UK200Group news

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Agriculture

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Farmland in record low supply during 2020 as values remain resilient

The supply of farmland available for sale in the UK during 2020 was at a record low during the 12 months to December 2020, with just 114,000 acres being publicly marketed, compared with 122,000 acres in 2019. This is according to 'Spotlight: The UK Farmland Market', a report published by Savills in January 2021. The report indicates that farmland was scarcest in Scotland, where the supply was 57% lower than the average for the preceding five years. In most regions supply fell by between 20% and 40%. Wales was the only part of the UK that saw an increase.

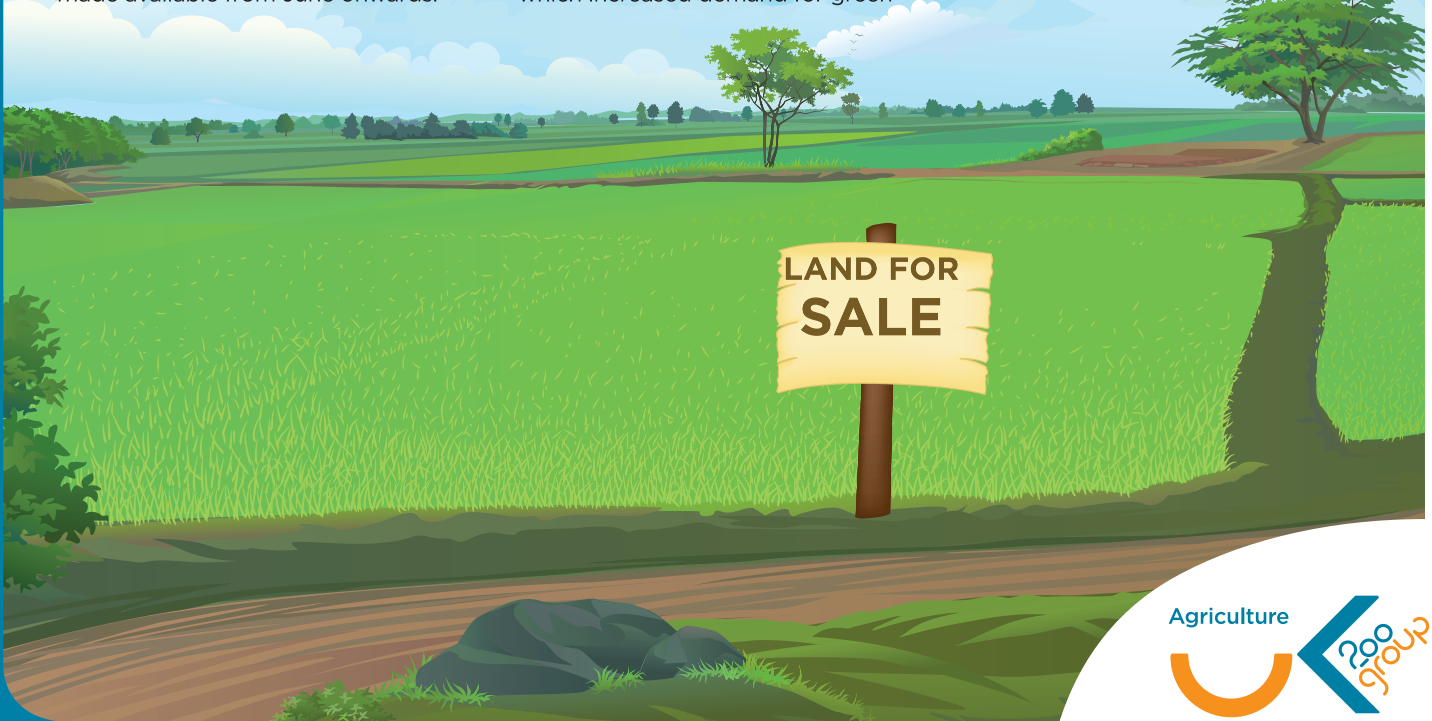
The low level of supply was partly due to continuing uncertainty over Brexit trade negotiations, reform of agricultural subsidies and the effect of the Covid-19 pandemic. However, market activity increased rapidly after the end of the first lockdown, with 80% of 2020 farmland supply being made available from June onwards.

Farmland values remained resilient in 2020, increasing by 0.7% on average, to £6,740 per acre. Poor livestock land in Scotland saw the greatest increase in value, rising by 17.5% as a result of the growing number of environmentally motivated buyers interested in land with potential for forestry planting. There was also increased demand for forestry land in northern England.

Existing farmers accounted for 49% of all farmland purchasers in 2020 (up from 42% in 2019), with 'farm expansion' being most common reason for purchasing. Non-farmers were the buyers in 34% of transactions, with 'lifestyle purchasers' accounting for more than half of these. Interest in lifestyle and amenity farms was unprecedented across all price points and regions, according to Savills. The growing number of lifestyle purchasers was a result of Covid-19, which increased demand for green space. The average farm size sold in 2020 was 160 acres, which is 25% smaller than the average farm size of the previous 10 years.

Savills has also forecast that average farmland values are likely to remain stable despite short-term disruption caused by the post-Brexit trade environment. However, factors such as location, land type and local market dynamics are expected to have more influence on pricing in the future, meaning that price ranges either side of the average are likely to widen. For example, farmland most vulnerable to the effects of subsidy reform and trade adjustments is likely to be affected by volatility in the market, whereas farmland with strong amenity and environmental value will continue to be in high demand.

Read more about the value of farmland at: https://bit.ly/3bNIGJA and https://bit.ly/3b5BitG



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Environment Bill delayed for second time

Defra has announced that the Environment Bill will become law in Autumn 2021, rather than in Spring 2021 as originally planned. According to Defra, the exceptional pressure placed on Parliament by the Covid-19 pandemic left insufficient time to scrutinise the contents of the Bill in the current Parliamentary session.

The Environment Bill is key to implementing the 25 Year Environment Plan, which Defra published in January 2018. It will create a framework for long term, legally binding targets to combat environmental and climate challenges. For example, farmers and land managers will be required to meet targets concerning cleaner air, cleaner water, less waste and more biodiversity. In particular, the farming industry will be required to cut nitrate and phosphorous pollution to improve water quality. The Bill will also establish the Office for Environmental Protection as a new independent watchdog, responsible for monitoring and reporting on compliance with targets.

Despite delays to the Environment Bill, Defra has confirmed that work towards its implementation is still ongoing. The Bill requires environmental targets to be agreed no later than 31 October 2022. Defra has committed to meeting this deadline and to developing targets through a 'robust, evidence led' process. This will involve consultations and discussions with key stakeholders throughout 2021. In addition, the Interim Environmental Governance Secretariat will work towards ensuring that the Office for Environmental Protection can be operational as soon as the bill becomes law. The Secretariat will continue to investigate complaints about alleged failures of public authorities to comply with environmental law until its replacement by the new watchdog.

Read more about the delay at:
http://bit.ly/3q8slnQ

Agri-environmental subsidies improve stability of farm income

Agri-environmental subsidies can improve the stability of farm incomes, according to the results of a study carried out by the University of Reading and Newcastle University, which analysed Farm Business Survey data in England and Wales gathered between 2007 and 2015.

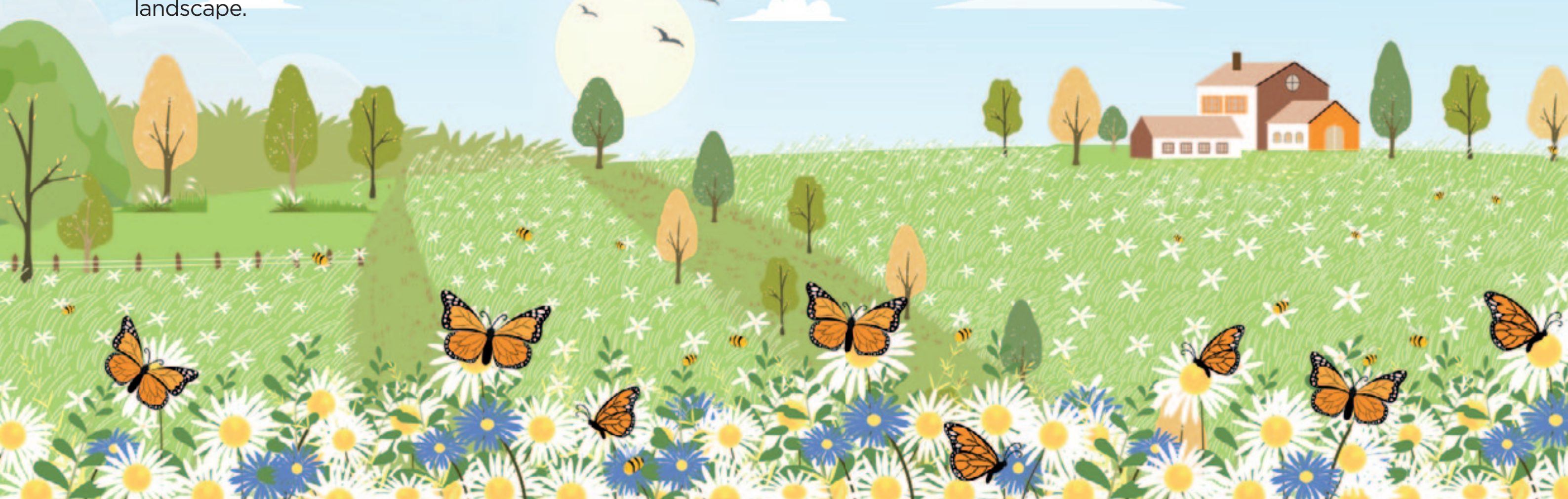
The study found that dairy, arable and mixed farms that make greater use of agri-environmental subsidies were more likely to have stable incomes than farms relying on direct payments based on the size of the area farmed. The subsidies provide funding to help farmers adopt practices that improve water, soil and air quality, support biodiversity and enhance the landscape.

However, farms in Less Favoured Areas, typically upland livestock farms, do not obtain the same benefit from agri-environmental subsidies. This suggests that agri-environment subsidy schemes may not have enough options that are well suited to these types of farms. The results of the study also indicated that most types of farm could improve their income stability and reduce their vulnerability to price fluctuations by increasing the diversity of their farming activities. However, this is less likely to be helpful for farms that predominantly graze livestock.

The data revealed that income stability can also be improved by controlling the use of expensive inputs. Although farms with higher input costs tend to have higher outputs, this does not always mean that their farm business income is higher, and they experience larger fluctuations in income.

The University of Reading suggested the results were encouraging for farmers as the Government phases out direct payments made under the terms of the EU common agricultural policy and replaces these with the new Environmental Land Management (ELM) scheme, which will incentivise sustainable farming methods.

Read more about the study at:
http://bit.ly/3q3TIiX



In brief...

Tenant farmers may be excluded from new environmental schemes

The Tenant Farmers Association (TFA) has warned that up to half of tenant farmers may be excluded from new schemes that will replace CAP direct payments and access to developing markets for carbon and biodiversity offsets. This is because the UK Government has not included provisions within the Agriculture Act to ensure access to new schemes for farmers who have a farm business tenancy. As a result, tenant farmers in England and Wales often require their landlord's consent to join the schemes, and many landlords reserve the right to take any benefit of the new schemes. The TFA has also urged farm tenants to review any new tenancy agreements they sign carefully to ensure they do not include provisions that will restrict them from accessing future schemes.
Read more about the warning at:
http://bit.ly/3uGIF2H

EU to recognise UK organic certification until 2023

The EU will recognise organic certification schemes operating in the UK until December 2023 as part of the UK-EU Trade and Co-operation Agreement. The EU had initially agreed to recognise British organic standards for an interim 12-month period, after which UK organic produce would need to be marked with a separate organic identification code. This could have resulted in the UK organic farming sector losing access to the EU market, which is worth £200 million per year to British farmers.
Read more at: http://bit.ly/3bOV1gz

Tractor sales continue to recover

Figures from the Agricultural Engineers Association have indicated that tractor sales continued to recover in January 2021 following 12 months of lower sales due to poor weather and Covid-19. Overall, 586 tractors were sold in January 2021, an increase of 17% on January 2019. Tractor sales began recovering in the second half of 2020 when registrations increased by 11% compared with the same period in 2019. However, the figures have revealed that there were just 10,380 new tractor registrations in 2020, down 14% on 2019.
Read more about the figures at:
http://bit.ly/2ZXZNCL

New code of conduct for dairy sector

Defra has announced plans to create a new code of conduct to tackle unfair practices in the UK dairy supply chain. The announcement follows a consultation seeking views from farmers about how contracts and relationships with buyers could be improved, which revealed that many farmers believe buyers have an unfair power advantage. For example, buyers can set and modify contract terms at short notice. The new code of conduct will introduce a set of minimum standards for contracts between farmers and buyers, while allowing contracts to be adapted when necessary.
Read more about the new code at:
http://bit.ly/3uKoRM2

Inquiry into disruption to meat exports

The House of Commons Environment, Food and Rural Affairs Committee has launched an inquiry into disruption of UK meat exports to the EU since the end of the Brexit transition period. The inquiry will explore how government support for exporters can be increased, as well as examine the financial impact on UK food exporters caused by border issues and delays. The British Meat Processors Association has warned that urgent action is required as meat exporters are facing a serious and sustained loss of trade with the EU.
Read more about the inquiry at:
https://bit.ly/2MAxBD9

Rising feed prices hit milk and meat production

The production costs of milk and meat have increased due to a significant and steep rise in feed prices. Soya bean meal prices increased by around £50 per tonne in the two months to January 2021, while wheat feed prices have also risen sharply. Strong demand, falling supply levels and the weaker value of sterling are key factors behind the rise in feed prices. Industry experts have warned that feed prices are expected to continue to increase in 2021, and dairy farmers could face an additional feed cost of 1-2p per litre of milk produced from April 2021.
Read more about the increase at:
http://bit.ly/3b1wupg

Labour costs increase in ‘fruit and veg’

Fairer produce prices are required to offset increasing labour costs for UK fruit and vegetable growers and to prevent producers from leaving the industry. This is according to an independent review, commissioned by the National Farmers’ Union (NFU), which found that labour costs have risen by at least 34% since 2016, while farmgate prices have not kept pace with this increase. The statutory hourly rate for workers aged 25 and over has increased from £6.50 an hour to £8.72 since 2015, while most produce prices have remained static.

However, in reality many growers have experienced a 40-50% rise in employment costs due to the weakening of sterling as well as Brexit affecting the size and quality of the available labour pool. Employment costs generally account for 40-70% of business turnover, which may result in some UK growers no longer seeing their business as viable. While many horticultural operations are highly mechanised, many popular fruits and vegetables are still labour intensive crops and likely to remain so.

Domestic fruit and vegetable growers currently contribute £3.8 billion to the economy. The review warns that without prices increasing to address increasingly tight profit margins, many producers will be forced to leave the industry or relocate abroad. This will not just damage their economic contribution, but also necessitate an increasing reliance on food imports. Farmgate prices of labour intensive crops such as blueberries, strawberries, apples, lettuce, cauliflower and broccoli would need to increase between 9% and 19% just to offset the rise in the National Living Wage (NLW), which will increase to £8.91 an hour from 1 April 2021.

Read more about the findings at: http://bit.ly/3r7vYM5

Consumer trust in farmers rose in the pandemic

More consumers feel positive about British agriculture and farmers are the most trusted group in the food sector, according to two new reports.

The ‘Trust in Farming and the Environment: The Consumer Perspective’ report published by the Agriculture and Horticulture Development Board (AHDB) found that 66% of people in 2020 felt very or somewhat positive about British agriculture, up 4% from 2019. The report also found that most people viewed farmers positively in relation to the environment, with only 15% of respondents feeling that farming in the UK has a negative impact.

However, consumers also want to see farmers demonstrating their environmental credentials and implement measures such as increased efficiency, sustainability labelling and tree planting programmes. Key environmental concerns included issues such as pollution from plastic waste, climate change, water use, soil erosion, the amount of land allocated to animal production and the amount of methane produced by livestock.

The EIT Food Trust Report, published in January 2021, found that consumer trust in the food sector has increased during the Covid-19 pandemic, with farmers the most trusted group in the industry. Around 67% of European consumers trust farmers, while retailers were the next most trusted group. Less than half of consumers polled trusted government agencies or food manufacturers, with over a quarter of consumers saying they actively distrusted them. UK consumers were more likely to think farmers play a caring role than other European consumers, with seven out of 10 believing farmers act in the public interest.

The pan-European study was undertaken by academic partners including the University of Reading, the European Food Information Council (EUFIC), Aarhus University, KU Leuven, and the University of Warsaw.

Read more about the findings at: https://bit.ly/2O87WC4

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