall to their lowest level in nine years.
- Markets have continued to react to changes in the Black Sea although the news from Russia that it would not extend the Black Sea Grain initiative after 17 July 2023 had only a modest

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## DATES FOR THE DIARY

<b>Summer 2023</b>	New SFI 2023 opens for applications
<b>Summer 2023</b>	Calf Housing for Health and Welfare Grant to open
<b>1 September 2023</b>	Countryside Stewardship (CS) rotational options claim confirmation deadline
<b>15 September 2023</b>	Revised deadline to submit CS Mid-Tier applications
<b>1 December 2023 to 30 June 2024</b>	RPA makes final 2023 BPS payments and CS/ES revenue payments

effect on values. Grain continues to make its way out of Ukraine and Russia, despite Russian attacks on river ports and other infrastructure.

- Analysts are also keeping a close eye on weather across the US following drought conditions, which have affected Midwest corn and soybean production and caused production estimates to be revised downwards.
- EU quantity and quality concerns remain in focus, after the heavy rain across northern Europe in the weeks leading up to and during harvest.

## UK OUTLOOK

### Wheat

- Early wheat yield data is encouraging and roughly in line with the five-year average of 8.3t/ha.
- Moisture and quality are variable, as standing crops have weathered due to the wet weather in July and August. There has been significant variation in reports of drying requirements. Each region is varied, ranging from 10% to 100% drying requirements so far.

### Barley

- Barley yields appear to be in line with the five-year average, with the GB average currently estimated between 6.8 – 7.2 t/ha.
- Lower yields are seen on lighter soils, which previously suffered from water stress, across most regions.

Source: AHDB & Defra

## UK WEATHER

Mild and wet weather has continued across the UK with an average air temperature of 14.9°C recorded during the week ending 8 August 2023. This is 1.1°C below the long-term average. Across the UK, average rainfall for the week ending 8 August 2023 was 22.9 mm, which is 1.6 times higher than the long-term average. Unsettled weather has continued to delay harvest progress across the majority of the UK.

Due to the amount of rainfall and high winds, there has been an increase in crop leaning and lodging in regions. However, the overall rate of lodging remains relatively low across all crops, with only a few localised instances of more severe impacts.

Source: AHDB & Met Office National Information Centre

### OSR

- 2023 yields have been relatively poor, with the GB average currently at 2.7 – 3.0 t/ha. From 2018 to 2022 the GB yield averaged 3.3 t/ha.
- These lower yields could be due to a combination of factors including bad weather, pigeon and pest damage, and smaller seed sizes due to high temperatures in early June.

### Oats

- As of 8 August 2023, 5% of the GB oat area was harvested, behind the previous five-year average of 23%.
- The GB average yield is currently 4.9 – 5.5 t/ha.
- The majority of oats have needed drying, with GB average moisture content currently 16-18% (14.08.23).



### S&P Comment

With grain prices remaining under pressure despite all of the uncertainty and a difficult harvest, one bright spot is the high premiums available for milling wheat and malting barley. Providing they have managed to find a weather window – even if it has meant drying grain from 18 or 19% moisture – farmers with milling varieties should have been able to take advantage of good milling premiums of up to £65/tonne. That said, with gas oil at 80p/litre the cost of drying grain will be greater this year than in 2021 – the last time many farmers will have had to dry any significant quantity. At that point gas oil was almost 20% cheaper, and electricity probably 40% cheaper than it is today.

## LIVESTOCK



### LAMB

- GB deadweight new season lamb (NSL) SQQ averaged 651p/kg for the month of June 2023, a fall of 55p from May.
- Defra statistics showed 1.06m lambs slaughtered in June 2023. This was an increase of 140,000 head from May, and up 184,000 head (21%) from June 2022. Slaughter levels were also up 157,000 head on the five-year average for June 2023.
- NSL was slower to come to market through April and May, possibly reflecting the impact of last year’s challenging feed and forage conditions on ewes, mixed with a wet and cold spring.



### BEEF

- Domestic demand has been under pressure, as consumers contend with increased inflation; figures show that volumes of beef sold through GB retailers are below 2022 levels.
- Consumers are buying less volume and are also switching to cheaper proteins.
- AHDB revealed that beef production is predicted to decrease by 1.7% in 2023, compared to 2022 beef production figures.



### DAIRY

- All retailers in the AHDB league table dropped their milk price for August with Tesco making the largest announcement of the month at -1.68ppl.
- GB milk production is estimated to have totalled 1,028 million litres in July 2023. Total volume for the month is 0.8% (+8.6 million litres) higher than July 2022.
- Grass growth has been good this year. However, for some farmers the continued wet weather has been causing issues with turn out, leading to an increased use of concentrated feeds, and it has been challenging to cut and collect forage.
- New regulations have been announced by Defra to come into force later this year. They will ensure clearer pricing terms for farmers and allow them to challenge farmgate prices if the correct process have not be followed to generate the price.



### PIGS

- The EU-spec SPP hit new highs during July 2023, averaging 225.0p and reaching 225.4p for the week ending 29 July 2023.
- GB estimated slaughter saw an average of 153,400 pigs slaughtered per week in July 2023, giving a monthly total of 613,400 head. July 2023 saw a fall of only 1,800 head from June 2023, but an overall fall of 118,500-head in comparison to July 2022.
- The estimated cost of production for Q2 (Apr-Jun) in 2023 was 196p/kg. This led to net margins of £22 per head, and +25p/kg – this is the first positive net margin in ten consecutive quarters.

Source: AHDB & Defra

### S&P Comment

The weather is continuing to affect not only harvest but also livestock. The wet spring meant that new season lamb has been slower coming to market and it has also affected dairy turnout. The rain has meant that grass growth has been good this year; however, it has been challenging to cut and collect the forage. The new regulations announced by Defra in relation to milk pricing will hopefully provide a little more certainty for producers. Finally, some good news for pig meat production, with the first positive net margin in 10 consecutive quarters.

## FERTILISER & FUEL

### Fertiliser

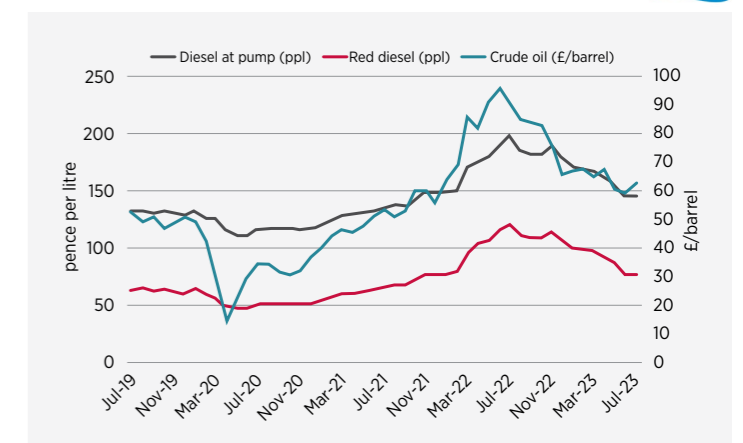
- Prices of UK Ammonium Nitrate have risen since the initial prices were released in June by manufacturer CF. In July the average price was around £353/t, up from £344/t in June but a massive £488/t lower than the same time last year.
- Fertiliser prices have been following the decrease previously reported in our summer update (May 2023) due to the decrease in natural gas prices.

### Fuel

- The average price of oil stands at \$81.06/barrel (July 2023), a \$27.49/barrel reduction compared to July 2022.
- Red diesel prices have increased since our previous summer update (May 2023) to 77.46 p/l in July 2023, however this is still a 43.95 p/l decrease compared to July 2022.

Source: FW & AHDB

### Monthly Fuel Price Tracker



Source: HMRC, Defra, DECC, OPEC

## POLICY AND REGULATION NEWS

### FARM BUSINESS NEWS

#### Countryside Stewardship Scheme application deadline extended

On 17 August (the day before the published deadline for applications) the RPA announced that it would extend the

deadline for CS Mid-Tier applications to 15 September for all applicants. The decision was taken following feedback from applicants – including from Strutt & Parker – about problems being encountered with completing applications. This extension has been welcomed by those affected although there has been some frustration that the decision was not made sooner.

## POLICY AND REGULATION NEWS

### Basic Payment Scheme Advance Payments made on 1 August 2023 (England)

Interim payments of 50% of the total annual BPS payment were paid to claimants in August with the remaining balance due in December 2023. If you have any questions about BPS or the payment you have received, please contact Andrew Atkinson.

### Sustainable Farming Incentive (SFI)

SFI 2023 is due to open for applications shortly. There will be 23 actions available which cover existing themes like soil health and moorland, and including new actions on hedgerows, integrated pest management, nutrient management, farmland wildlife, buffer strips, and low input grassland. [Find out more.](#)

### Calf Housing for Health and Welfare Grant to Open Shortly (England)

This new funding, part of the Animal Health and Welfare Infrastructure Grant, covers up to 40% of the eligible costs of a project, with a minimum grant of £15,000 and the maximum £500,000. It will pay capital costs to build new or upgrade existing calf housing buildings. Projects can also include rooftop solar PV panels, which are 25% funded. [Find out more.](#)

### Amount of profit made by fertiliser companies 'exceptional' during 2022

Three of the main suppliers of fertiliser in the UK, CF, Yara and Origin Enterprises, made a combined net profit of \$5.45bn in 2022, which was up from £920m in 2020, according to analysis by the Energy and Climate Intelligence Unit think tank. The analysis showed, for example, that the gross margin earned by CF by product tonne of ammonia went up by 1,745%. The report also states that government figures show that farmers and supermarket profits did not rise substantially at the same time as the fertiliser companies' profits. Separate analysis showed fossil fuels and climate change added about £400 to the average household food bill in 2022, which amounted to about 88% of all

food price inflation in 2022, which the ECIU says demonstrates how fossil fuel reliance can feed through to food prices (and food price inflation).

### Rural England Prosperity Fund

Grant funding for farmers and landowners in England who are looking to diversify is now available through the Rural England Prosperity Fund. The £110m fund was unveiled last year as a top up to the UK Shared Prosperity Fund (UKSPF). The REPF is offering farmers and landowners grants that will create jobs and growth in the rural economy. [Find out more.](#)

### Analysis of proposals to extend Agricultural Property Relief

Strutt & Parker has worked with the Energy & Climate Intelligence Unit (ECIU) to quantify the costs and benefits for government and farmers arising from UK Treasury proposals to extend Agricultural Property Relief (APR) to newly created non-agricultural habitats. One of the aims of this project was to address potential barriers to creating new wildlife habitats. [Find out more.](#)

### Public Opinion of Forestry survey

A new report has highlighted strong public support for more trees to be planted, but also reflected growing debate about where they should be located. Forest Research has recently published the results of its Public Opinion of Forestry survey which saw more than 11,000 people questioned across the UK. When respondents were asked for their views on the management of UK forests in response to the threat of climate change, 84% said 'a lot more trees should be planted'. [Find out more.](#)

### Planning rule change for temporary campsites in England

A new permitted development right is being introduced in England to make it easier for farmers and landowners to offer temporary camping facilities as a form of diversification. [Find out more.](#)

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