

FBS
Farm Business Survey



Department
for Environment
Food & Rural Affairs

FARM BUSINESS SURVEY

INTELLIGENCE REPORT
SPRING 2024



Executive Summary

This intelligence is based on conversations our Research Officers have had with farmers between October 2023 and March 2024.

The **continuous rain** across the regions has resulted in livestock being housed for an extended period to reduce poaching, leading to depleted fodder and bedding stocks and increased costs.

Milk prices have fallen significantly, from a high of 51ppl a year ago to 37ppl. The lower price, coupled with a significant increase in electricity costs combined with high feed, straw and labour costs are putting increasing pressure on margins.

Beef prices are strong but there are concerns regarding straw price and potential impact of the reduction in cereal area planted in 2024 on future feed price.

Fat lambs have reached unprecedented levels with large lambs attaining more than £200. **Lambing** has been impacted by the wet weather leading to a notable rise in lamb deaths.

Pig and **poultry** producers continue to leave the sector due to the cost of inputs and low returns. Despite a price rise in both pig and poultry products compared to a year ago, many in the industry are unable to make a profit, in part due to large capital investment and associated borrowing costs.

Autumn and spring **drillings** have been difficult due to the rain and many drilled crops look poor or have failed resulting in either being re-drilled or land left fallow or being entered into an SFI. Furthermore, spraying and fertiliser applications have been restricted due to the saturated ground, continuous rain and wind.

Maize, potato and **sugar** beet harvest have both been impacted by the weather with some crops left in the ground, however, harvested crops have returned a reasonable price.

Labour availability for **horticultural** holdings continues to be a major issue. Technology advancements to reduce the labour requirement are not yet available and the current labour supply will not meet demand. The increase in the minimum wage, compounded by the high numbers of staff, along with high fuel and electric prices are resulting in **top** and **soft fruit** growing being uneconomic.

There appears to be increased interest in the **Sustainable Farming Incentive schemes (SFIs)** due to declining **BPS** payments. There is frustration that **SFI** options are being rolled out rather than all being available at the outset and thus many are delaying applications to make sure they select the most suitable options. An array of options is being taken up, however, there are limited - if any options available for horticultural, permanent grassland and smaller farms rich in environmental features such as hedgerows. It is felt that **SFI24** should be launched as soon as possible to allow planning.

Heavily capitalised businesses and those with high borrowings are concerned by **high interest rates**, putting pressure on cash flow as loans and overdrafts are called in.

Whilst **spring seed, electricity, labour** and **straw** prices have increased, **feed, fertiliser, silage wrap**, and **gas oil** have seen a notable drop in price.

Farm **carbon** and **methane** emissions are becoming more topical. All sectors, feel that a standardised **carbon footprint calculator** that has values for all crops/plants, and enterprises is essential if the industry is to produce comparable and useful data.

Concerns have been expressed regarding **food security** with unprecedented areas of arable ground remaining undrilled and so much land committed into environmental areas, there is a reduction in land in agricultural production.

The general message from all sectors is that market **uncertainty**, increased **volatility** of commodity prices, input costs, labour issues and extreme weather events are making planning near impossible and increasing **stress** and **anxiety** within the sector.

Livestock; Dairy, Beef and Sheep

Across all regions, **grass** continued to grow well into the autumn, however late autumn grazing was difficult to achieve, with many herds housed earlier than normal to prevent poaching of the saturated ground following the heavy rainfall. Relatively high forage yields last summer helped bridge the extended winter but as the wet conditions remain and supplementary feeding of forage continues into the spring months, stocks are being depleted. **Fertiliser** applications to grassland have been delayed due to the wet weather which will now impact on first cut silage timing and yields. **Maize** harvest was challenging due to the saturated ground with some farmers leaving parts of fields unharvested thus crop and associated financial losses have been reported.

Livestock farmers are concerned that the wet autumn and spring, hampering drilling of the 2024 crop, may result in a shortfall of **straw** thus inflating prices. There appears to be plenty of straw available in the **Southeast**, but it is attracting a premium due to demand. Straw prices have escalated in the **North** due to the wet harvest of 2023 impacting on supply. An increasing amount of straw is being diverted to Ireland, further increasing prices. There are reports in the **Southwest** of **barley straw** trading higher than barley grain, highlighting the market disparity and collapse in grain values.

The turn of the year saw **milk price** increases across the regions. Whilst the rise is welcomed, it is notably lower than the 50ppl received last year. The lower price, coupled with a significant increase in electricity costs combined with high feed, straw and labour costs are of great concern to the industry. In the **Southwest**, some dairy farmers are choosing to change milk companies with no price advantage to avoid the extra audit/standards burdens being implemented. **Bovine TB (bTB)** is present on a significant number of farms resulting in TB movement restrictions causing challenging workloads, difficulties housing the high stock numbers, cashflow issues and rising stress levels.

Slurry lagoons are under pressure due to high rainfall. One farmer had not been able to empty his store last summer due to the land being so wet and consequently the store was almost full heading into the winter. He said that the worry of causing a pollution issue was affecting his **mental health**.

Finished beef prices rose steadily up to the New Year and increased sharply afterwards, with these increases being reflected in **store cattle** prices. **Beef** farmers have voiced concern over impact on margins due to potentially high **feed** prices following the wet season and resultant lack of cereals drilled, coupled with a predicted **straw** shortage and price rise. Turn-out by mid-April for many is not possible due to the persistent rain, putting pressure on housing and increasing costs.

Store lamb prices were buoyant throughout the autumn signalling confidence in the **prime lamb** market. Fat lamb price remained strong with a significant increase since mid-February which has reached unprecedented levels with large lambs attaining more than £200; this is due to the combined impact of reduced UK supply, problems in the **Red Sea region** and a subsequent reduction of imported sheep meat from **New Zealand** and **Australia**. Highest prices have been achieved selling lambs liveweight via auction marts, as deadweight lamb sales see a cap on weight at around 21kg, above which penalties often apply. However, farmers are fearful that either consumers will not be able to afford lamb or supermarkets would source cheaper imports. **Ewe lambs** retained for breeding have been sent to slaughter this Easter – incentivised by the soaring prices, which may result in a shortage of breeding stock for 2025 lambing. **Cull sheep** prices have been exceptionally strong too.

The saturated ground has caused issues for farmers in finding dry areas to feed sheep. The **lambing** period is proving challenging across the regions. One farmer described lambing in a quagmire.

Farmers have recounted large losses with some anecdotally reported to have 50% of ewes losing at least one lamb. Two cold windy nights saw one farmer lose thirty-five lambs from newborn to two-day olds; he described how demoralising it was to be collecting so many dead lambs. Consequently, sheep farmers mental health issues are more widely reported. **Ewes** have been housed for longer due to the wet ground causing a rise in **twin lamb** disease cases.

Blue Tongue has caused major disruption in the **Southeast** with a large part of **Kent** in a **Temporary Control Zone** where restrictions were placed on the movements of ruminating animals. This caused welfare issues for sheep on keep, not being able to be moved home for lambing. There have been reported cases of **Schmallenberg** in early lambing flocks across the regions. Later lambing flocks are hoping that they will not suffer as much due to tups being let out later in the autumn when there were fewer biting midges. One **Midlands** sheep farmer commented that they were getting a high number of **Coccidia** deaths attributed to the very wet and cold weather in March and April.

Natural England has been told it needs to change its approach to engaging with farmers on Dartmoor following an independent review into the management of the moor. Farmers opposed Natural England's plans to reduce sheep numbers to prevent over grazing and protect heather and dwarf shrubs. It is noteworthy that, cattle are 'needed' for "conservation grazing" to combat the spread of purple moor grass which was out-competing other vegetation and creating a tussocky, bleached, landscape where few animals will graze.

Pigs and poultry

The **pig** prices peaked at around 218p/kg **deadweight** in the autumn which was 14p/kg higher than the previous year equating to approximately £12.50 more per **fat** pig. However, the spring has seen deadweight prices begin to fall. Even though the price increased, and cost of production (COP) is surpassed in some units, the build-up of debt from over 2 years of not meeting COP remains an issue. Consequently, **sow** herds continue to decline, with smaller units, selling the sows and either moving to contract rearing or ceasing production. One farmer who sold his sows commented that although contract rearing was a steady income, it was different from having their own sows. A pig farmer in the **Southwest** has gone from his worst to his best year. He has repaid his debts and accumulated money in the bank. Producers are concerned about the decline in **independent abattoirs**, which help to hold up the price. If only large abattoirs remain, which are aligned with the supermarkets, this could lead to a reduction in the price. The **straw** price rise in March, notably impacted on margins. **Contract finisher** units not located in straw growing areas are particularly affected and so producers are asking the supply companies for adjustment in contract price.

Producers have warned of dangers associated with promoting the export market as illustrated by the **China market crash** which has taken a long time to recover. Farmers have expressed concerns about a reliance on potential markets such as **Mexico** and **South America** and many would like to focus on the internal market and reducing imports.

October saw a government review into fairness in the **egg supply chain**. This was welcomed by producers who feel that the end price consumers are paying does not compare fairly to the price they are receiving. **Feed** has reduced in price, but at the end of the year, **soya** will require additional paperwork for sustainability which will increase feed prices. **Labour** and **electric** costs remain high, yet the egg price remains unchanged this year although it is higher than two years ago. Mud on eggs due to weather is causing downgrading. **Broiler** producers have reported problems with feed quality following the poor harvest of 2023, resulting in birds struggling to digest feed properly, leading to badly soiled litter and foot health problems developing within flocks. **Avian Influenza** has vastly reduced across the regions.

Arable

Autumn **drillings** have been difficult due to the rain with late autumn drillings particularly impacted. Crops in the **North** that established well, have grown, with no widespread flooding issues in the region, however localised flooding and 'pooling' in fields has affected many areas. Across the regions, crops that were drilled late have struggled and often failed with growers hoping for favourable spring conditions to allow re-drilling, however relentless rain has prevented this in many cases. **Winter wheat** and **winter barley** crops look thin and yellow due to waterlogging. Some farmers have already taken the decision not to plant any spring crops because land is so saturated. Many arable farmers are looking into taking up **SFI** arable options, to guarantee financial output from failed crop areas. **Spring cropping** is patchy in the **Southeast**. There appears to be the opportunity in mid to late April to start drilling, however, many have already decided to leave large areas **fallow** for this summer in the hope that they can be prepared next autumn for drilling. The dilemma will be whether to drill early before it gets too wet, or drill later to reduce the **blackgrass**.

Winter and early spring applications of **sprays** and **fertiliser** have been delayed as the ground is too wet to travel on. The unseasonably warm weather has brought crops forward by a couple of weeks.

Forward prices for **Oilseed rape** (OSR) during October and November were reported to be offered at £700/t, prompting interest in winter oilseed rape plantings, although plantings have been hampered by the weather. One **East Midlands** farmer lost his whole OSR crop before 1st October due to **Cabbage Stem Flea Beetle**, which remains a constant threat and has replaced it with spring beans incurring additional input costs, to ensure a crop.

Many cereal producers have 2023 harvest crops in store, however, with **grain prices** subdued, farmers are reluctant to sell. Despite the likelihood of a reduced 2024 harvest, prices do not look set to increase resulting in reduced gross margins for harvest 2023 compared to the previous two years.

A late **potato** season, storage issues and crops rotting in the ground as some fields remain unharvested are impacting potato growers' margins. One farm in **Yorkshire** has lost fifty acres of potatoes due the ground conditions and the harvester being unable to reach the crop. Fortunately, those crops that were harvested commanded a fair price of over £500/t.

British Sugar announced a well-received beet price of £40/t for the 2023-24 contract year. Sugar beet harvesting has been badly impacted by the wet weather; whilst fields have been left with deep ruts, the rainfall has also impacted on the crop. Producers are experiencing larger overall beet size which results in a dilution of the sugars with average sugar yields of around 16%, compared to last year's campaign and the drought which resulted in smaller beet and a much higher sugar content of around 19%. Sugar beet growers struggled to get crops lifted before the factories closed with crops delivered on the final day. **Newmarket moth** has been a problem for growers in that area.

Horticulture

Labour availability for horticultural holdings continues to be a major issue. Technology advancements to reduce the labour requirement are not yet available and the current labour supply will not meet demand. The increase in the minimum wage, compounded by the high numbers of staff, along with the high fuel and electric prices are resulting in **top** and **soft fruit** growing being uneconomic.

There is a continuing reduction in area of **cider apples** grown due to the cider market reduction. The 2023 harvest produced a particularly good crop. Crops are roughly 3 weeks ahead of the normal growing season due to the unseasonal warm conditions.

Bedding plants and **hardy nursery stock** businesses are moving to **peat free** compost as per requirements for the end of 2026. However, in contrast, produce is now arriving from India and Sri Lanka rather than the UK and is a byproduct from monoculture which is devastating rainforests.

The wet weather has delayed planting, pruning and other management of **Christmas trees**.

The **hops** market remains difficult for mainstream hops going into **English real ale**. The UK hop area has reduced by 30% from pre-covid levels. The aim of the industry is to breed new varieties for a changing market, but this is a terribly slow process with funds much reduced due to the reduced area. £60k from Defra was allocated to aid the breeding programme but this has since been withdrawn. Help to gain access to foreign markets such as **China** has been highlighted by growers as an opportunity they would like support in pursuing.

A **horticultural** producer explained that sales were down on the back of the wet weather, so cashflow is affected but he has had a lower heating bill, so he felt one offset the other.

Basic Payment Scheme (BPS), Sustainable Farming Incentive (SFI) and Environmental Schemes

Declining BPS payments have resulted in an increase in farmers considering the environmental schemes. There is frustration that **SFI** options are being rolled out rather than all being available at the outset and thus many are delaying applications to make sure they select the most suitable options. It is felt that **SFI24** should be launched as soon as possible to allow planning. The application process is reported as easier than anticipated and the helpline helpful, whilst other highlighted that further guidance could be useful, especially for those new to the process. However, farmers are frustrated by the recent announcement that there would be a cap on the amount of land put into the SFI.

SFI does not encompass horticulture and permanent crops; it focusses on arable and temporary grassland. The reduction in BPS is being felt by **hill farmers** in particular who have limited options in the SFI to replace these losses and heavily rely on support. Furthermore, there are few options for small farms with environmental features such as hedgerows and high value wildlife areas such as mature woodlands. The uptake of SFI on **dairy** farms has been slow with some finding the options do not suit their farm. One farmer said he could either grow herbal leys or have low input grassland, but his system was based on making particularly good grass and maize silage which needed high inputs. He commented that if the milk price were still at 50p/litre he would not even contemplate an SFI. However, **arable** farms on poor land have welcomed the increase in rates. A Yorkshire land agent reported a farmer's intention to put the whole farm down to **wild bird mix**, with payments of £787/ha. **Leguminous fallow** is a popular SFI option to use as a break crop with a fertility building capacity and is likely to replace winter oilseed rape in regions where CSFB is an issue. Many farmers are applying to convert grass and arable land into **herbal leys** as it is deemed as financially viable.

Some farmers do not have the required cashflow at the outset to commit to schemes or items funded by grants and others struggle to complete the applications for grants and schemes. Agents are overwhelmed whilst some farmers comment that they cannot afford to employ an agent.

Topical issues

Whilst **spring seed**, **electricity**, **labour** and **straw** prices have increased, **feed**, **fertiliser**, **silage wrap**, and **gas oil** have seen a notable drop in price.

Seed companies are '**rationing**' spring cropping seeds due to high demand.

Extreme **stress** levels reported with BPS reductions, interest rate rises, labour challenges, legislation increases, volatility, market uncertainty and weather events creating a perfect storm for the industry.

Heavily **capitalised, overborrowed** businesses are struggling with **high interest rates**, putting pressure on **cash flow** as **loans** and **overdrafts** are repaid and institutions are less willing to lend.

Oxbury Bank appears to have become the bank of choice for borrowing. Anecdotal evidence appears that certain big named banks have been closing farming accounts, especially those without borrowing facilities, confirming that they are no longer economic to maintain.

Many farms **financial year ends** are now being amended to the 31st of March in order to tie in with the new basis periods but there is real concern how the new tax changes will be applied. Farming is an industry where most income is received in one quarter and the rest of the year shows mainly expenses.

Labour is in short supply; the increase in minimum wage is well received by employees but is causing huge issues with businesses struggling to afford the increase of 10%.

Farmers are considering **regenerative farming** techniques to profit from **carbon certificates** that they can then trade on the voluntary carbon market. Farmers would appreciate more information regarding what appears to be a valuable source of income.

There is an imbalance in the **biodigester/RHI** market because the price/rental value of land is driven by what these enterprises can afford which is way above the market value.

Farms continue to convert **redundant farm buildings** to provide another source of income.

Farm Expo held annually in **Kent** at the beginning of March is increasing in popularity and attracting a range of businesses such as major machinery dealers, banks, and software companies.

Agricultural land in the **Southeast** continues to be in short supply, with housing demand being so strong that many farmers will not consider selling land for anything other than building.

There is strong concern about rumours regarding the change of **inheritance tax rules** for farms. Farmers would like to confirm that the government are aware of the drastic implications if these rules are changed.

Livestock worrying continues to be reported and farmers have little power to stop this ever-increasing problem.

New Veterinary Attestation rules came in effect in December 2023 for unassured farms selling through markets. The extra paperwork and hassle during markets caused frustration with auctioneers.

Farms are being targeted by **Environment Agency** inspections, with particular emphasis on **slurry** and **FYM storage** along with **silage pit** surveys. An increasing number of farms are reducing or have ceased enterprises as they are unable to meet the minimum 4-month storage targets for slurry and FYM. The rigid spreading dates exacerbated issues during the wet spring as when slurry storage was becoming a concern, this resulted in applying slurry in wet conditions. Farmers have also reported an increase in RPA boundaries and cross-compliance inspections.

Farm **carbon** and **methane** emissions are becoming more topical. Some consultancy groups across the **North** are now organising meetings and workshops to discuss these emissions and ways to measure and act upon carbon audits. All sectors feel that a standardised carbon footprint calculator that has values for all crops/plants, and enterprises is essential if the industry is to produce comparable and useful data.

Biodiversity Net Gain (BNG) trading commenced during January 2024, but many farmers and landowners are still unclear what this means and involves.

Heptavac P and long-acting antibiotics are exceedingly difficult to obtain in the **Southeast**.

Farmers are considering **early retirement**, and some are optimising SFI's to reduce their workload but maintain an income. However, many are delaying plans until they know more details about schemes and future policy.

Concerns have been expressed regarding **food security** with unprecedented areas of arable ground remaining undrilled and so much land committed into environmental areas, there is a reduction in land in agricultural production. There is a general malaise on farm – feelings that growers are not needed, and food production is not a priority for government.

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FOR MORE INFORMATION CONTACT US ON

info@farmbusinesssurvey.co.uk

www.farmbusinesssurvey.co.uk

01270 616800

