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agriculture

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farmers are borrowing more and investing less

Brexit-related uncertainty and late Countryside Stewardship scheme payments are among the reasons why farmers are borrowing more, investing less and taking longer to pay their suppliers, according to a Farmers Weekly report.

The increase in bank lending to farm businesses between December 2018 and January 2019 was £72 million, which was almost twice the increase between December 2017 and January 2018. However, increased borrowing is not leading to higher investment. According to a survey carried out by NFU in late 2018, only 9% of farmers were planning to increase investment, compared with 21% who planned to reduce it. Although sales of smaller equipment (such as harrows and drills) were strong in 2018, sales of ploughs and other high-cost items were relatively weak.

Experts believe that the fall in investment is a result of the continuing uncertainty about Brexit. However, farmers have also been affected by delays in payments due to them under the Countryside Stewardship scheme. Around 22,000 payments relating to 2017 and 2018 still await processing, following "shambolic" management of the scheme.

In February, Environment Secretary Michael Gove admitted that Countryside Stewardship was "still in a mess" after responsibility for the scheme was transferred last October from Natural England to the Rural Payments Agency. He promised that farmers still awaiting their Countryside Stewardship payments would start to receive bridging payments in April 2019. A spokesperson for the Rural Payments Agency said: *"We understand how important these payments are to farmers and land managers, which is why we are focused on getting money into bank accounts as soon as possible."*

The financial pressures faced by farmers mean that they are taking longer to pay their contractors and suppliers. As a result, many farm contractors are themselves facing cashflow difficulties. As farms become larger, contractors and suppliers are increasingly likely to have unpaid invoices amounting to tens of thousands of pounds. Farm suppliers are also affected by the possibility of a no-deal Brexit, with many of them carrying higher than usual debt levels because of the need to buy extra stock in anticipation of supply chain problems.

Contractors and suppliers are responding to their cashflow concerns by requiring farmers to pay them more promptly. Many are including explicit 30-day payment terms on their invoices, and investing in software that enables them to produce and deliver invoices more rapidly.

Read more about the Farmers Weekly report at:
https://bit.ly/2YlWIjA

Read more about the supply chain problems at:
https://bit.ly/2TjM7fD

Read more about the Countryside Stewardship scheme at:
https://bit.ly/2TO863J

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TFA urges landlords to postpone rent increases

The Tenant Farmers Association (TFA) has urged agricultural landlords not to seek unsustainable rent increases while the outcome of Brexit is still uncertain. It has also advised tenants on how to respond to landlords who take an "aggressive approach" during spring rent reviews. Rent reviews typically take place every three years, but many landlords postponed them in 2018, expecting there to be greater clarity about the post-Brexit future of farming by spring 2019.

However, according to the TFA, the situation for many farmers is still too uncertain for rent reviews to take place. Caroline Foot, TFA adviser, said: *"Though reaching a pre-Brexit agreement on the rent will be appropriate for some tenants, we do not want to see tenants forced or scared into agreeing inappropriate increases. Indeed, we are still not in any clearer position to agree appropriate rents for the next three years, while Brexit terms are unclear."*

The TFA believes that landlords should postpone rent reviews until autumn 2019 or spring 2020. However, if landlords do proceed with a rent review this spring, the TFA is advising tenants to ask their landlords to provide evidence in support of any rent increase that they are proposing.

There is no requirement for tenants to reach agreement with their landlord by the rent review date. Instead, an arbitrator can be appointed, which has the effect of extending the time available for negotiations. According to the TFA, tenants should not feel intimidated by the prospect of costly arbitration proceedings because in more than 90% of applications for an arbitrator to be appointed, the landlord and tenant are able to use the additional negotiating time to reach agreement without the case proceeding to arbitration.
To read more about the TFA advice, go to: https://bit.ly/2HGOqrb

farm exports hit by no-deal Brexit fears

UK farmers are losing millions of pounds worth of contracts to export food to the EU because potential buyers are unwilling to commit to a contract price while the continuing possibility of a no-deal Brexit creates a risk that tariffs will be imposed.

Tariffs on agricultural produce that would result from the UK leaving the EU without a deal include €93 per tonne on barley, €89 per tonne on oats and around €162 per 100 kilograms on cheddar. These would add around 53%, 30% and 42% respectively to contract prices for this produce (based on 2015 contract prices). Tariffs on beef exports would add around 65% to contract prices, and tariffs on lamb would add around 46%.

One of the worst affected exports is malting barley. Farmers Weekly reports that there is currently "no trade booked beyond 29 March for old or new crop". In contrast, by March 2018 contracts had been agreed on around 150,000 tonnes. According to grain and pulse merchant Saxon Agriculture, importers who would usually buy UK barley were agreeing contracts with Danish and French farmers instead, and that even if Brexit was delayed to prevent a no-deal outcome, exports would continue to suffer because of the prolonged uncertainty.

Lamb exports are also affected, and the seasonal price rise has been less than it would otherwise have been.

Even where contracts have been agreed, there is a risk that they will be cancelled if tariffs are imposed. Although global milk prices are recovering, UK farmgate milk prices are also being held down by Brexit uncertainty.

To read more about the effect of Brexit on UK agricultural exports, go to: https://bit.ly/2uksJFi

in brief...

More working families in need of financial support

Grant-making charity the Royal Agricultural Benevolent Institution (R.A.B.I) has revealed that it awarded grants worth a total of £437,825 to 215 working families in 2018, up 47% compared with 2017. Overall, R.A.B.I awarded £2.2 million to more than 1,200 farmers and working families in financial difficulty across England and Wales in 2018. Extreme weather, low incomes, debt and difficulties with Basic Payments are behind the rise in the number of working families seeking financial support.

Read more about the grants at:
https://bit.ly/2Tmx3hm

Fodder prices at record high

Figures published by leading farm auction houses have revealed that fodder prices have reached record levels due to increased competition and demand. Average hay prices now range from between £35 to £44 per bale, while prices for silage have also increased significantly to between £24 and £32 per bale. In comparison, straw prices are expected to continue to fall in 2019. According to auctioneers, demand is greatest for smaller loads of fodder as more farmers only want to buy the minimum amount they require due to the higher prices. In addition, more farmers are choosing to sell their surplus supplies of fodder to capitalise on the higher prices and competition.

Read more about the figures at:
https://bit.ly/2JufJrf

Organic food and drink market grows by 5.3%

The latest 'Organic Market Report' published by the Soil Association has revealed that the UK organic food and drink market was worth £2.3 billion in 2018, which represents a year-on-year increase of 5.3%. Overall, organic now accounts for 1.5% of the total food and drink market, and is expected to be worth £2.5 billion by 2020. According to the report, online organic sales (including box schemes) increased in value by 14% during 2018 to be worth £326 million and will account for 25% of organic sales by 2023.

Independent retailers recorded a 6.2% rise in sales of organic food and drink in 2018, while supermarket sales (3.3%) and sales into foodservice (8%) also increased.

Read more about the report at:
https://bit.ly/2HKcKIv

Agricultural sector accounts for 9% of all smaller firms

The agricultural industry accounts for 9% of all smaller businesses in the UK, according to online business transfer agent Bizdaq. The figures revealed that there are 153,300 agriculture, forestry and fishing businesses trading in the UK and the majority (96%) have fewer than 10 employees. The figures also revealed that the regions with the highest number of agricultural businesses are the south-west of England, Scotland and Northern Ireland.

Read more about the figures at:
https://bit.ly/2CxZwLM

HSE crackdown on asbestos in farm premises

Farmers have been warned that they must take immediate action to manage asbestos risks on their premises or face a significant fine from the Health and Safety Executive (HSE). In September 2017, the HSE published its 'Agriculture Sector Intervention Plan' to tackle the high proportion of work related deaths, accidents and illness in the sector. Since the introduction of the plan, the HSE has carried out a large number of unannounced farm inspections and issued significant fines for health and safety breaches. Farmers are particularly at risk of being fined for failing to comply with asbestos regulations as many farm buildings were constructed when asbestos was still widely used.

Read more about the warning at:
https://bit.ly/2Jr5CU1

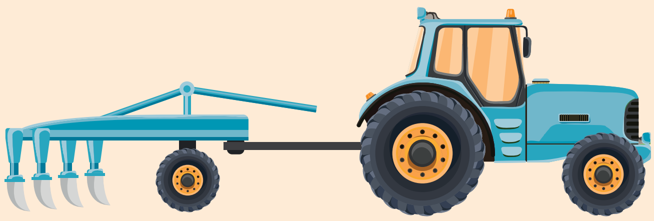
registration figures reveal increase in new tractor sales

The number of new agricultural tractors purchased by UK farmers increased by 1% from 2016/17 to 2017/18, according to analysis of tractor registration figures by the Agricultural Engineers Association (AEA). When the impact of Regulation 167/2013 (the European 'Tractor Mother' Regulation) on the new tractor market is discounted, the AEA estimates that new tractor purchases could actually have increased by as much as 10% year on year to 2017/18.

The regulation introduced higher safety standards for tractors placed on the EU market on or after 1 January 2018. Tractor manufacturers had warned that this could result in tractor prices rising, potentially leading to a rush of purchases at the end of 2017.
The number of new tractors, with a horsepower exceeding 180, registered by UK farmers rose by 18% from 2016/17 to 2017/18.

Registrations of new tractors with 141hp to 180hp and under 100hp fell year on year to 2017/18, while new registrations of tractors with 100hp to 140hp remained steady.
Registrations of new tractors peaked in the east Midlands, with farmers in the region buying 200 more tractors during 2017/18 than during 2016/17. New tractor registrations also increased in northern England and Scotland, Wales and Northern Ireland, while farmers in southern England and East Anglia registered fewer new tractors during 2017/18 than in the previous 12-months.

Read more about the annual tractor registration figures at: https://bit.ly/2Tpcil6



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uplands 'manifesto' sets out challenges facing hill farmers

The All Party Parliamentary Group (APPG) for hill farming and the NFU have published 'A Manifesto for the Uplands', which sets out the challenges faced by hill farmers. The purpose of the APPG, which was reinstated in January 2019, is to promote and protect the interests of hill farmers and the upland communities who depend on hill farming. This will involve ensuring that the issues facing hill farmers are raised with government ministers and departments.

'The manifesto sets out five key challenges that must be met by policymakers if hill farming is to remain profitable. These include securing a post Brexit trade agreement that provides farmers with crucial tariff free access to the EU market, as around 30% of lamb produced in the UK each year is exported and more than 90% of exports are to the EU, and developing environment schemes that are simple and have quick, efficient payment mechanisms.

Regardless of the type of Brexit, the Government intends to phase farm subsidies out over a seven year transition period ending in 2027. This is one of several post Brexit agricultural policy measures set out in the Agriculture Bill. In March 2019, the Bill was awaiting a third reading in the House of Commons.

Read more about the re instated APPG and 'A Manifesto for the Uplands' at: https://bit.ly/2Jq3ADp