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Agriculture

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No-deal Brexit will cost UK farmers £850 million

Total income from UK farming will fall by 18% if the UK leaves the EU without a deal, according to a forecast published by the Andersons Centre's Farm Business Consultancy. This amounts to a loss of almost £850 million, and is likely to put many UK farmers out of business.

In contrast, the research suggests that agreeing a Brexit deal will reduce the likely cost faced by farmers to just 3% or £200 million.

As well as looking at the effects of Brexit on total income from farming across all sectors, Andersons also examined its likely effects on different types of farming businesses. They found that income in the sheepmeat sector is likely to fall by 31% in the event of a no-deal Brexit, making this among the worst affected farming sectors, while profitability for dairy farmers in England is likely to fall from 3.4 pence per litre to just 0.9 pence. Dairy farmers in Northern Ireland would be more adversely affected because of their dependence on milk processors in the Republic of Ireland.

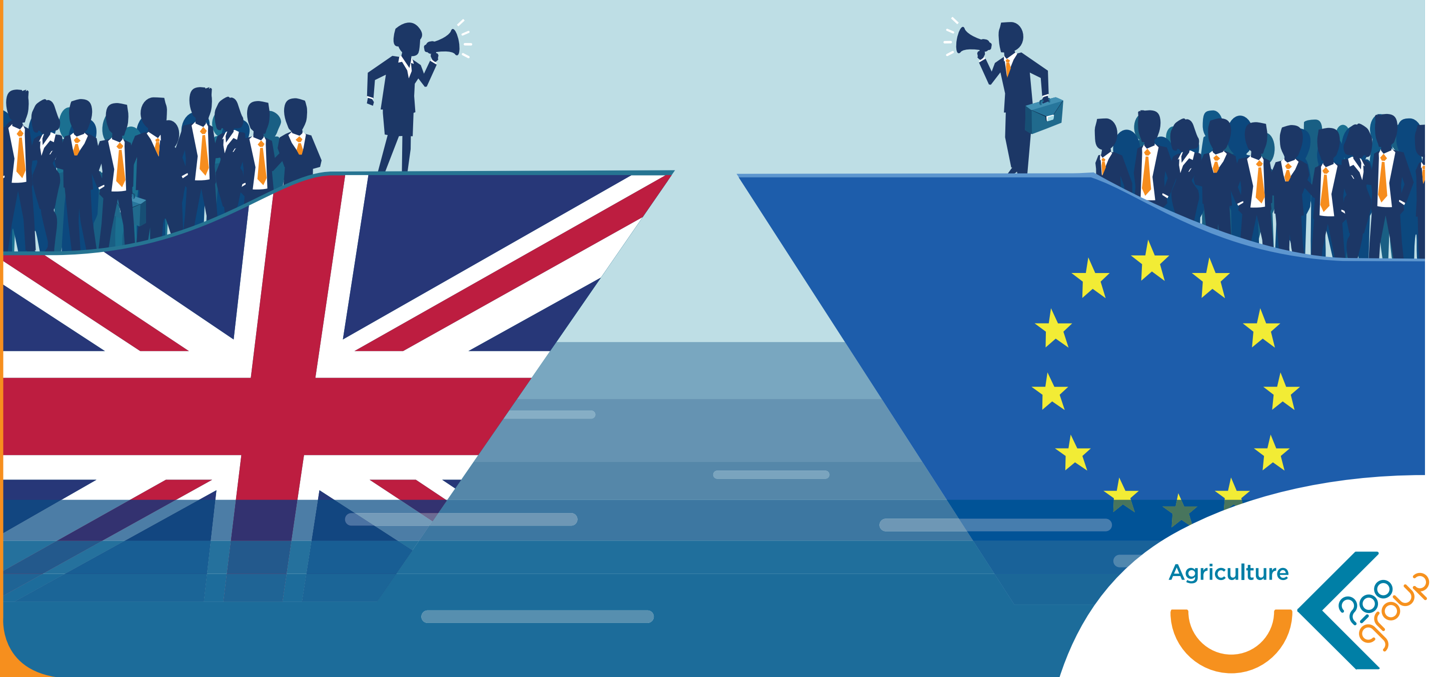
Throughout the UK, arable farmers face a likely fall in profits from £297 to £203 per hectare if the UK leaves the EU without a deal. In contrast, some farming sectors (horticulture and intensive pig and poultry production) are likely to increase their profitability. However, this prediction is conditional on there being enough farming labour available for their operations.

Some farming costs will fall after a no-deal Brexit, according to the research, for example feed, fertiliser and plant protection products. However, veterinary services are among the costs that are expected to rise. This is because the border inspection operations that would result from a no-deal Brexit would significantly increase demand for vets.

To carry out their analysis, Andersons looked at Total Income From Farming' (TIFF) over a period of 9 to 12 months following Brexit. To allow for yearly variations on farming returns (caused by factors such as weather conditions and fluctuating exchange rates) a three year average (2016-18) was used as the basis for comparison. The analysis takes into account the potential impact of tariffs, non-tariff barriers and tariff rate quotas.

All of Andersons' projected figures are based on an assumption that the UK Government will honour its commitment to maintain the current level of financial support for farmers until the end of the current parliament (officially scheduled to be 2022).

Read more about the report at: http://bit.ly/2k8rszS and http://bit.ly/2k2ExKP



Stricter health and welfare requirements for Red Tractor dairy farmers

Farmers who are members of the Red Tractor Assurance Scheme for Dairy will have to meet stricter health and welfare requirements from 1 October 2019, when an updated version of the Dairy Standards will come into force.

The updates will affect standards covering animal health and welfare, animal medicine and husbandry, staff and labour providers, and documents and procedures. The updated Dairy Standards also feature stricter documentation and staff competence standards. For example, farms' emergency contingency plans must be displayed in a place that is accessible to all staff, contractors and labourers working on the farm, rather than just key staff, and all farmers must ensure that at least one farm worker belongs to a skills development scheme. Previously, this standard only applied to farmers who had employees.

The updated standards also require farmers writing a new farm health plan or reviewing an existing one to do so in conjunction with a vet. In practice, this means the farm's registered veterinary surgeon must sign and date the plan to confirm that they have discussed it with the farmer and that it covers mandatory elements relevant to the farm. Farm health plans must be reviewed annually.

According to Assured Food Standards, the organisation that owns Red Tractor Assurance Schemes, updating the Dairy Standards is necessary to ensure that farmers are complying with up to date advice from the veterinary profession and meeting consumer expectations on how food is farmed.

Read more about the updated Dairy Standards at: http://bit.ly/2kyL4NJ

Strong demand for land in Scotland and northern England

Despite political uncertainty in the UK, there is continuing strong demand from buyers for farmland and farms in Northern England and Scotland, according to land agent Galbraith. In the year to August 2019, Galbraith placed 25,000 acres of farmland across Scotland and Northern England on the market for sale, while 4,328 acres of farmland and farms in Scotland, valued at more than £22.5 million, were brought to the market in the two months prior to August 2019.

Demand and land values have both been maintained due to a fall in the number of farm units coming onto the market. However, historically low interest rates and the willingness of banks to provide loan finance have encouraged some farmers to invest in neighbouring land, often locking in low interest rates over an extended period of time.

Land prices have remained generally stable but significant gaps still exist (and show no signs of closing) between the price of premium and more moderate arable land. Productive units of bare agricultural land and larger, fully equipped farming units in sought after areas are selling particularly well.

Marginal pasture and upland grazing land where woodland can be planted is also becoming attractive to environmental and amenity purchasers who can take advantage of forestry grants and tax incentives.

According to Galbraith, the smallholding and amenity land market is one of the most buoyant sectors and this has resulted in farms and farmland being split into small lots to meet demand.
This may be the only option for some smaller dairy and livestock farms in central Scotland, and although the types of buyers vary, many are from urban areas and are typically seeking a more rural lifestyle with a larger house and a few acres of land, while others are looking for smaller units to use as business premises.

Read more about this story at: http://bit.ly/2k6RIdS

In brief...

Calf prices continue to fall

Figures published by the Agriculture and Horticulture Development Board (AHDB) have revealed that calf trade prices at auction fell by between 15-25% year on year in July 2019. Overall, the sale price for bulls and heifers fell by £50 to £206 and £159 respectively in July 2019 compared with prices in July 2018. According to the AHDB, unprofitable prime beef values are responsible for the fall in calf prices at auction. In response, the National Beef Association has called for measures to ensure fairer prices and competition in the market.

Read more about the figures at: http://bit.ly/2lCE6aJ

Review of food industry launched

Defra has launched a review into how food is produced, sold and consumed in the UK. The review will identify what currently works well in the food industry and ensure the industry is fit for the future, supports economic growth and meets environmental objectives. It will also consider the role that technological innovations such as vertical farming and robotics could have on improving food supply. As part of the review, Defra has launched a call for evidence to enable farmers, food producers and consumers to submit feedback on how the food industry could be improved. The review will be used to inform a new National Food Strategy, which will be published in 2020.

Read more about the review at: http://bit.ly/2k3MaAK

Significant fall in UK dairy imports

Figures from AHDB Dairy has also revealed that UK dairy imports fell significantly in June 2019 due to lower demand. Overall, imports of butter fell by 40% year on year in June 2019, while imports of cheese and speciality cheeses fell by 13% and 9% respectively. According to AHDB Dairy, stockpiling and higher levels of imports ahead of the original March 2019 Brexit deadline resulted in falling demand in Q2 of 2019. In addition, higher domestic milk, butter and cheese production has reduced the need for dairy imports.

Read more about the figures at: http://bit.ly/2lyBkmJ

Government urged to improve food security

The National Farmers' Union (NFU) has warned the UK Government that it must take action to improve food security after figures revealed that the UK only produces enough food to meet 61% of domestic demand. The NFU has urged the Government to commit to a target to keep the UK's food self-sufficiency levels above 61%, and to introduce measures to tackle the environmental impact of farming. In particular, the NFU has called for the UK agriculture sector to use technologies, such as carbon capture and renewable energy, to achieve net zero greenhouse gas emissions by 2040.

Read more about the NFU's warning at: http://bit.ly/2m2GB6m

Prices for oilseed rape remain steady

The EU has confirmed that it expects prices for oilseed rape to remain steady due to lower crop estimates and the falling value of sterling. Overall, around 17 million tonnes of oilseed rape are forecast to be harvested in 2019, which is a fall of 4 million tonnes compared to the five year average. As a result, oilseed rape prices are expected to range from between £316 to £325 per tonne. Wheat prices are also expected to remain steady at an average of £133 per tonne.

Read more about the prices at: http://bit.ly/2k3LZFA

Weaker pound leads to higher machinery prices

Farmers in the UK face paying higher costs for imported machinery and parts due to the falling value of sterling, according to the latest figures from the Agricultural Engineers Association (AEA). The pound lost 8% of its value against the Euro in the three months to August 2019, and prices are expected to increase further due to import tariffs if the UK leaves the EU without a deal. The AEA has also warned that while the weaker pound has increased exports of some UK farm produce, this will not be enough to offset the impact of higher prices for farmers.

Read more about the figures at: http://bit.ly/2lyBv1n

TFA calls for tax reform to discourage short term farm business tenancies

The tax system should be reformed to discourage short term farm business tenancies, which are holding back progression, investment and sustainable land use, according to the Tenant Farmers Association (TFA). The TFA has also proposed various tax reforms to encourage agricultural landlords to take a long term approach to letting. The TFA believes that HM Treasury has not taken responsibility for how it can help influence agricultural tenancies by rewarding landlords that let land long term.

The average farm business tenancy has a four year term and 85% of new tenancies are issued for a term of no more than five years. The TFA believes that the average tenancy length should be ten years, and that tax reforms are the best way to encourage agricultural landlords to take a long term approach.

The tax reforms proposed by the TFA include restricting Agricultural Property Relief to agricultural landlords who offer farm business tenancies with terms of at least ten years. Currently, the relief is available to all agricultural landlords, regardless of the length of time for which they are prepared to let land. The TFA also recommends allowing agricultural landlords who offer long term tenancies to treat rental income as trading income for the purposes of income tax, and automatically treating all tenancies as two year tenancies for the purposes of stamp duty land tax.

Read more about the TFA's proposed reforms at: http://bit.ly/2m3O2Kw

BPS payments to increase as a result of weak pound

Farmers who receive direct subsidies under the Basic Payment Scheme (BPS) could have their payments increased in 2019 as a result of the increasingly weak value of the pound.

Defra has confirmed that even in the event of a no-deal Brexit, future payments to farmers would be made by the Rural Payments Agency directly from UK funds. The BPS rate would also continue to be based on the value of the pound against the euro and the rate paid per hectare would remain as the average of the European Central Bank rate.

In 2018 the BPS payment rate was based on the exchange rate of €1 to £0.89. However, the exchange rate of sterling against the Euro rises as the value of the pound weakens, so a fall in the value of the pound would increase the total amount of subsidy each farmer receives.

In August 2019 the value of the pound had fallen against the euro so that €1 was worth £0.93 and on 3 September 2019 €1 was worth £0.91, meaning that farmers could potentially receive payments in 2019 that are at least 4.5% higher than they received in 2018.

Read more about this story at: http://bit.ly/2lFLfXS

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