UK200Group news
Issue 2 2024

Agriculture

Edmund Carr
Chartered Accountants

Livestock numbers fall in England

The latest Defra livestock population survey has revealed that the numbers of breeding cattle, sheep and pigs in England fell during the 12 months to 1st June 2024.

Breeding cattle fell by 2.2% to fewer than 1.7 million. The fall was driven by the decline in beef breeding numbers, which dropped by 5.1%. The dairy breeding herd stayed relatively stable, falling by only 0.6%.

The number of breeding sheep fell by 5.6% to 6.6 million, which was the lowest number since 2011. This was thought to be the result of higher prices for finished lamb earlier in the year, which incentivised farmers to sell a greater percentage of ewe lambs, instead of retaining them for breeding. The total number of sheep in England also fell, by 4.3% to 13.8 million, driven by the decline in the breeding flock.

The female breeding pig herd fell by 2.2% to 251,000, continuing a trend that has seen the number of breeding sows halve since 2000. Although this fall was partly driven by challenging financial conditions and technological advancements, it is also the result of reduced piglet mortality and higher pig carcass weights, which have allowed farmers to achieve higher productivity.

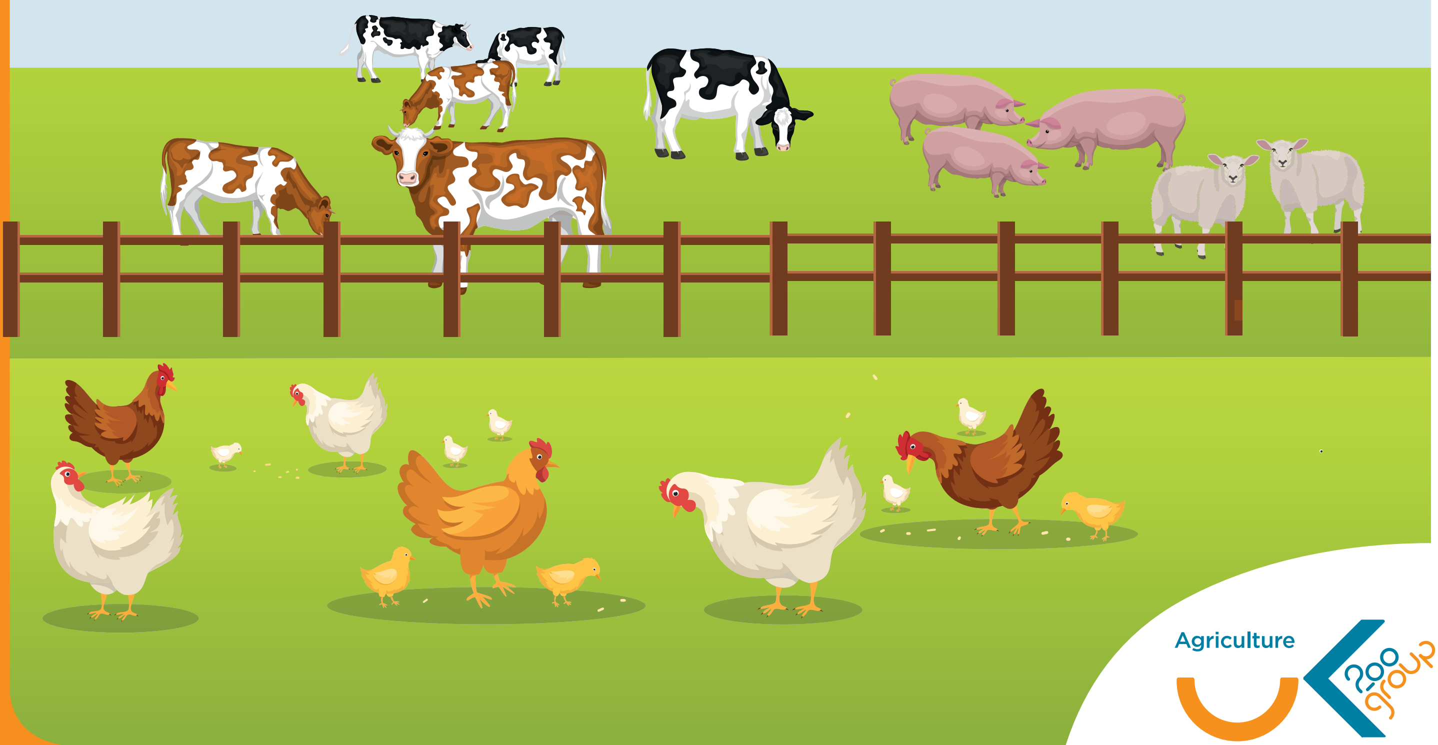
Despite the lower numbers of female breeding pigs, the total number of pigs in England increased by 1.3% to 3.7 million, driven by a 1.5% rise in the number of fattening pigs, which reached 3.35 million.

However, the total number of cattle fell, by 2% to around 5 million. This was the lowest number since Defra records began in 2005. According to AHDB (the Agriculture and Horticulture Development Board), falling cattle numbers were the result of pressure on margins combined with high beef prices, which have encouraged farmers to cull more animals.

The Defra livestock population survey also includes statistics relating to poultry flocks. It found that the breeding and laying flock in England has remained stable in 2024, at just over 32 million. However, the total number of poultry in England fell by 1.5% to 129 million. This was largely driven by a 3.5% fall in the number of broilers (table chickens), which account for 68% of all poultry.

Turkey numbers rose by 29% to just over 3 million, recovering from a sharp fall in 2023, which was the result of avian flu and higher input cost.

Read more about the survey at: https://tinyurl.com/mtdmd2u3 and https://tinyurl.com/mr3xu3jm



Agriculture UK200group

Beef exports under threat from government inaction

The British Meat Processors Association (BMPA) has warned that beef exports to the European Union (EU) could 'cease overnight' on 1 January 2025 when the new EU Deforestation Regulation comes into force.

The Regulation requires any trader who places beef (or derivatives of beef, such as leather) on the EU market to carry out due diligence checks along their supply chain. These checks are intended to ensure that the beef has been produced without contributing to deforestation anywhere in the world, and without breaking any environmental or social laws.

According to the BMPA, the Government has done nothing to prepare for the new requirements. In contrast, competitor beef-producing nations, such as New Zealand, Argentina and the US, have developed government-backed systems to ensure compliance.

As a result, beef producers in the UK are at risk of losing access to the EU market, which accounts for 90% of the £580 million British beef export market. This would lead to an immediate crash in the price of UK livestock, putting many farmers out of business and causing long-term harm to Britain's food security. The consequences would also include a rise in meat prices within the UK to compensate for the loss of export revenue.

The BMPA has written to Defra setting out a solution that makes use of existing traceability systems in the UK. However, it has warned that this solution cannot be effective unless the Government plays its part, by communicating with EU authorities to clarify the new requirements and by appointing Defra as a 'competent authority' to manage compliance in the UK.

Read more about the warning at: https://tinyurl.com/5n8bx39n and https://tinyurl.com/4wvkypsm

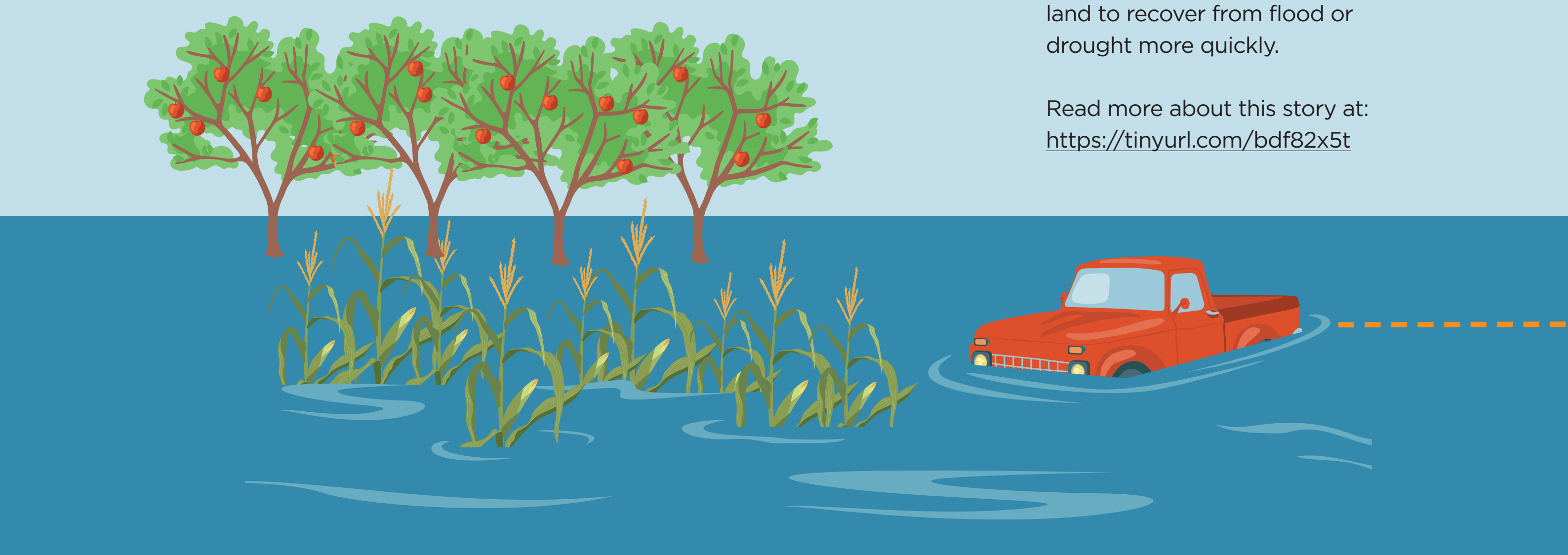
Wet winter means farmers facing poor harvest

The Energy and Climate Intelligence Unit (ECIU) has analysed provisional data and yield forecasts for key cereal crops in England. The results, published in September 2024, reveal the heavy toll that record rainfall in winter 2023/24 had on farmers' ability to plant and establish cereal crops.

The total harvest of wheat, winter and spring barley, oats and oilseed rape in 2024 is forecast to be 3 million tonnes less than the five-year average. This represents a 13% fall in yields, making 2024 one of the worst harvests in decades.

The wheat harvest alone is forecast to be more than 2.2 million tonnes, which is 18% down on 2023. In addition, there are fears that poor growing conditions caused by the wet winter and dull early summer will result in wheat not making the grade for food production.

Although the harvest is predicted to be not as poor as feared in spring 2024, it will still be one of the worst since 1983. The low yields will leave the UK dependent on imports to produce bread and other baked goods.



Challenging growing conditions mean that farmers in Scotland are also facing a poor harvest. NFU Scotland estimated that in early September 2024, just 10% of spring barley and a small area of wheat had been harvested in the north east region.

The ECIU describes farmers as 'on the front line' of climate change, which is making extreme weather more likely. As a result, the ECIU is encouraging farmers to become more resilient by adopting sustainable land management practices. For example, planting trees and hedgerows captures carbon and reduces soil loss, which allows the land to recover from flood or drought more quickly.

Read more about this story at: https://tinyurl.com/bdf82x5t

In brief...

Defra reveals £358 million budget underspend

Defra's latest 'Farming and Countryside Programme' annual report reveals that it failed to deliver £358 million of funding over three years. Overall, Defra had a budget underspend of £103 million in 2022/23 and £125 million in 2021/22. According to the NFU, the under spend is due to delays implementing support schemes intended to replace the Basic Payment Scheme. The NFU has called for the Government to increase the UK agriculture budget and warned that any underspend should not be reclaimed to tackle the £22 billion 'black hole' in public finances.

Read more about the underspend at: https://tinyurl.com/59sa6raf

Changes to farm succession rights in England

Changes to succession rights in three-generation farm tenancies in England came into force on 1 September 2024. Under the changes, applicants are no longer ruled out because they occupy another agricultural holding that can produce a commercial return. New rules on suitability have also come into force, meaning that applicants must show that had the tenanted holding been available on the open market, they would have the necessary skills to be shortlisted by the landlord.

Read more about the changes at: https://tinyurl.com/z4xer7s5

Pig prices drop to lowest level in 18 months

The average price for GB standard pigs fell to 209.37p per kilogram in the week ended 31 August 2024, down 15p year-on-year and the lowest level since February 2023. The GB pig price is facing pressure from falling EU prices, which is making UK pig imports a more attractive option.

Read more about the fall in prices at: https://tinyurl.com/5vcyhr25

Farmland taken out of food production for solar sites

Thousands of acres of farmland could be taken out of food production to build major solar projects. The Government has approved three solar farms as part of plans to achieve its clean energy target by 2030. Large solar projects benefit from Nationally Significant Infrastructure Project status, meaning that they bypass typical local authority planning requirements. As a result, the Tenant Farmers Association has warned that tenant farmers are at risk of landowners reclaiming farmland for solar projects that offer a reliable fixed income stream.

Read more about the warning at: https://tinyurl.com/2vz6nvtf

Sainsbury's launches development group for egg producers

Sainsbury's, in collaboration with its three main egg packers, has launched a development group to support its egg suppliers. The Sainsbury's Egg Group will oversee the retailer's pledge to always pay its suppliers at least the cost of production for eggs. The group will also aim to provide financial reassurance, along with better communication and decision-making to deliver improvements for its suppliers. Any egg suppliers that sign up to the group must commit to reducing carbon in their production, along with an annual carbon footprint assessment.

Read more about the group at: https://tinyurl.com/53hwy79u

New foundation to improve farmers' mental health

A new foundation has been set up to help tackle poor mental health in the agriculture sector. The Rural Communities Mental Health Foundation will provide funded training to help organisations better identify farmers who may need mental health support. The foundation will also provide signposting to sources of help and support and raise awareness on the importance of good mental health among young farmers.

Read more about the foundation at: https://tinyurl.com/4schxsb8

Positive outlook for global poultry markets

A report by Rabobank has found that after several years of slow growth, global poultry consumption was expected to return to historic levels in 2024, with growth forecast at between 2.5% and 3%.

The report stated that accelerating growth was driven by strong retail demand, recovering foodservice demand, poultry's strong price position against other proteins in most markets and improved sustainability strategies. The report also found that, with the main exceptions of China and Japan, most poultry industries worldwide remained relatively profitable, recording rising prices in many cases. Overall trade was expected to remain robust in the second half of 2024.

Growth in China and Japan was hampered by local oversupply, with chicken feet prices in particular pressured by weak Chinese demand.

Imports of raw chicken to these markets also saw large year-on-year drops in the first half of 2024. Global chicken breast meat and processed chicken prices are likely to remain firm in line with strong market conditions in the main importing markets in Europe and Asia. Demand for value-added products is also expected to recover further. The report expected global trade to grow in line with rising demand, but highlighted that this should be viewed in the context of risks such as geopolitical tensions affecting trade routes, feed price volatility and outbreaks of animal diseases. While the EU has seen the lowest number of avian flu outbreaks since July 2019, the US has suffered ongoing outbreaks during the summer and Brazil faced an export embargo to several destinations after an outbreak of Newcastle disease.

A Rabobank analyst said that supply growth discipline was vital and that producers should not expand too optimistically, or they could end up replicating the problems of oversupply that are facing China and Japan.

Read more about the report here: https://tinyurl.com/5ywuc9sv

Farmgate milk prices and processor profits on the rise

Dairy farmers are welcoming higher farmgate milk prices, while milk processors have reported a rise in profits. Meadow and Freshways both announced that they will be increasing the price paid to suppliers this autumn, reflecting a wider industry trend.

Commodity markets remain strong, with price gains for cream, butter and mild cheddar in August 2024, which provided a boost to manufacturing contracts. Prices were further supported by tight milk supplies, which, at 31.9 million litres a day, was below 2023 levels.

Meadow suppliers will receive a 1p per litre increase from October 2024, which comes on the back of a 1.5p per litre increase for September. This will take its milk price to 41p per litre for a standard liquid litre. Freshways will offer a similar extra 1p per litre for suppliers in October, and the same again in November, which will take its price to 42p per litre.

Freshways claimed that the increase reflected favourable market conditions, as well as its commitment to dairy farmers and to investing in the sustainability of its farming practices. Other processors also reported positive results, with Arla Foods making a net profit of $167 million (£141 million) in the first half of 2024, up from £104 million during the same period in 2023. First Milk, a farmer-owned cooperative, increased its operating profit to £16.8 million for the year ended 31 March 2024, a significant jump from the previous year's £5.1 million.

However, Leprino Foods, the US-owned company which bought UK mozzarella manufacturer Glanbia Cheese in 2023, saw profits plummet from £24 million in 2022 to £7.7 million in 2023. It is predicted that Leprino Foods trade is likely to have improved since the 2023 results were published.

Read more here: https://tinyurl.com/3hah7mfk

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 Tom York on the above telephone number or email TYork@EdmundCarr.com

ICAEW CHARTERED ACCOUNTANTS

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.

www.uk200group.co.uk