UK200Group news

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Agriculture

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CHARTERED ACCOUNTANTS

Farmland market trends revealed

Despite uncertainties related to Brexit and unprecedented weather conditions in recent years, the UK farmland market has proved to be more resilient than had been predicted by many industry experts and average land prices have been maintained.

In England the average price of arable land sold during the first half of 2019 was £9,100 per acre, which was 67% higher than in 2009 but 15% lower than in Q2 2015 when the market peaked. However, land prices have varied widely across the UK, ranging from £6,000 to £16,000 per acre for arable land in England and from £7,000 to £17,000 for prime arable in Scotland.

According to Strutt & Parker, there are a number of key trends influencing the market for farmland, which is far more complex than is immediately obvious when considering average land values. Uncertainty about future trade deals with the EU and future farm subsidies has led buyers to invest capital from non-farming sources into farmland. As a result, the market is increasingly being driven by people with rollover funds from the sale of development land, lifestyle buyers and those who want an asset with long term growth potential.

In Scotland demand for hill farms has risen significantly as forestry investors have entered into competitive bidding wars for marginal farmland that has potential to grow trees. Values of hill land in Scotland have risen sharply, and some investors have paid nearly £3,000 per acre for land with forestry potential. In comparison, the value of similar land without the potential for afforestation has ranged in price from only around £600 to £1,000 per acre.

Supply factors have also affected the market, and in the first eight months of 2019 the lowest volume of land was marketed for many years. This has been attributed to recent uncertainty about reforms to the agricultural subsidies system and to longer term trends in the volume of land marketed.

However, Strutt & Parker has forecast that more land could come onto the market in 2020 if there is greater certainty about future economic and political policy. Significant price variations are expected to continue, and the location and size of farms will be critical. The market for farmland is also expected to be underpinned in future by non-farmer buyers who recognise the value of owning land and overseas buyers who have started to take advantage of the relative weakness in the value of sterling.

Read more about the farmland market at: http://bit.ly/2T4gYQy

Agriculture UK200group

Funding support confirmed for 2020

Almost £3 billion of support funding for farmers in 2020 has been announced by HM Treasury, which maintains the level of funding to cover CAP Direct Payments for farmers at the same rate as in 2019. The support that has been announced will supplement the remaining EU funding that will be available for farmers to receive for development projects until 2023. This is in addition to the £206 million of funding awarded to support the farming sector in Scotland and Wales.

A new Environmental Land Management (ELM) scheme, which will reward farmers with public money to deliver public goods that restore and protect the natural environment such as better air quality, will replace the CAP Direct Payments scheme from 2024. The CAP, which provides financial support to farmers based on the area of land under management, is an EU policy and the Direct Payments scheme accounts for the majority of spending under the CAP.

The funding announced by HM Treasury will be available to farmers from late 2020 and the UK Government will provide £2.8 billion of support to top up the remaining EU funding so that this matches the total funding for Direct Payments that was available in 2019.

Historically, farmers have applied for CAP Direct Payments from March each year and receive payments in October in Northern Ireland and from December elsewhere in the UK.

The funding will be spread over two financial years and the majority of it will be allocated in 2020/21.

Read more about the funding at: http://bit.ly/2VmFk9Q

Figures for 2019 indicate bumper year for red meat production

Levels of red meat production in the UK rose in 2019 resulting in a bumper year for lamb and beef producers. This was due to a range of factors, including the weather, political issues and improved production efficiency.

In 2019 UK sheep meat production rose to 307,500 tonnes, which was a year on year increase of 6.4%. Heavier carcase weights and a 3% rise in the number of animals slaughtered, which reached 14.9 million, contributed to the overall increase in production.

Although 30% of UK flocks are based in Wales, many sheep are slaughtered across the border in England, resulting in Welsh sheep meat production statistics for 2019 totalling 63,400 tonnes and a throughput of 3.3 million animals. This is despite the total sheep population in Wales totalling 9.5 million in June 2019.

Beef production levels in the UK were recorded at 914,400 tonnes in 2019 due to a large rise in carcase weights but a small increase in the number of animals slaughtered. The average weight of heifers rose by 3.9 kilograms while the weight of adult cattle rose by 10.6 kilograms. According to Hybu Cig Cymru (HCC) – Meat Promotion Wales, the figures are a reflection of long term efficiency improvements on farms but are also due to unique climate factors that occurred in 2019.

Grass growth and weather conditions at lambing time were good in 2019, while many farmers also brought lambs to market earlier in the autumn than usual, as a result of the favourable weather conditions and the uncertainty relating to the October Brexit deadline.

HCC added that global factors also complicated the market outlook for both lamb and beef production due to uncertainty over the type of trade deals that will be negotiated with the EU after Brexit, and because the Welsh June survey figures indicate that the beef breeding herd is in decline.

Read more about this story at: http://bit.ly/2TiY7QP

In brief...

New payments for public goods scheme announced

Defra has announced further details about the new Environmental Land Management (ELM) scheme, which will be rolled out from 2024 and replace the CAP Direct Payment scheme. The ELM scheme will reward farmers for producing public goods, such as better air and water quality. Defra expects 1,250 farmers and land managers to sign up to a pilot by the end of 2022, and 82,500 farmers to be enrolled on the ELM scheme once it is fully rolled out by the end of 2028. However, industry experts have warned that the proposed targets are too optimistic, particularly as Defra is yet to publish clear guidance about how the CAP Direct Payment scheme will be phased out.
Read more about the scheme at:
http://bit.ly/3cbWehb

Countryside Stewardship scheme open to applications

The Countryside Stewardship scheme is now open to applications for 2021 agreements. The Rural Payments Agency (RPA) has made a series of improvements to the scheme to make it easier for farmers and land managers to apply and receive funding for projects that protect the natural environment. The RPA is also encouraging farmers to apply to the scheme to help them prepare for the new Environmental Land Management (ELM) scheme. Farmers who sign up to the Countryside Stewardship scheme will be able to leave their current agreements and switch to the ELM scheme without penalty once it is rolled out from 2024.
Read more about the scheme at:
http://bit.ly/2VtnlhU

Funding for Scottish farmers to become greener

The Scottish Government has launched a new fund to encourage farmers and crofters across Scotland to adopt more environmentally friendly practices. The £40 million Agricultural Transformation Programme will support farmers to reduce their greenhouse gas emissions and develop sustainable farming and land management practices. The fund will also help farmers to identify and capitalise on opportunities in the green economy, as well as improve productivity and innovation across the agriculture sector.
Read more about the fund at:
http://bit.ly/385HL34

Border checks will place pressure on vets

The British Veterinary Association (BVA) has warned that the UK Government's plans to implement border checks on EU goods imported into the UK after the end of the Brexit transition period will place increased pressure on the veterinary sector. Under the plans, vets will be required to carry out certification checks for all animal products imported into the UK after the transition period ends on 31 December 2020. Multiple certificates will be required for consignments that contain a range of different animal products. The BVA has warned that the veterinary sector does not have the capacity to meet the new requirements and is already struggling due to rising workloads and skills shortages.
Read more about the warning at:
http://bit.ly/2PvdO6b

Milk consumption falls significantly

The latest Defra 'Family Food Survey' has revealed that per capita liquid milk consumption in the UK has fallen by almost 50% since 1974. Lower consumption of 'host foods' such as tea and breakfast cereals, along with the growing popularity of plant based milk alternatives are key factors behind the fall in milk consumption. However, around 98% of UK households still buy liquid milk, while alternative products such as almond and oat milk only account for 4.6% of all milk sales by volume. Overall, sales of cow's milk fell by 1.5% in 2019 compared with 2015.
Read more about the figures at:
http://bit.ly/38ZVZnw

Extreme weather costs farmers £50,000

Research from Farmers Weekly has revealed that around 80% of farmers are experiencing more frequent extreme weather events, such as droughts and flooding. Overall, three quarters of farmers said extreme weather events had cost their business £50,000 over the past five years, while just one in six said they had been unaffected. Lower yields, having to use supplementary feed and earlier harvests as a result of extreme weather are significant challenges for farmers. The research has also indicated that intense rainfall (56%), flooding (27%) and extreme cold (25%) are the most common extreme weather events reported by farmers.
Read more about the research at:
http://bit.ly/2Tl8HXf

Seasonal workers scheme expanded

The Seasonal Workers Pilot scheme to provide UK fruit and vegetable farmers with access to four times as many temporary workers will be expanded. Defra and the Home Office have confirmed that the expanded scheme will run until the end of 2020 and allow farmers to employ a total of 10,000 workers from outside the European Union (EU) for up to six months at busy times of the year. In 2019, the total number of workers available to farmers through the scheme was capped at 2,500.

The National Farmers' Union (NFU) estimates that the horticultural sector will need access to 70,000 workers by 2021.

The Home Office has also announced a new points based immigration system that will come into effect on 1 January 2021. Under the new system, points will be awarded for specific skills, qualifications, salaries or professions and visas will only be granted to anyone who has gained enough points. EU and non-EU citizens will also need to meet a number of relevant criteria, such as having specific skills and having a job offer with a minimum salary of £25,600.

There will be no specific route into the UK for low skilled workers. The Home Office's immigration plans have been criticised by various sectors, including agriculture. The NFU has pointed out that farmers need access to a full range of workers, from pickers and packers to veterinary surgeons, and warned that failure to provide an entry route for all types of worker will 'severely impact' the farming sector.

Read more about the expansion to the Seasonal Workers Pilot at: http://bit.ly/2ThLDJe

The NFU response to the immigration plans is available at: http://bit.ly/32tnJyw

Tractor registration slows after strong performance in 2019

The number of tractors registered by farmers in the UK fell by almost a third year on year to January 2020 according to analysis of tractor registration figures by the Agricultural Engineers Association (AEA).

Farmers registered 477 tractors in January 2020, down 31% from January 2019. The total number of tractors registered in 2019 was 2% higher than the number registered in 2018. The average farmer spends almost half of their machinery budget on tractors, tractor parts and accessories, meaning tractor registration figures are a key performance indicator for the domestic agricultural machinery market.

In October 2019, the AEA revised its tractor registration figures for the first eight months of the year. For every month, the number of tractors registered was higher than previously calculated. In total, farmers registered 9,268 tractors over the eight months to August 2019, up 6% from the corresponding period of 2018.

According to the AEA, while the revised 2019 tractor registration figures suggest a strong market, they should be interpreted in light of the impact of Regulation 167/2013. The regulation introduced higher safety standards for new tractors placed on the EU market on or after 1 January 2018. Tractor manufacturers had warned that this could result in tractor prices rising, resulting in a rush of purchases at the end of 2017 and fewer purchases over the first half of 2018. Therefore, the increase in sales in 2019 probably indicates a broadly stable market, rather than a growing one.

Read more about the tractor registration figures at: http://bit.ly/2PtcVeq

The revised AEA figures are available at: http://bit.ly/2w6xdUe

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