UK200Group news
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Agriculture

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Long-term environmental improvement plan published

Defra has published the Environment Improvement Plan 2023, which sets out how government will work with landowners, communities and businesses to help improve the environment, restore nature and reduce environmental pollution. The plan's key targets for the farming industry include paying farmers and land managers via environmental land management schemes to take care of the natural countryside and the environment, alongside food and other production, with the aim of incentivising 65% to 80% of farmers to adopt nature-friendly farming on at least 10% to 15% of their land by 2030.

Farmers will be offered advice and incentives to move towards agricultural techniques that reduce nutrient pollution and use of pesticides, and rewarded for taking actions that reduce risks and impacts from floods, droughts and wildfires.

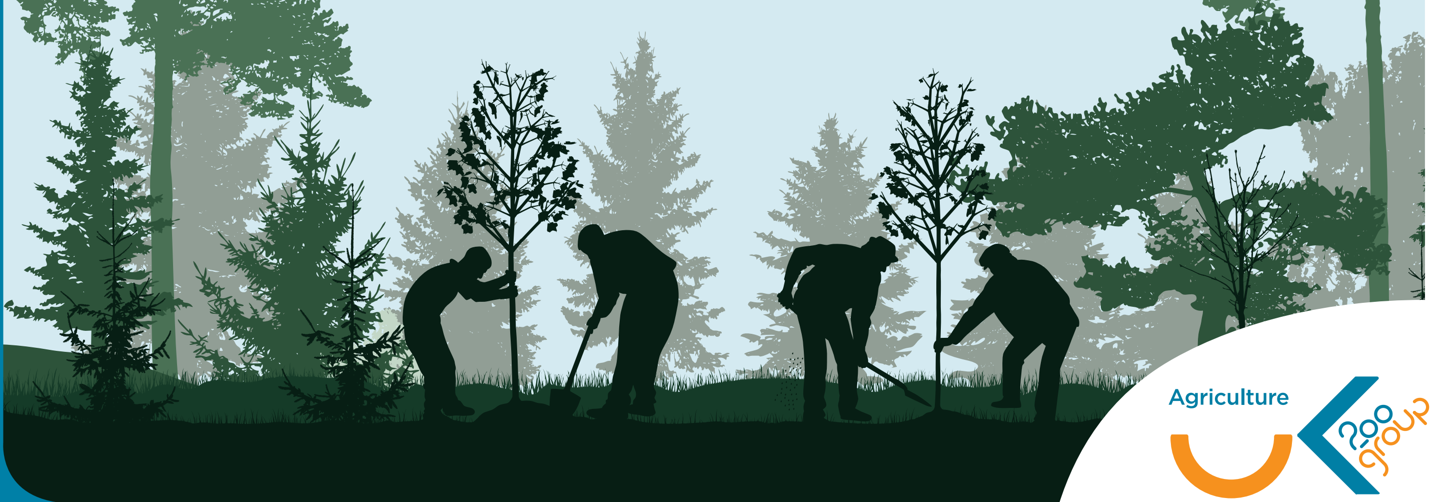
The Countryside Stewardship Scheme will also evolve to pay for a wider range of actions and to reward farmers for co-ordinating with one another to improve biodiversity in local areas. Farmers will be supported to create or restore 30,000 miles of hedgerows a year by 2037 and 45,000 miles a year by 2050, bringing hedgerow lengths in England to 10% above the 1984 peak (360,000 miles). They will also be expected to contribute at least 50% of the target of bringing protected sites into a favourable condition by 2042 and help create or restore wildlife-rich habitats outside of protected areas and, alongside landowners, will be supported via funding from the Local Nature Scheme and the Landscape Recovery Scheme.

Funding will also be available to farmers via the Sustainable Farm Incentive, which will introduce measures to reduce ammonia emissions, and via a £13 million investment in slurry storage infrastructure during 2023. The Government will also consider expanding environmental permitting conditions to dairy and intensive beef farms.

Other commitments in the plan that are likely to affect the farming industry include bringing at least 40% of England's agricultural soil into sustainable management to improve soil health, the restoration of 400 miles of river through the Landscape Recovery Scheme and the creation of 3,000 hectares of new riverside woodland. There will also be a commitment to provide new National Trails and ensure that everyone lives within 15 minutes' walk of a green space.

The forestry sector is likely to benefit from measures to grow a sustainable and long-term UK timber supply, including investment in tree planting, skills, innovation and capacity.

Read more about the plan at: http://bit.ly/401UkYF and http://bit.ly/3ZK63LI



Agriculture

Farmers and rural businesses must keep thorough records if 'opting to tax'

Farming and rural businesses are being advised to be extra diligent and keep detailed records when 'opting to tax'. Experts have warned that HM Revenue & Customs' (HMRC) decision to stop issuing option to tax acknowledgment letters from 1 February 2023 puts the impetus on rural land and property owners to ensure that accurate, detailed records are kept on file.

While the supply of land or commercial/agricultural property is largely exempt from VAT, the party making the supply can elect an option to tax if they wish. This is generally so that the supplier can reclaim the VAT incurred on associated costs. Any option to tax election must be notified to HMRC.

Previously, when buyers and tenants needed to know whether they would incur VAT when buying or renting land or commercial/agricultural property, the letter from HMRC acknowledging the notification was accepted as proof of VAT status. Now such evidence is no longer available, landlords and sellers are being advised to ensure that thorough records are kept in order to demonstrate that a valid option to tax has been made.

An automated HMRC email will be sent out when a tax election is submitted to the option to tax unit, which should be kept as part of records, but no acknowledgement will be received if an election to tax is made by post.

Failure to keep accurate records can cause complications further down the line, and uncertainties regarding option to tax elections can potentially delay or even prevent transactions being completed. HMRC will not check to confirm whether an election has been made where it is believed to be under six years old, as it is the business/land owners' responsibility to keep their own records for at least six years.

Read more about the changes here: http://bit.ly/3ZJT6S4

Insufficient UK production of fruit and vegetables

There are not enough fruit and vegetables available in the UK to meet the population's recommended intake of 'five a day'. This is according to a study by the Sustainable and Healthy Food Systems research programme, which estimates a shortfall of 9% even without taking food wastage into account.

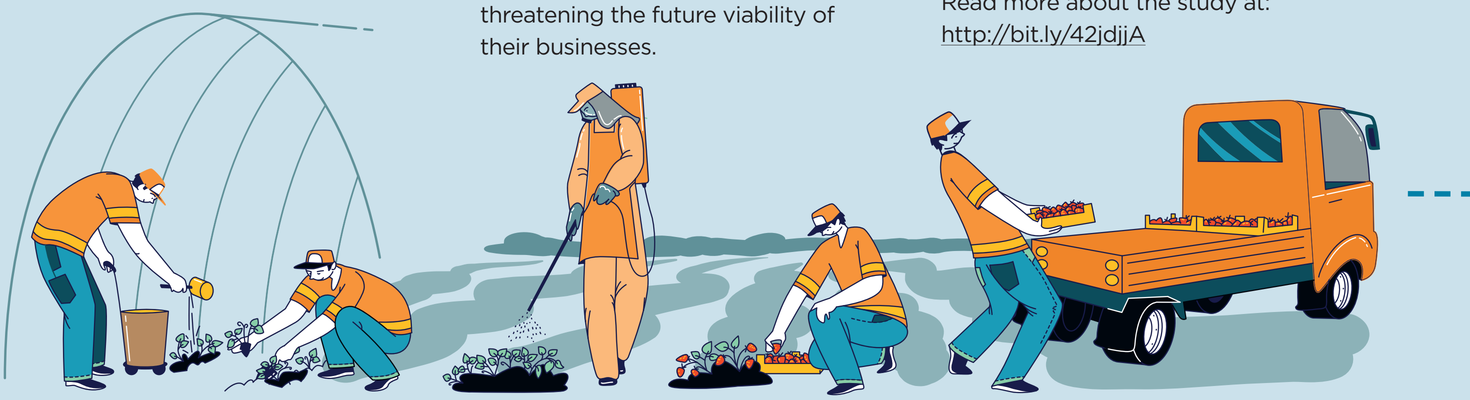
The study raises concerns about the UK's dependency on overseas growers. More than 80% of fruit and nearly 50% of vegetables consumed in the UK are imported, often from countries increasingly vulnerable to climate change. Continued reliance on imports will place food security at risk through exposure to market and price volatilities, as well as worsening climate change issues for growers.

The study also highlights the health gap between rich and poor, caused by high prices of fruit and vegetables. The UK's highest income groups consumed 1.5 times more fruit and vegetables than the lowest, even before the cost of living crisis. Over the year to October 2022, fruit and vegetable prices rose by 10% and 15% respectively. However, farmers' costs rose by 27% between March and October 2022, which is threatening the future viability of their businesses.

The conclusion of the study is that the Government must aim to increase the amount of fruit and vegetables grown and eaten in the UK. Policymakers are urged to boost consumption by promoting fresh produce, for example through online advertising and sensory food education in schools. Low-income consumers should be protected by expanding schemes such as Healthy Start and ensuring that fresh produce is available in all convenience stores, regardless of location.

Within Government, policymakers are encouraged to promote cross-department working to ensure that the health and environmental benefits of producing and eating more fruit and vegetables are appreciated.

Read more about the study at: http://bit.ly/42jdjjA



In brief...

Lidl to invest £4 billion in farmers in 2023

Lidl has announced plans to invest £4 billion in British food producers in 2023, which is an additional £2 billion compared with the retailer's initial spending plans set out in 2019. According to Lidl, the investment will help more farmers and food producers expand domestically and overseas. Overall, Lidl sources two thirds of its core produce from the UK and works with more than 650 suppliers. In addition, Lidl exported around £500 million worth of food produce from its UK suppliers to other European markets in 2022. Read more about the investment at: http://bit.ly/3Tf7grZ

Defra adds six new SFI standards

Defra has announced six new standards for the Sustainable Farming Incentive (SFI) in 2023. The new standards will provide farmers in England with payments for actions on hedgerows, grassland, arable and horticultural land, as well as pest and nutrient management. The three existing standards to improve soil health and moorlands introduced in 2022 will continue to apply. The Tenant Farmers Association has welcomed the new standards and Defra's "pick and mix" approach to the SFI in 2023, which will give farmers the flexibility to choose actions that work best for their farms. Read more about the new standards at: http://bit.ly/3mR5QYv

Animal feed production falls to six-year low

Figures from the AHDB have revealed that animal feed production fell by 5% year-on-year in the period from July to November 2022, which is the lowest level since 2016/17. While all major animal feed categories recorded a year-on-year fall in production levels, the pig and poultry feed sectors recorded the largest falls of 9% and 7% respectively. According to the AHDB, animal feed production is expected to continue to fall due to reductions in poultry and pig feed production. The backlog of pigs on farms due to abattoir labour shortages and Covid-19 has cleared, meaning demand for feed has stabilised, while the avian flu outbreak has weakened feed demand in the poultry sector. Read more about the figures at: http://bit.ly/3LfZ74L

Grain prices under pressure

Grain prices in the UK are under pressure due to lower demand for animal feed and the increased availability of wheat, according to Agriculture and Horticulture Development Board (AHDB) figures. Overall, the availability of wheat increased by 7% year-on-year in 2022/23 to 18.61 million tonnes, which is the largest end-of-season wheat stock level since 2016. Although demand for wheat for human consumption and industrial use is expected to increase, this will be offset by a fall in demand for cereals used in animal feed. Read more about the figures at: http://bit.ly/3JfQ1lE

Pig prices reach record high

AHDB figures have revealed that pig prices increased to a record high in January 2023. The EU-spec standard pig price reached 202.52 pence in the week ending 21 January 2023, which is almost 64 pence higher than in 2022. Tightening pig supplies and stable EU prices are key factors behind the overall rise in pig prices. However, the National Pig Association has warned that while pig producers are in a better financial position, many are still locked into higher feed prices, meaning they are not benefitting from falling cereal prices. Read more about the prices at: http://bit.ly/3Jciby3

Dairy producers expected to make losses in 2023/24

Dairy producers are expected to make losses in 2023/24 due to falling milk prices. While milk prices and costs have increased by around the same amount over the last 12 months, dairy consultants have warned that milk prices will fall more quickly than costs in 2023/24. As a result, the Royal Association of British Dairy Farmers has urged farmers to prepare for a fall in milk prices. Recommendations include producing monthly cashflow forecasts, reviewing margins to supply milk and preparing a succession plan. Read more about the prices at: http://bit.ly/3mR5UaH

Agricultural land ownership in England

The amount of tenanted land in England decreased by 10% over the 11 years to June 2021. Draft census data published by Defra has found that the total area of 'solely rented' agricultural land fell by almost 11%, to 1,350,351 hectares in 2021, while the total area of 'solely owned' agricultural land increased by 7%, to 3,239,264 hectares.

The number of solely rented commercial holdings fell by over 6%, to 14,562 in 2021, while the number of solely owned commercial holdings increased by 4%, to 57,081.

A 'commercial holding' is defined as having more than five hectares of arable land, permanent grassland and permanent crops, or more than one hectare of fruit, berries, vineyards or nurseries. For livestock farms, a commercial holding is one with more than ten head of cattle, 50 pigs, 20 sheep or goats, or 1,000 poultry.

Among 'mixed' commercial holdings, which are partly owned and partly rented, the number of majority rented holdings (ie holdings where more than 50% of the land is rented) fell by around 4%. However, the number of majority owned holdings remained stable.

The total area of land in mixed holdings was also relatively stable. Land in majority rented holdings fell by just 0.6% to 1,761,715 hectares, while land in majority owned holdings increased by 1.9% to 2,606,921 hectares.

The census data also revealed that the area of agricultural land owned in England increased by 1.3% to 6.2 million hectares in 2022. Land rented for a year or more remained almost unchanged at 2.9 million hectares, with 43% covered by Farm Business Tenancies.

Read more about the data at: https://bit.ly/3ZP97GI

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building better together.

The UK200Group is a modern and proactive professional membership association of independent chartered accountancy and law firms which provides training and business services to enhance the performance of member firms. As well as being focused on the general small to medium businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property and construction sectors to provide effective support and advice in the areas of tax, financial management, business planning and legal issues.

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Farmland values continue to increase

Average land values in England and Wales continued to rise in the final quarter of 2022 against a backdrop of economic and political uncertainty. Property consultancy Carter Jonas found that a seventh consecutive quarter of growth saw arable land reach £9,233/acre in Q4, up 1.3% from Q3. Pasture values averaged £7,472/acre, a 0.3% increase.

Long-term demand for all types of land remained strong. Year-on-year growth continued to climb at a moderate pace, despite slowing down since the start of the year. Compared to Q4 2021, both average land values and average pasture values had increased by 4.5% and 4.3% respectively. When annualised over a ten-year period, arable land saw a 2.8% increase and pasture had increased by 3.5%.

Demand for prime arable land has been driven by an increasing focus on domestic food production and sustainability, with year-on-year values up 6.1% to an average of £10,961/acre. 'Natural capital investors' who are focused on improving sustainability, restoring ecosystems and promoting biodiversity, have caused a surge in the values of lesser-quality hill and upland, with values up 23% in the year to Q4 2022. Average lifestyle land values rose 5% to £15,792, the highest level recorded by Carter Jonas.

The supply of land increased by 16% in Q4, with 10,435 acres of newly available land on the market. This is despite supply remaining below longer-term averages.

There is likely to be increased debate on balancing the need for domestic food production and the desire to take land out of production for environmental reasons. However, demand is expected to remain strong, despite challenges caused by the rise in interest rates and the impact of this on the cost of finance.

Read more about the findings here: http://bit.ly/3T9NduY