UK200Group news
Issue 2 2021

Agriculture

Edmund Carr
Chartered Accountants

Sharp fall in exports to the EU, but increase in exports worldwide

UK food and drink exports in the first half of 2021 were down by 17% (almost £2 billion) compared with the same period in 2019, mainly due to a 27% fall in exports to the European Union (EU). This is according to a report jointly published by the Food & Drink Federation and the Food & Drink Exporters Association, which found that UK exports to the EU have fallen in every member state except Latvia, Lithuania and Hungary when compared with 2019.

Exports to the Republic of Ireland, which is the biggest UK export market, fell by more than a quarter (£0.5 billion) from 2019 to 2021, and exports to Germany, Spain and Italy each fell by around half over the same period. Exports to France partly recovered but are still 12% lower than in 2019.

The declining exports to the EU are due to a combination of the continuing effects of the Covid-19 pandemic and new barriers to trade resulting from post-Brexit trading arrangements. These include increased paperwork as well as sanitary and phytosanitary checks at borders that were not required when the UK was an EU member state.

Food and drink exports to non-EU countries in the first half of 2021 increased by 13% year-on-year. This means that exports in non-EU countries accounted for around 47% (£4.3 billion) of all UK food and drink exports and had almost returned to 2019 levels.

The recovery in non-EU exports was largely the result of a return to growth in China, Singapore, Australia, Japan and the Gulf region. Other regions where UK exports increased include Central and South America, where recovery was driven by sales of whisky and vegetable oils. In this region, UK exports recorded the sharpest year-on-year increase to Colombia (142%), followed by Mexico (111%), Chile (105%) and Brazil (87%).

Imports of food and drink into the UK have fallen by around 10% overall since 2019, despite a 3% increase in imports from non-EU countries. Imports from the EU into the UK fell by 15% (£2.4 billion) over this period, partly because UK food manufacturers required fewer ingredients as a result of the loss of exports to the EU. Products of animal origin were the most severely affected. In the first half of 2021, pork imports fell by almost 20% year-on-year, and cheese and chicken both fell by around 18%. Imports from the EU are likely to continue to fall in 2022, when the UK will begin implementing full border controls.

Read more about the fall in exports at: https://bit.ly/3m553zt

Agriculture
UK200group

New grant funding opportunities for farmers

Farming businesses in England have been urged to consider how they can take advantage of the new Farming Investment Fund, which launched in October 2021. The fund provides grants to farmers and agricultural or forestry contractors to help them improve productivity and benefit the environment by investing in new equipment and infrastructure. It is modelled on the Countryside Productivity Scheme and has two separate grant funds. These are the Farming Equipment and Technology Fund (FETF), which awards lower value grants for the purchase of new equipment, and the Farming Transformation Fund (FTF), which supports larger investments aimed at transforming business performance.

The FETF can only be used to buy items from a defined list, which Defra has developed in consultation with farming businesses and representative organisations.

The FTF awards grants to projects that meet one or more of a range of Defra objectives, such as improvements to water resource management or more effective use of pesticides and nutrients. On-farm water storage infrastructure, precision application equipment and robotic technology are among the examples provided by Defra of the types of farming transformation projects that the fund will support.

Defra has already confirmed that agents will be able to apply for grants on behalf of their clients, provided that they have the necessary permission on its Rural Payments service.

The Farming Investment Fund is part of the Government's planned replacement of the Basic Payment Scheme (BPS), which is gradually being phased out. BPS payments in England will be reduced every year from 2021 to 2027, making it critical for farming businesses to make plans that will enable them to benefit from new funding streams.

Read more about the grants at: https://bit.ly/3hUGzYa and https://bit.ly/3u1h0JO

New research to reveal value of UK's farm shops

A new project is seeking to build a clearer picture of the UK's farm shops and their importance during the Covid-19 pandemic. The project run by the Farm Retail Association (FRA) and Harper Adams University aims to uncover the true value of the sector in order to better support and promote farm retailers.

It is estimated there are over 1,000 premises in the UK that could be defined as farm shops. Many were essential during the pandemic, sourcing supplies and making deliveries to vulnerable people. With more people shopping locally, by choice or necessity, changing retail patterns saw an increased interest in farm shops. Separate research by NFU Mutual found that one in four people used more farm shops or local producers in 2020. The research also found that many rural retailers have had to adapt their retail model to meet the demands of the pandemic, for instance by switching from farm cafes to delivering online orders or altering their layouts to offer Covid-safe shopping spaces.

The UK-wide project is the biggest the FRA has undertaken. It will draw upon the experiences of FRA members to uncover the impact farm shops have on their local communities, farmers and suppliers, as well as on the wider economy and the country's rural landscape.

The FRA is encouraging all farm retailers to take part in the survey. The results are expected to be published in spring 2021 and the FRA hopes the findings can be used to help support rural businesses with planning applications and funding bids by proving their value to local communities and the country and economy as a whole.

Read more about the project at: https://bit.ly/3CvEKbW

In brief...

New net zero farming centre

A new £15 million net zero farming centre has been announced to help reduce the environmental impact of agriculture. The centre, which will be based in North Wales, will develop new technologies in digital and precision agriculture and renewable energy to help the UK meet its net zero targets. It will also test market ready technologies and identify new methods to reduce emissions. Farmers will also have the opportunity to share best practice and learn how new agricultural techniques can be applied to make farming more sustainable and efficient.
https://bit.ly/3lMKmYO

Measures to tackle dairy farm emissions

Arla Foods has published a report setting out measures to help farmer owned dairy cooperatives to achieve a 30% reduction in their carbon emissions by 2030. Measures include increasing the amount of renewable energy generated on farms, using slurry as a source of energy and fuel, and developing more carbon sequestration projects that use trees, grass and hedgerows to remove carbon from the atmosphere. The report, which is based on data from almost 2,000 farms, has also revealed that UK dairy farmers have already significantly reduced their carbon emissions. Currently, UK dairy farmers produce 1.13 kilograms of carbon dioxide equivalent (CO_2e) per kilogram of milk, which is around half the global average.
https://bit.ly/3ACobe0

Agricultural landlords urged to reduce rents

The Tenant Farmers Association (TFA) has urged agricultural landlords to lower rents to help tenants manage rising farm input costs. Fuel, feed and fertiliser costs have all increased significantly in 2021. For example, red diesel prices reached 59.2 pence per litre in September 2021, up 18.3 pence per litre compared with a year ago. According to TFA, farmers and landlords should agree a sensible rent reduction when carrying out rent reviews this autumn. TFA has also called for retailers, wholesalers and the foodservice industry to take on a fairer share of the higher input costs, which currently have a disproportionate impact on farmers.
https://bit.ly/3zyyDlg

Export checks delayed indefinitely

The introduction of border checks on exports of agri-food goods from Great Britain to Northern Ireland has been postponed indefinitely. While border checks were initially due to come into effect from 1 October 2021, the Government has confirmed existing trading arrangements will continue. As a result, businesses that export goods of animal origin, such as meat and dairy products, will not be required to complete new paperwork or face additional border checks. The Government has also announced it will provide businesses with sufficient notice ahead of any changes to the rules for exporting agri-food goods.
https://bit.ly/2XDok2a

Pig prices fall due to staff shortage

Figures from AHDB in September 2021 have revealed that pig prices recorded the biggest decline in five years due to falling demand and staff shortages. Overall, the standard pig price for the week ending 4 September 2021 was down 2.31 pence to 156.39 pence per kilogram. This is the largest weekly drop since 2016 and 5 pence lower than in September 2020. Pig prices have fallen due to staff shortages in slaughter and pork processing plants, which have also resulted in a backlog of an extra 85,000 pigs on farms across the UK. As a result, farmers are facing higher costs to manage and feed the backlog.
https://bit.ly/3lL37Mk

Support to help farmers prepare for loss of basic payments

AHDB has launched a service to help 4,000 farmers and growers across England to plan for the future and prepare for the removal of direct payments. The Farm Business Review service will provide free one-to-one advice to help farmers understand the impact of changes to the BPS. Farmers will be able to access an online self-assessment tool to calculate how the loss of direct payments will affect them and evaluate the resilience and performance of their farm business. The service will also set up a peer-to-peer support network and provide opportunities for farmers to share best practice.
https://bit.ly/39tratm

Farmers urged to be cautious when investing in new machinery

Farmers should think carefully before investing in new agricultural machinery and approach new purchases cautiously as the volatile market recovers from a dip, a leading rural insurance broker has warned.

In 2020 tractor registrations fell to their lowest levels in 20 years, impacted by uncertainties caused by Brexit, the pandemic, reduced labour capacity and climate extremes. Although there was an upturn following the easing of the first lockdown, registrations in 2020 were still 14% lower than in 2019, totalling 10,380 machines. The reopening of the economy has seen sales increase, with tractor sales in August 2021 up by a quarter year on year. This suggests increased confidence in capital investment, encouraged by tax incentives.

However, insurers have warned that farmers who have deferred buying new machinery over the past year should not rush into hasty and potentially expensive decisions. An industry expert said that it was important for farmers to plan purchases thoroughly, including cost-effectiveness based on farm output projections. They should also have an investment strategy in place before purchasing.

Farmers should assess how potential investments fit into their yearly budget, although older machinery might have higher running and maintenance costs, new machinery involves significant upfront expense. Insurance costs should also be taken into account, as new machinery could be an attractive target for thieves. Farmers should ensure they have the right level of cover both for any new machines and the building they are stored in, and that their security is robust. Engineering inspections could be useful to give farmers an indication about the feasibility of repairing or replacing machines.

Read more here:
https://bit.ly/3ksPRwm

EDMUND CARR LLP
Chartered Accountants

146 New London Road
Chelmsford
Essex
CM2 0AW

Tel: 01245 261818
www.EdmundCarr.com

If you would like further information on any of the articles in this newsletter please contact Ray Crace on the above telephone number or email RCrace@EdmundCarr.com

Defra announces Landscape Recovery Scheme pilots

Defra has announced it is aiming to set up at least 10 Landscape Recovery Scheme (LRS) pilots between 2022 and 2024. The LRS will provide funding for farmers and land managers to support landscape and ecosystem recovery through long-term projects, such as restoring wilder landscapes, large-scale tree planting and peatland and salt marsh restoration.

Bids to participate in the first wave of pilots will be accepted by Defra in autumn 2021. Applicants can be individual farmers and land managers, as well as groups and organisations. Each proposed pilot site must have between 500 and 5,000 hectares of connected land. Overall, the pilots will provide funding for 20,000 hectares of wildlife rich habitat. Sites already in receipt of Government funding are eligible, although the same activity will not be funded twice.

The first wave of LRS pilots is likely to focus on recovering and restoring England's threatened native birds and insects and restoring its rivers and streams to improve water quality and biodiversity and react to climate change. Instead of adopting a one-size-fits-all approach, the LRS will provide bespoke agreements. This is to reflect the time, size and expense of projects that will receive funding. Defra has indicated a willingness to provide significant investment in projects in order to arrive at a suitable agreement.

The LRS is one of three schemes that make up the Environmental Land Management (ELM) scheme along with the Sustainable Farming Incentive and the Local Nature Recovery scheme. The ELM scheme will replace the Basic Payment Scheme (BPS) and the Countryside Stewardship Scheme in England.

Read more about the pilots at:
https://bit.ly/2XCeHB1