Forward Planning 2024

HSBC UK Agriculture

50th Anniversary Edition

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HSBC UK | Opening up a world of opportunity

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Welcome to the 50th edition of Forward Planning. This annual publication by HSBC UK is designed to help farmers prepare for the coming year by providing useful information and insight. In addition, for the first time we have also included references to the CO2 equivalent emissions linked to several production methods. Producing food more sustainably will be the defining feature of agriculture in the coming years and increasing numbers of farmers are benchmarking themselves against peers in their specific area of production for carbon equivalent emission levels on farm. They are also making and delivering on plans for improvements.

The information we're publishing has been carefully assembled through consultation with industry experts but with an awareness that volatility in costs and commodity prices are a feature of the industry. The planning you undertake should be adapted to take account of your own farm performance numbers and reflect changes to production methods. In navigating the three areas below, Market Forces, Policy and Sustainability, the need for effective planning, budgeting and benchmarking will be critical to ensure the most efficient production possible.

Market forces

Both inflationary pressures and an increasing Sterling base rate have impacted our industry and will do so for some time. Farms who are borrowing on base rate linked loans and overdrafts have experienced a significant rise in finance costs. This is at a time when other links in the food industry chain will be reluctant to see price rises in the shops or in restaurants given pressure on family budgets. The need for UK agriculture to ensure consistent availability of supply at a fair price, maintain strong home-grown production and food security for the UK and remain competitive on a world stage is, as ever, the challenge we face.

Policy

The reduction and eventual removal of Basic Payment Scheme (BPS) payments will impact on farms differently, not least due to devolved responsibility for agricultural policy. Wherever your farm is located there remains a need to consider how reducing payments from that historic source will be replaced. For example, in England where payments made through BPS in total will be less than half their original level by 2024, it is worth exploring the many new revenue streams which might be available under SFI and other emerging schemes. DEFRA's move to a 'Pick and Mix' approach for these schemes should open up the prospect of at least some income for most farms. The distribution of funds will of course not replace BPS in a like for like way.

Sustainability

While input costs, sale prices and the weather might occupy our minds when thinking about current conditions for the industry, we also need to keep an eye on what will be happening further down the road. There is at last some momentum towards consistency in how we measure carbon equivalent emissions, and this is certainly needed if we are to work together on reducing them. I believe that Government, processors, retailers, suppliers, farmers and banks all need to increasingly work together in achieving an industry transition towards lower emission food production. I hope that we will see even more cooperation in 2024 so that a just transition can be achieved.

I see a range of efficiency and commercial results across the UK farmers banked by HSBC. There are successful farmers in all the different production methods utilised across British farming, but I have noticed a few interesting traits. Many of the best performing, most resilient farms which we bank have gender diversity and generational mix as features of decision making on farm. All are open to embracing change, plan and have a progressive mindset. Some successfully specialise within one aspect of farming but many diversify their farming across different aspects of production and multiple commodities. Others also diversify their businesses outside of farming. I see no single route to success but in a changing world, the components of your farming business will always need to be reviewed and alternatives considered.

HSBC Agriculture remains committed to supporting the industry through banking services and lending and we will work with our customers to find viable ways of farming in the future and have funding available to finance the costs of transition. Our team of specialist Agricultural managers work with farmers across the UK and take the time to understand the farm, the farmer and the production methods being used. We work closely with the wider agricultural community including a range of professionals and charities and are invested in understanding the dynamics of ongoing change within UK food production.

A special thank you to those many customers who have been with HSBC since before our first 'Forward planning' publication 50 years ago and my best wishes to everyone for the seasons ahead.

Martin Hanson
Head of Agriculture

Economic outlook

Economic outlook

An end to the most aggressive monetary tightening cycle in decades is gradually drawing closer, but we are not there yet. At a global level, the aggregate hard data have looked better in recent months and the services sector has kept the global economy on an upward trend, despite a global industrial recession. Yet global inflation has continued to edge lower since its peak in September 2022. Some emerging market central banks, which were among the first to respond to rising inflation back in 2021, are now confident their work is done, even as every G10 central bank, except Japan's, has surprised in a hawkish direction, either in action or communication.

The feared deeper financial sector turmoil following the US regional banking sector crisis of early March has not, as yet, materialised, but financial conditions are tighter and there are more signs that delinquencies are rising. China's reopening boom appears to have stalled and Europe's major economies are broadly stagnating. Most importantly, with core inflation too high and labour markets still tight, major central banks are seemingly determined to keep policy tight until they are sure inflation is on course to return to target. This is still a world where any country or sector reliant on leverage will continue to feel the strain. In particular, high-borrowing governments – which in some places are still adding to demand – may find the fiscal arithmetic will only become more challenging.

For central banks, the additional challenge is that only monetary policy is in their hands, not fiscal policy. As much as they continue the battle to prevent inflation from becoming persistent, their efforts to slow demand are being at least partially offset by US and European governments' policies that are boosting demand, including tax incentives to encourage reshoring of manufacturing and green investment and, in the case of Europe, energy subsidies as well. At least the EU has a plan to return to the fiscal rules in 2024, with even the French government recently confirming its intention to phase out energy subsidies and start consolidating public finances from next year. However, the task will be challenging as debts have more than doubled as a share of GDP since the Global Financial Crisis (GFC) and demands for higher spending in many areas continue to grow for the likes of defence, as well as public investment.

HSBC expects global GDP growth to slow to 2.3% in 2023 and to 2.2% in 2024 on the back of softer global activity in H2 2023 and H1 2024. However, growth may stabilise in the second half of 2024, supported by rate cuts in many places and falling inflation (even if still above target). Real wages should, therefore, improve even as employment growth slows. US policy rates look to have peaked now. The Bank of England (BoE) paused interest rates in September 2023 for the first time in almost two years, while the European Central Bank (ECB) increased them again. The US Federal Reserve could be the first of the major central banks to cut rates, but this is unlikely to be before Q2 2024. The ECB and the BoE are not expected to lower their policy rates until at least the end of 2024.

In the case of the UK, the economy has managed to avoid a recession so far this year, showing remarkable resilience amidst the ongoing cost of living squeeze and the impact of higher interest rates. A number of factors have supported consumer demand, such as high employment, strong pay growth, expansionary fiscal support, elevated savings and rising interest rates on deposits. However, the cost of mortgage payments and rents is still increasing at an eye-watering pace for some households and weak July retail sales, though only one month in a (nascent) uptrend, are a reminder that this story is not over. The good news that the BoE looks to be nearly done with hiking interest rates may provide some relief, although resilient demand brings into question whether enough has been done to tame inflation. Against this backdrop, HSBC forecasts UK GDP growth of 0.6% in 2023 and 0.8% in 2024.

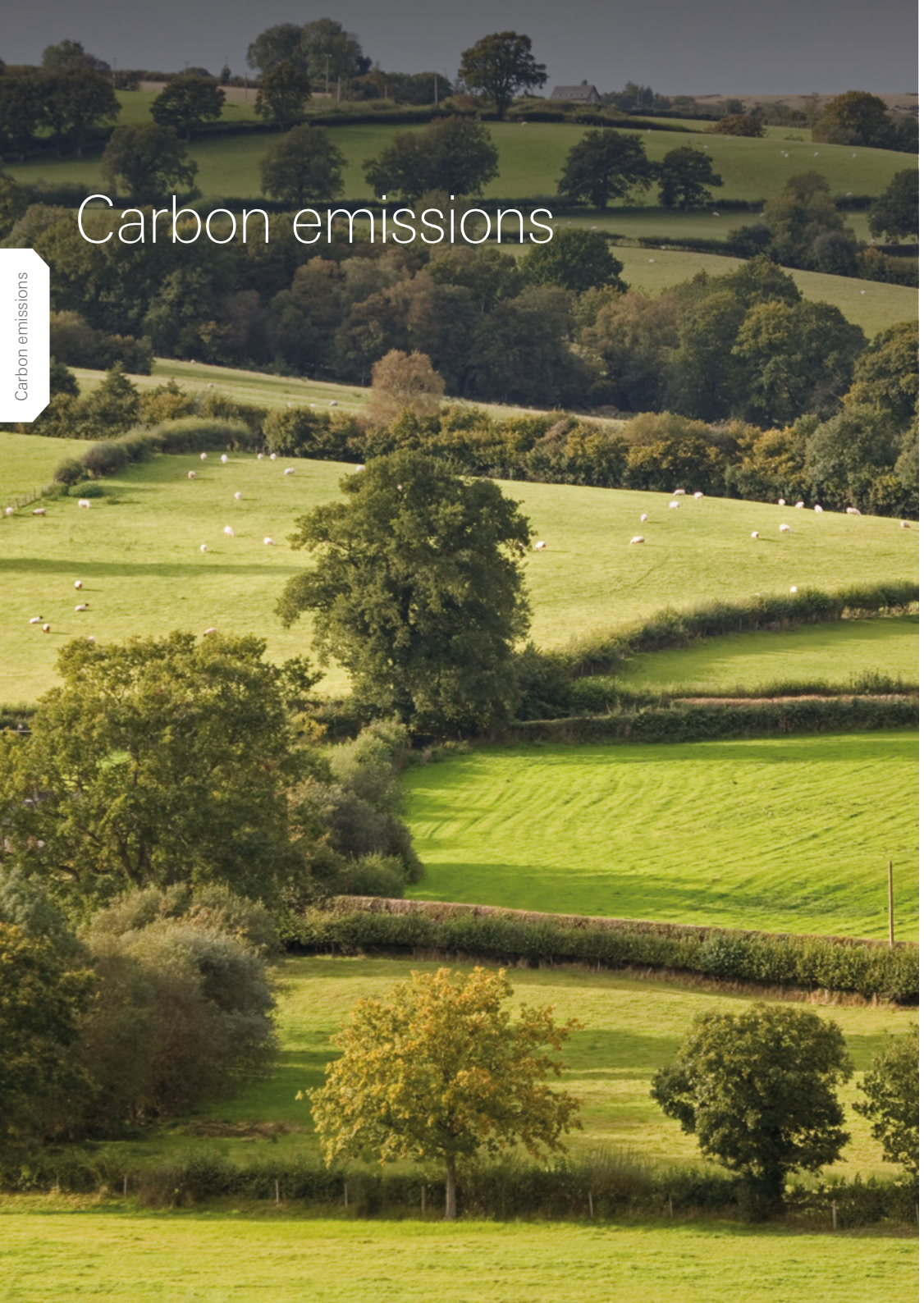
Inflation is expected to fall further in the coming months as energy and food inflation decline and as core goods inflation starts to drop in earnest, taking the lead from producer prices. However, with unit labour cost growth at high levels, services inflation will likely remain sticky, kicking any return to the BoE's 2% inflation target into the long grass. HSBC expects the annual rate of consumer price inflation to ease to 7.5% in 2023 and to 3.3% in 2024.

The pound has been the strongest performing major currency so far this year, with the GBP-USD breaching 1.30 in July, although only briefly. However, risks are building that this level may now represent the peak in the currency rather than a more sustainable level beyond the end of the summer. Positioning and valuations look stretched and the currency has to battle the structural headwinds from both its fiscal and current account deficits.

The UK's fiscal room to manoeuvre looks relatively limited as inflation is driving up the expenditure side of the books, from benefits, debt interest and to public sector salaries. Still, as the UK general election approaches – Prime Minister Sunak is reported to favour an autumn 2024 timing, but it must be held by January 2025 – the risk of further loosening remains, which might take the form of an income tax cut (Telegraph, 3 June 2023), perhaps in the Spring Budget next year. Another key policy issue is around the UK's relationship with the EU. With surveys suggesting a majority think Brexit has been a failure (Sky News, 22 May 2023), there could be further rapprochement in the future, particularly under a Labour government.

Although the election presents uncertainty, current polls suggest that a Labour majority or Labour-led government is less a risk than a central case. The party has been keen to distance itself from the previous leadership and show its pro-business and pro-growth credentials, as well as a commitment to fiscal discipline. Its plans, including a green investment programme and pledge of closer relations with the EU, could pose upside risks to growth, though much will depend on market and inflationary conditions at the time.

Please see p82 for Disclosures



Carbon emissions

HSBC UK Agriculture and our commitment to net zero

We will align our financed emissions – the emissions produced by the customers and projects we finance – to net zero by 2050 or sooner. We're setting 2030 sector targets across our financed portfolio which includes agriculture. Our aim is to support our farming clients to decarbonise and reduce emissions in their farming businesses.

What are HSBC UK Agriculture farmers doing?

We've already been working with our farmers across the UK to understand what they are experiencing both practically on farm with changes to the climate, but also what feedback they are getting from their supply chains, government and advisors on net zero. This feedback is invaluable. It helps us adapt, build our knowledge and develop our products, so we can support clients with their investment plans to adapt and grow their farming business on their journey to net zero.

These plans have already started, clients have invested in renewables and energy efficiency reduction technologies, changed cultivation equipment to reduce fuel usage and minimise soil disturbance, upgraded slurry facilities and application equipment and improved livestock genetics, diets, health and welfare. These are all actions that could provide the business 'win win' of improving financial performance, increasing access to markets and reducing emissions.

Carbon emissions from agriculture

To demystify what current emissions could look like, we have worked with Agrecalc.com, the farm carbon calculator, to show six different farm enterprises' carbon emissions. The figures are quoted in kg carbon equivalents emitted per kg of output (kg CO2eq / kg output) which varies depending on the enterprise type.

Arable

Arable farms could take advantage of a number of practices to reduce emissions, including optimising artificial fertiliser usage, reducing fuel usage, minimising soil disturbance and use of cover crops.

		Performance Level		
Enterprise	Unit	Top 25%	Mean	Lower 25%
Winter Wheat – feed	(kg CO2e/kg)	0.29	0.34	0.39
Spring Barley – malting	(kg CO2e/kg)	0.29	0.33	0.37

Source: Agrecalc.com
Date: Sept 2023
Period: 2018-2023
Figures are from 7,267 farms in the UK who reported in this period
Figures quote gross emissions source from Agrecalc, the carbon and emissions calculator
All categories AFTER exclusion of Top and Bottom 10% of farm reports

Carbon emissions

Dairy

The dairy sector could reduce emissions in several ways, options might include calving at less than 24 months of age, rumen inhibitors and utilising legumes in grassland.

		Performance Level		
Enterprise	Unit	Top 25%	Mean	Lower 25%
Spring calving – 5,500 l/cow	(kg CO2e/kg FPCM)	1.21	1.35	1.45
AYR calving – 8-9,500 l/cow	(kg CO2e/kg FPCM)	1.14	1.24	1.34

Red meat

Beef and sheep farms play an important role in utilising land that can only be used for grazing, and in the use of by products as feed. Genetic improvement, reduced days to slaughter and the use of legume and herbal leys could help reduce emissions.

		Performance Level		
Enterprise	Unit	Top 25%	Mean	Lower 25%
Finishing cattle	(kg CO2e/kg dwt)	17.62	22.23	26.35
Lowland sheep	(kg CO2e/kg dwt)	21.49	26.74	30.23

agrecalc

Source: Agrecalc.com
Date: Sept 2023
Period: 2018-2023
Figures are from 7,267 farms in the UK who reported in this period
Figures quote gross emissions source from Agrecalc, the carbon and emissions calculator
All categories AFTER exclusion of Top and Bottom 10% of farm reports

Carbon sequestration on farm

Agriculture has a part to play in both the reduction of carbon emissions but also in the removal of carbon from the atmosphere through sequestration. Carbon can be sequestered through trees, woodlands, hedges, use of cover crops and minimising soil disturbance, but each farm's capacity and opportunities are very different. As such the figures in the ranges are presented before any sequestration, as gross emissions, so carbon footprint results can be compared before any sequestration is deducted.

What next?

Whether you are starting out and haven't undertaken a carbon footprint or have had one undertaken but are not sure on next steps, understanding the footprint results and ways to reduce emissions is key to moving forward. Baseline measurements and reporting of farming activities and their carbon footprint, may indeed become key parts of accessing support, and while the debate on methodology continues, there are a number of carbon calculators emerging to support businesses wherever they are on their decarbonisation journey. Whichever you decide to use, implementing agreed actions within a carbon management plan is key to making moves forward.

Disclaimer

Before making any changes it's important to seek professional advice, plan and monitor accordingly. Although we have selected emissions ranges for comparable enterprises to the ones within Forward Planning 2024, the two sets are not linked i.e. the Agrecalc emission ranges are not representative of the assumed physical performance or the variable cost figures used in the calculations of the net margins in Forward Planning 2024.

Market analysis

Arable

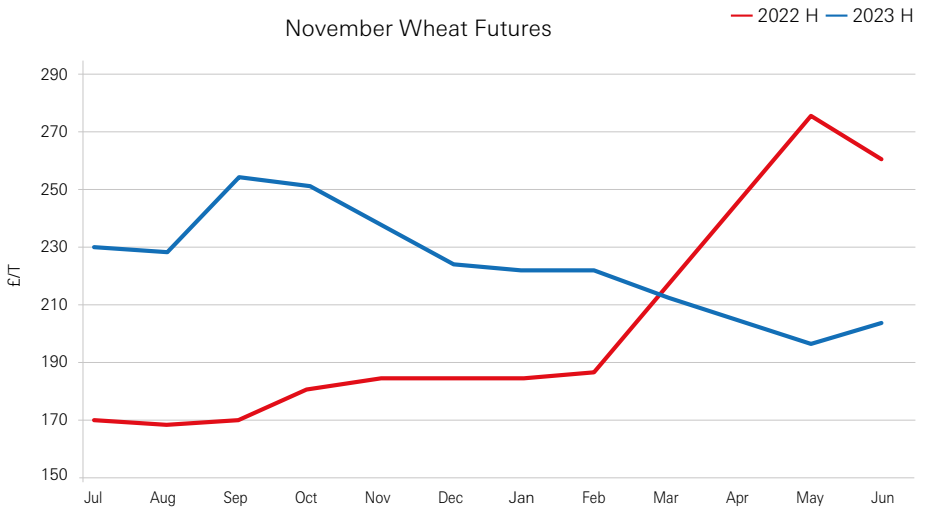
The concerns expressed regarding the outlook for 2023 have been realised in terms of both market and, due to weather, the output of the 2023 harvest in the UK.

The dry conditions in Spring, followed by a relatively wet period in June to August led to a stop-start 2023 harvest, with mixed yield results, largely below the 5-year average.

In 2022, businesses generally benefited from a high average price for the year, although with a significant range in actual achievement. For 2023, the chart below plots the deteriorating November wheat futures price with a high-low range of £57/T (£106/T for 2022).

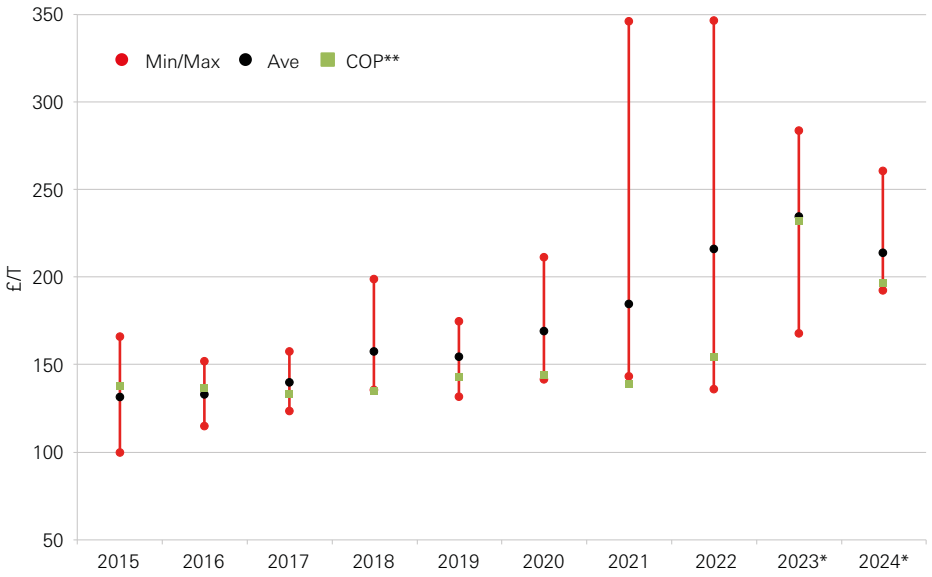
The combination of growing conditions and lower market levels suggests a much-reduced output per hectare compared to 2022 harvest, with higher costs incurred due to the cost of fertiliser particularly. The chart on page 16 shows that the average 2023 harvest wheat price to date is just below the cost of production, following a significant increase compared to 2022 harvest. A cautious approach, with a degree of forward selling is so far likely to have paid off for this season.

The further pressure on margins emphasises the need for a profitable break crop. The announcement of new Sustainable Farming Incentive options could provide alternative cropping choices for some businesses. Forward Planning 2024 has attempted to demonstrate these as alternatives to the break crops featured. Whilst these options will not suit every business, soil type and farming system,



Source: AHDB/Andersons

UK Feed Wheat Future Price (Harvest Year)



* as at September 2023
** Cost of Production at 8.75T/Ha
Source: AHDB/Andersons

they may complement businesses considering changes to their overall farming system.

References to regenerative farming feature heavily across all forms of media currently, and this terminology has been used to describe a wide range in farming systems. The opportunity to capitalise on the emerging carbon markets (more of which elsewhere in Forward Planning 2024) is reliant on taking certain steps towards the key principles of regenerative farming.

These steps may result in access to crop premiums, new commodity markets, or alternative markets in the future.

Forward Planning 2024 includes an example regenerative combinable crops system which is assumed to have been through the initial transition phase. The potential cost of this transition should not be ignored and should be considered as part of the investment in the new system.

For the 2024 harvest, there has been some reduction in some cost categories, including fertiliser and energy, but the continuing inflationary pressures on labour and machinery, compounded by the increased cost of working capital means cost of production is unlikely to return to 2022 harvest levels.

The ongoing crisis in Ukraine appears to have done little to underpin markets so far for the 2023 harvest. Increased 2022 harvest wheat exports have not been enough to offset the significantly reduced animal feed requirements, particularly in the pig and poultry sectors. This has led to higher year end surplus compared to the previous two years. Key influences on price will remain largely related to the Ukraine/Russian conflict, and the uncertain levels of production in other parts of the world eg Australia, USA and Canada. The WASDE recently published a projected global reduction of wheat supply by 7.2 million tonnes for the 2023/24 season. If realised, this would be the first year-to-year decline in global wheat production since 2018/19. The UK harvest is proving to be lower tonnage and of less quality than originally anticipated. In Ukraine, access to markets may be impaired by logistics where ports have suffered from military attacks.

High summer temperatures following a relatively dry spring have created mixed crop performance across Europe and the US. Wheat milling quality in this country has been variable so far, resulting in high premiums available.

The reduction in oilseed rape price brings the future of this crop further into question in some parts of the UK. Key factors include the ongoing Ukraine/Russia conflict and soybean yields in the US, against higher availability of European crop this year.

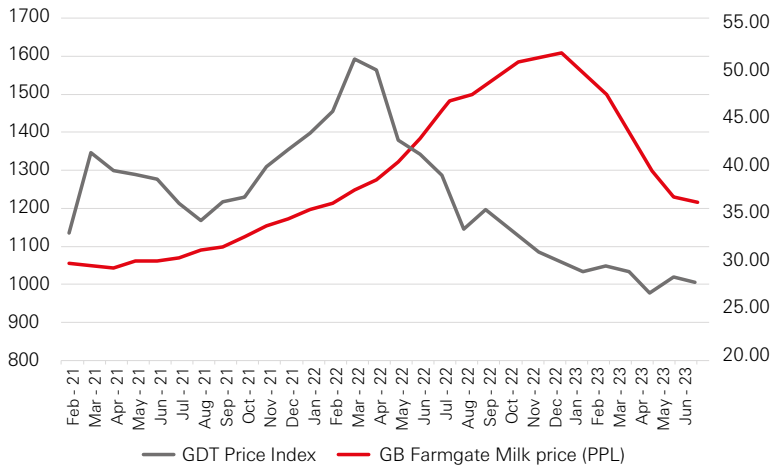
Dairy

2023 has been a year of changing fortunes for the UK dairy industry. In January 2023, the industry started with a peak of 49.48 pence per litre on average and in just six months we have lost >13.0 pence per litre from the UK average farmgate milk price. For the average UK producer (currently 160 cows at 8,090 litres per cow), a 13ppl milk price change is equivalent to a £168,000 reduction in income over the next twelve months.

UK dairy farmers are used to an element of volatility within the milk price; however, this level of change is unprecedented. UK dairy farmers, however, are resilient and in periods of major change such as this, tend to look for efficiencies and improve technical performance, with a focus on areas such as feed efficiency, grazing, labour use and machinery expenditure. Lower prices will almost certainly be a catalyst for change and result in a more efficient, streamlined dairy industry.

At the time of writing,the Global Dairy Trade (GDT) was at its lowest level since November 2018, with further reductions expected, and in general the UK tends to follow the same trend, with approximately a six-month time lag. The equivalent milk price in May 2019 (six months after the last trough) was 27.84 pence per litre. If the same trend was followed in 2023, the industry would likely hit a trough in milk price in December 2023/January 2024. This does suggest that the current milk price has not reached the bottom, and it is likely we will see further decreases through the autumn.

GDT Index Versus GB Average Farmgate Milk Price (PPL)



Source: AHDB and Global Dairy Trade

Factors which are likely to influence this include forage stocks, weather patterns, autumn/winter feed prices and worldwide supply and demand. At present, milk production across the UK and Worldwide appears to be levelling off, and for example, in the US and New Zealand, it looks to be reducing. With costs remaining at a relatively high level, and milk prices reducing, the trend of reducing milk production is likely to continue. This may moderate further reductions in milk prices through the winter months.

The farmers on an aligned milk contract (with a retail milk buyer) are once again in a strong position. In 2022, all contracts came into line, when prices were peaking, but as prices are beginning to decline, those on a cost of production-based contract are remaining at a relatively high level. This does suggest that a cost of production model is reflective of the conditions for milk production and more positive for the industry.

The challenge for the retailers will be whether to continue to support this type of contract when the average farmgate milk price is much lower than the aligned price.

What appears to be a negative picture for the UK dairy industry in terms of prices will perhaps be offset by some reduction in costs looking ahead. Feed contracts for the autumn/winter period are some £20.00 - £50.00 per tonne less than 2022. Fertiliser, electricity, and other input costs are reducing, which will reduce the cost of production for UK milk producers (currently 40 – 42ppl), and for those that are operating efficiently there is an opportunity to maintain a strong margin.

Looking to the longer term, the UK dairy industry is facing some significant challenges. Key areas include slurry infrastructure, regarding planning permission, emissions legislation and phosphate/nitrate levels in water catchments. These are new factors for most UK dairy farmers and are likely to require significant investment on farm, together with technical improvements to overcome issues. Capital investment required could include items such as increased slurry storage, covering yards, covering lagoons, new tracks, and fencing waterways. A number of these investments are unlikely to contribute to improving efficiency or profitability. These significant investments are likely to encourage a review of options and the viability of continuing dairying in a number of businesses.

There are opportunities to meet increasingly stringent emissions criteria, by improving technical performance. Options might include; calving at < 24 months of age, a reduced culling rate (fewer youngstock on farm) and reducing artificial nitrogen inputs by utilising more varied grass and herbal leys with their own nitrogen fixing properties.

It is likely that these challenges will mean a more rapid reduction in the number of UK dairy producers over the next three years which could lead to a reduction in milk production year on year. With consumer demand remaining steady, for those remaining in dairying this may result in more price stability, with lower milk production set against a backdrop of steady demand.

Red meat

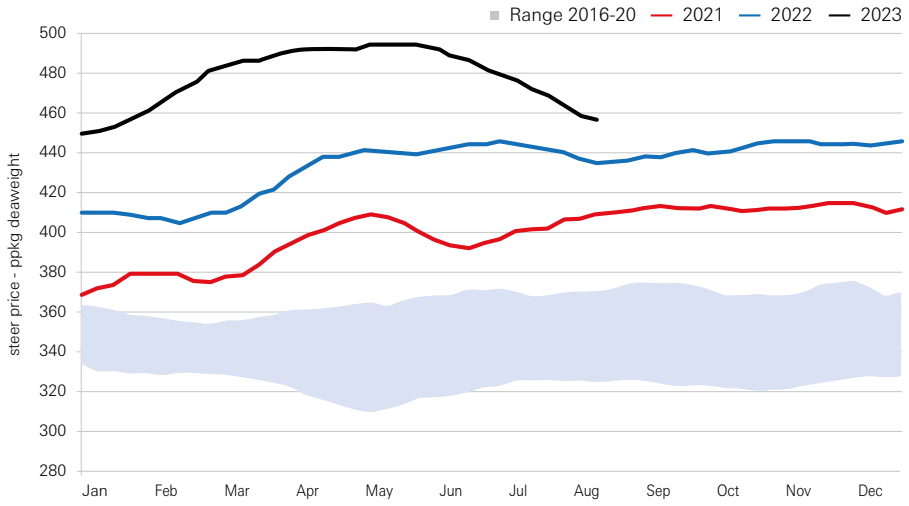
Beef

The most recent survey data (1st December 2022), reported the UK breeding herd, dairy and beef, at 3.2 million head, down 1.6% from a year ago. The suckler herd fell 2.19% to 1.4 million head with the dairy herd falling more slowly at 0.6% to 1.8 million head.

Despite current higher beef prices, inflationary pressure on costs and reducing farm support is likely to mean beef cow numbers continue their downward trajectory. Low milk prices in the year ahead are likely to put pressure on dairy cow numbers in the short term, with rising milk yields keeping the pressure on in the longer term meaning the dairy herd is likely to continue its decline albeit at a slower rate than that of the suckler herd.

Despite reductions in the breeding herd, UK beef production has remained relatively stable as the use of sexed semen in the dairy herd means many more beef calves being born from dairy dams. In addition to this, the implementation of milk buyer policies preventing the euthanising of dairy bull calves has meant more dairy bulls being reared and entering the beef supply chain.

GB dead weight cattle prices reached record levels in May and June 2023 at over 490p per kilo, and as the price graph illustrates, they have stepped up again in 2023 as compared with historic averages. With cost of production rises and falling farm support producers will hope these prices are the "new normal".



Source: AHDB / Various / Andersons

There is rising awareness amongst the major retailers of the longer-term risks to supply. More initiatives are appearing aimed at securing supplies of beef cross calves from the dairy herd. With the large-scale use of AI in the dairy sector as compared with predominantly natural service in the suckler sector, this can result in a more consistent product, and faster genetic improvement in areas such as feed conversion, daily liveweight gain and reduced carbon emissions.

Retailers are also starting to show interest in the carbon footprint of supplies coming to them and we expect this to grow. Producers will have to address carbon accounting as it develops and seek to improve the footprint of what they produce.

Looking ahead to 2024, cattle supplies and beef production are forecast to remain relatively stable, there appears to be continued weaker domestic demand due the rising costs of living.

Ireland is a major exporter of beef to the UK and Europe, Irish cattle prices have fallen significantly recently due to weaker demand and this could put pressure on UK prices in the year ahead, hence we would issue a note of caution about a return to the record levels seen in the second quarter of 2023.

2024 should see some easing in feed prices as compared to 2023, and whilst fertiliser is not as significant an input as in the arable and dairy sectors, prices reducing to more normal levels will help. Many overhead cost rises are now established, whilst some aspects continue to increase, e.g. labour, machinery and fuel costs.

Cattle enterprises can employ a high level of working capital, with the typical beef enterprise capital having increased significantly over the last two years.

Sheep

The most recent survey data (1st December 2022) saw the UK breeding flock growing by 1% to 14.4 million ewes.

The national flock has been rebuilding ever since 2018, when the Beast from the East took its toll on numbers, however, annual growth rates have been slowing and any significant growth in the flock in the year ahead seems unlikely.

Rising costs, strong cull sheep values, reducing support payments and an ageing population of sheep farmers is likely to mean the flock remains stable at best going forward.

Whilst there is much talk about more sheep reappearing in the lowlands associated with regenerative practices and the reintroduction of mixed farming, most sheep remain in the uplands and any positive effects are likely to be limited not least as the underlying profitability of the enterprise is often modest at best.

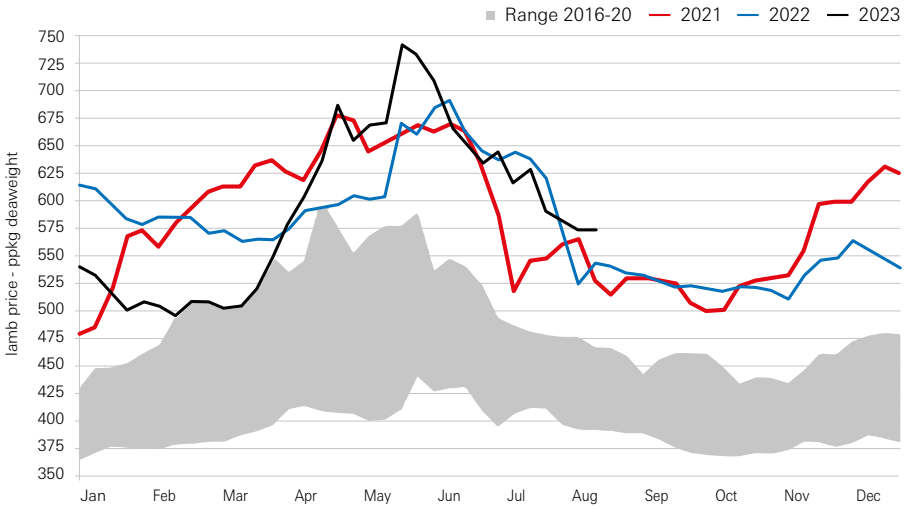
Consumption is expected to weaken in the year ahead, linked to economic pressure and tighter consumer demand both in the UK and in our major export markets in Europe. Market dynamics remain favourable, as production in Europe continues to decline and Australian and New Zealand exporters focus on their nearer Chinese markets. Whilst this continues, the prospects for the UK sheep sector remain relatively positive.

Sheep are generally an expensive enterprise, but lower feed prices and the easing of fertiliser costs should help offset to some degree rising labour, machinery, fuel and financing costs in the year ahead.

For both cattle and sheep farmers, in addition to increasing pressure to achieve efficiency gains as the Basic Payment is phased out in England, it will be important to maximise what can be gleaned from the schemes that replace them, most notability in England the Sustainable Farming Incentive and Countryside Stewardship Scheme. For many this can be a complex calculation at this time as they have existing environmental schemes in place and a choice as to whether to move across to the new schemes now or run out their existing ones.

At some point all businesses will have to transition to the new suite of schemes.

Understanding what is available and looking at how farming systems might be modified to make best use of what is on offer will be important. For example, would some areas be better put into low input grassland or managed for winter bird food, how do you establish and make best use of herbal leys, and how might more legumes be introduced to existing or new leys. Such management options can help improve technical efficiency, provide a valuable source of extra income and even possibly reduce carbon emissions.



Source: AHDB / Various / Andersons

Arable

Arable

Winter wheat

Performance level

	Feed	Milling	Feed	Milling
Tonnes per hectare	8.75	8.35	8.75	8.35
	£ per hectare		£ per tonne	
Output @ £190.00 per tonne	1,663		190.0	
Output @ £220.00 per tonne		1,837		220.0
Total gross output	**1,663**	**1,837**	**190.0**	**220.0**
Variable costs				
Seed	92	94	10.5	11.3
Fertiliser	355	385	40.6	46.1
Spray	250	260	28.6	31.1
Total variable costs	697	739	79.7	88.5
GROSS MARGIN	966	1,098	110.3	131.5
Total overheads including rent, finance, drawings & tax			115.5	121.0
Total cost of production (£/t)			195.2	209.5
Net margin (before support payments) (£/t)			(5.2)	10.5

Net margin sensitivity – £/ha

Feed Wheat

(£/t)	8.25 t/ha	8.75 t/ha	9.35 t/ha	10.00 t/h
170.00	(303)	(221)	(149)	(69)
190.00	(138)	(45)	38	131
210.00	27	130	225	331

Milling Wheat

(£/t)	7.80 t/ha	8.35 t/ha	8.90 t/ha	9.45 t/ha
200.00	(187)	(79)	(3)	74
220.00	(31)	88	175	263
240.00	125	255	353	452

Milling Price Premium £30/T.
Price based on feed wheat sold mid season.
The value of straw is excluded from the gross margin.
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Winter barley – feed

Performance level

Tonnes per hectare	7.25	8.75	7.25	8.75
	£ per hectare		£ per tonne	
Output @ £170.00 per tonne	1,233	1,488	170.0	170.0
Total gross output	**1,233**	**1,488**	**170.0**	**170.0**
Variable costs				
Seed	85	85	11.7	9.7
Fertiliser	300	340	41.4	38.9
Spray	203	214	28.0	24.5
Total variable costs	588	639	81.1	73.1
GROSS MARGIN	645	849	88.9	96.9
Total overheads including rent, finance, drawings & tax			143.2	119.7
Total cost of production (£/t)			224.3	192.8
Net margin (before support payments) (£/t)			(54.3)	(22.8)

Crop price	Net margin sensitivity – £/ha		
(£/t)	7.25 t/ha	8.00 t/ha	8.75 t/ha
150.00	(539)	(452)	(375)
170.00	(394)	(292)	(200)
190.00	(249)	(132)	(25)

Price based on feed barley sold mid season.
Malting varieties can attract a premium.
The value of straw is excluded from the gross margin.
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Spring barley – malting

Performance level

Tonnes per hectare	6.25	7.50	6.25	7.50
	£ per hectare		£ per tonne	
Output @ £190.00 per tonne	1,188	1,425	190.0	190.0
Total gross output	**1,188**	**1,425**	190.0	190.0
Variable costs				
Seed	90	90	14.4	12.0
Fertiliser	200	235	32.0	31.3
Spray	140	156	22.4	20.8
Total variable costs	**430**	**481**	**68.8**	**64.1**
GROSS MARGIN	758	944	121.2	125.9
Total overheads including rent, finance, drawings & tax			**166.1**	**140.7**
Total cost of production (£/t)			234.9	204.8
Net margin (before support payments) (£/t)			**(44.9)**	**(14.8)**

Crop price	Net margin sensitivity – £/ha		
(£/t)	6.25 t/ha	6.85 t/ha	7.50 t/ha
155.00	(499)	(432)	(374)
190.00	(281)	(192)	(111)
225.00	(62)	47	152

Price based on contracted malting barley sold mid season.
Distilling barley will attract higher prices than brewing barley.
The value of straw is excluded from the gross margin.
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Winter oilseed rape

Performance level

Tonnes per hectare	3.00	3.50	3.00	3.50
	£ per hectare		£ per tonne	
Output @ £440.00 per tonne	1,320	1,540	440.0	440.0
Total gross output	**1,320**	**1,540**	**440.0**	**440.0**
Variable costs				
Seed	65	65	21.7	18.6
Fertiliser	355	390	118.3	111.4
Spray (Inc. Desiccation)	280	292	93.3	83.4
Total variable costs	**700**	**747**	**233.3**	**213.4**
GROSS MARGIN	620	793	206.7	226.6
Total overheads including rent, finance, drawings & tax			**345.2**	**295.9**
Total cost of production (£/t)			578.5	509.3
Net margin (before support payments) (£/t)			**(138.5)**	**(69.3)**

Crop price	Net margin sensitivity – £/ha		
(£/t)	2.50 t/ha	3.00 t/ha	3.50 t/ha
400.00	(759)	(536)	(383)
440.00	(659)	(416)	(243)
480.00	(559)	(296)	(103)

Assumes oilseed rape sold mid season.
Oil bonuses included @ £40/t.
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Field beans (winter and spring)

Performance level

Tonnes per hectare	3.50	4.25	3.50	4.25
	£ per hectare		£ per tonne	
Output @ £230.00 per tonne	805	978	230.0	230.0
Total gross output	**805**	**978**	**230.0**	**230.0**
Variable costs				
Seed	85	85	24.3	20.0
Fertiliser	90	100	25.7	23.5
Spray	187	203	53.4	47.8
Total variable costs	**362**	**388**	**103.4**	**91.3**
GROSS MARGIN	443	590	126.6	138.7
Total overheads including rent, finance, drawings & tax			229.3	188.8
Total cost of production (£/t)			332.7	280.1
Net margin (before support payments) (£/t)			(102.7)	(50.1)

Crop price	Net margin sensitivity – £/ha		
(£/t)	2.75 t/ha	3.50 t/ha	4.25 t/ha
200.00	(627)	(464)	(340)
230.00	(545)	(359)	(213)
260.00	(462)	(254)	(85)

Price based on a mix of feed beans and export for human consumption.
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Alternative break crops – peas and oats

Performance level

	Combinable Peas	Spring Oats	Combinable Peas	Spring Oats
Tonnes per hectare	3.40	6.00	3.40	6.00
	£ per hectare		£ per tonne	
Output @ £250.00 per tonne	850		250.0	
Output @ £170.00 per tonne		1,020		170.0
Total gross output	**850**	**1,020**	**250.0**	**170.0**
Variable costs				
Seed	98	70	28.8	11.7
Fertiliser	90	220	26.5	36.7
Spray	182	130	53.5	21.7
Total variable costs	**370**	**420**	**108.8**	**70.1**
GROSS MARGIN	480	600	141.2	99.9
Total overheads including rent, finance, drawings & tax			260.7	147.7
Total cost of production (£/t)			369.5	217.8
Net margin (before support payments) (£/t)			(119.5)	(47.8)

Net margin sensitivity – £/ha

Combinable Peas

(£/t)	2.90 t/ha	3.40 t/ha	3.90 t/ha
230.00	(602)	(474)	(374)
250.00	(544)	(406)	(296)
270.00	(486)	(338)	(218)

Spring Oats

(£/t)	5.50 t/ha	6.00 t/ha	6.50 t/ha
150.00	(497)	(407)	(349)
170.00	(387)	(287)	(219)
190.00	(277)	(167)	(89)

Spring oat price assumes milling quality
Total overheads derived from the combinable crop unit on page 37, including allowance for rent, finance, drawings and tax.

Potatoes – ware

Performance level

Tonnes per hectare (sold)	45.00	50.00	45.00	50.00
	£ per hectare		£ per tonne	
Output @ £205.00 per tonne	9,225	10,250	205.0	205.0
Total gross output	**9,225**	**10,250**	**205.0**	**205.0**
Variable costs				
Seed	1,265	1,410	28.1	28.2
Fertiliser	600	700	13.3	14.0
Spray	893	893	19.8	17.9
Nematicide*	368	368	8.2	7.4
Total variable costs	3,126	3,371	69.4	67.5
GROSS MARGIN	6,099	6,879	135.6	137.5
Total overheads including rent, finance, drawings & tax			125.9	115.3
Total cost of production (£/t)			195.3	182.8
Net margin (before support payments) (£/t)			9.7	22.2

Crop price	Net margin sensitivity – £/ha		
(£/t)	45.00 t/ha	47.50 t/ha	50.00 t/ha
155.00	(1,814)	(1,553)	(1,390)
205.00	436	822	1,110
255.00	2,687	3,197	3,610

These are indicative margins as the sector is now so specialised.
Potato price will vary greatly according to quality, season, contract and market.
*Depending on the method of application, nematicides are assumed to cover 50% – 75% of the potato area.
Total overheads derived from the combinable crop and potato unit on page 40, including allowance for rent, finance, drawings and tax.
Potatoes grown on annually rented land could add a further £15/t to the cost of production (COP).

Potatoes – processing

Performance level

Tonnes per hectare (sold)	48.00	52.00	48.00	52.00
	£ per hectare		£ per tonne	
Output @ £180.00 per tonne	8,640	9,360	180.0	180.0
Total gross output	**8,640**	**9,360**	**180.0**	**180.0**
Variable costs				
Seed	1,210	1,265	25.2	24.3
Fertiliser	650	750	13.5	14.4
Spray	735	756	15.3	14.5
Nematicide*	368	368	7.7	7.1
Total variable costs	2,963	3,139	61.7	60.3
GROSS MARGIN	5,677	6,221	118.3	119.7
Total overheads including rent, finance, drawings & tax			118.0	110.4
Total cost of production (£/t)			179.7	170.7
Net margin (before support payments) (£/t)			0.3	9.3

Crop price	Net margin sensitivity – £/ha		
(£/t)	48.00 t/ha	50.00 t/ha	52.00 t/ha
150.00	(1,426)	(1,216)	(1,078)
180.00	14	284	482
210.00	1,454	1,784	2,042

Whilst yield and price will vary according to end use, gross output is the more critical measure
These are indicative margins as the sector is now so specialised.
Potato price will vary greatly according to quality, season, contract and market.
*Depending on the method of application, nematicides are assumed to cover 50% – 75% of the potato area.
Total overheads derived from the combinable crop and potato unit on page 40, including allowance for rent, finance, drawings and tax.
Potatoes grown on annually rented land can add a further £12/t to the cost of production (COP).

Sugar beet

Campaign 2024/25 (1 Year Contract)

Performance level

Adjusted tonnes per hectare	75.00	75.00
	£ per hectare	£ per tonne
Output @ £37.50 per tonne ex farm*	2,813	37.5
Total gross output	2,813	37.5
Variable costs		
Seed	315	4.2
Fertiliser	260	3.5
Spray	305	4.1
Total variable costs	880	11.8
GROSS MARGIN	1,933	25.7
Total overheads including rent, finance, drawings & tax		19.9
Total cost of production (£/t)		31.7
Net margin (before support payments) (£/t)		5.8

Yield (t/ha)	Net margin sensitivity – £/ha
65.00	65
75.00	435
85.00	816

* At the time of writing the price had not yet been agreed. Price set at British Sugar quoted guarenteed minimum price
Break Even = 64T/Ha @ £37.50/T
Withdrawal of neonicotinoid seed dressings leaves crops vunerable to virus yellows leading to compromised yield.
Price is the ex farm price assuming British Sugar Haulage Scheme.
Price is set on a no-crown tare deduction basis.
Contract price is subject to early and late delivery bonuses.
Most growers will incur contract lifting charges in the region of £220 – £275 per hectare (included above).
An additional Local Premium is available for all growers up to 28 miles from their factory. Starting at £2/t for growers up to 9 miles, this will then reduce on a linear scale down to £0.10/t up to 28 miles.
Total overheads including allowance for rent, finance, drawings and tax.

Sustainable Farming Incentive – Examples (England only)

Description	Legume fallow	Legume fallow	Pollen and nectar flower mix	Winter Bird Food	Winter Cover Crops	Herbal Leys
Option	NUM3	NUM3	AHL1	AHL2	SAM2	SAM3
Rotational / Non Rotational Assumption	NR*	R (Annual)	NR*	R (Every 2 Years)	R (Annual)	R (Every 2 Years)*
No of years cropped over 3 year scheme	2	3	2	3	3	2
£ per hectare total output	593	593	614	732	129	382
Average variable cost over agreement length						
Seed	47	140	63	67	60	38
Fertiliser	0	0	0	0	0	0
Spray	13	25	13	22	25	13
Total average variable cost over agreement length	60	165	77	88	85	52
AVERAGE GROSS MARGIN over agreement length	533	428	537	644	44	330
AVERAGE GROSS MARGIN over cropping year length	800	428	806	644	44	496

*Where management prescriptions state 'establish in the first 12 months of the Agreement', assumed established following harvest.
Given that the Agreement length is a full production year longer than the cropping, as shown above, for example, 3 years of income is spread over 2 years of cropping
Readers must ensure that that they are happy to follow the scheme rules

Combinable crops

ROTATION: Wheat, beans, wheat, barley, oilseed rape / oats

	Area	Yield	Price		
	ha	t/ha	£/t	£/ha	£ Total
Gross margin					
Wheat (feed)	255	8.75	190.00	966.0	246,330
Winter barley	130	7.25	170.00	645.0	83,850
Oilseed rape	80	3.00	440.00	620.0	49,600
Spring oats	45	6.00	170.00	600.0	27,000
Field beans	130	3.50	230.00	443.0	57,590
Fallow	10			(25.0)	(250)
TOTAL GROSS MARGIN	650			714.0	464,120
Overheads					
Labour				116.0	75,414
Power and machinery (including depreciation)				413.7	268,884
Administration				67.5	43,844
Property				45.9	29,835
Overhead costs				643.0	417,977
Surplus (deficit) pre-rent and finance				71.0	46,143
Farm-specific overheads					
Rent and finance*				188.8	122,692
Drawings and tax				112.3	73,000
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS				(230.1)	(149,549)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	(149,549)	(149,549)	(149,549)
Plus Basic Payment**	145,000	84,644	59,488
Plus Sustainable Farming Incentive***	-	-	5,273
Surplus (deficit) post-support payments	**(4,549)**	**(64,905)**	**(84,788)**

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
***Payments available can vary significantly
Fallow area refers to blackgrass control and failed crop

Combinable crops – additional 100ha FBT

ROTATION: Wheat, beans, wheat, barley, oilseed rape / oats

	Area	Yield	Price		
	ha	t/ha	£/t	£/ha	£ Total
Gross margin					
Wheat (feed)	38	8.75	190.00	966.0	36,708
Winter barley	20	7.25	170.00	645.0	12,900
Oilseed rape	12	3.00	440.00	620.0	7,440
Spring oats	6	6.00	170.00	600.0	3,600
Field beans	20	3.50	230.00	443.0	8,860
Fallow	4			(25.0)	(100)
TOTAL GROSS MARGIN	100			694.1	69,408
Overheads					
Labour				50.0	5,000
Power and machinery (including depreciation)				300.0	30,000
Administration				35.0	3,500
Property				20.0	2,000
Overhead costs				**405.0**	**40,500**
Surplus (deficit) pre-rent and finance				**289.1**	**28,908**
Farm-specific overheads					
Finance (Marginal Cost)				53.0	5,300
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS (EXCL. Rent)				236.1	23,608

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	23,608	23,608	23,608
Plus Basic Payment*	22,308	18,094	
Plus Sustainable Farming Incentive **			495
Margin available for rent + profit	45,916	41,702	24,103
Margin available for rent + profit/hectare	459	417	241
Margin available for rent + profit/acre	186	169	98
Profit margin, drawings and rent tender are to be determined by the reader			

*Assumes no Basic Payment in England as a result of delinked payments
** Payments available can vary significantly
Fallow area refers to blackgrass control and failed crop
Assumes little additional mechanisation is necessary, but a small provision has been included
Assumes Drawings and Tax yet to be accounted for

Combinable crops – regenerative system

ROTATION: Wheat, beans, wheat, spring barley, legume fallow

	Area	Yield	Price		
	ha	t/ha	£/t	£/ha	£ Total
Gross margin					
Wheat (feed)	250	7.40	190.00	773.0	193,250
Spring barley	130	5.25	190.00	605.0	78,650
Legume Fallow (Annual)	130			428.0	55,640
Field beans	130	3.00	230.00	347.0	45,110
Fallow	10			(25.0)	(250)
TOTAL GROSS MARGIN	650			572.9	372,400
Overheads					
Labour				86.2	56,000
Power and machinery (including depreciation)				307.7	200,000
Administration				67.5	43,844
Property				45.9	29,835
Overhead costs				**507.2**	**329,679**
Surplus (deficit) pre-rent and finance				**65.7**	**42,721**
Farm-specific overheads					
Rent and finance*				178.3	115,860
Drawings and tax				112.3	73,000
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS				(224.8)	(146,139)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	(146,139)	(146,139)	(146,139)
Plus Basic Payment**	145,000	84,644	59,488
Plus Stewardship/Sustainable Farming Incentive***	-	-	23,143
Surplus (deficit) post-support payments	**(1,139)**	**(61,495)**	**(63,508)**

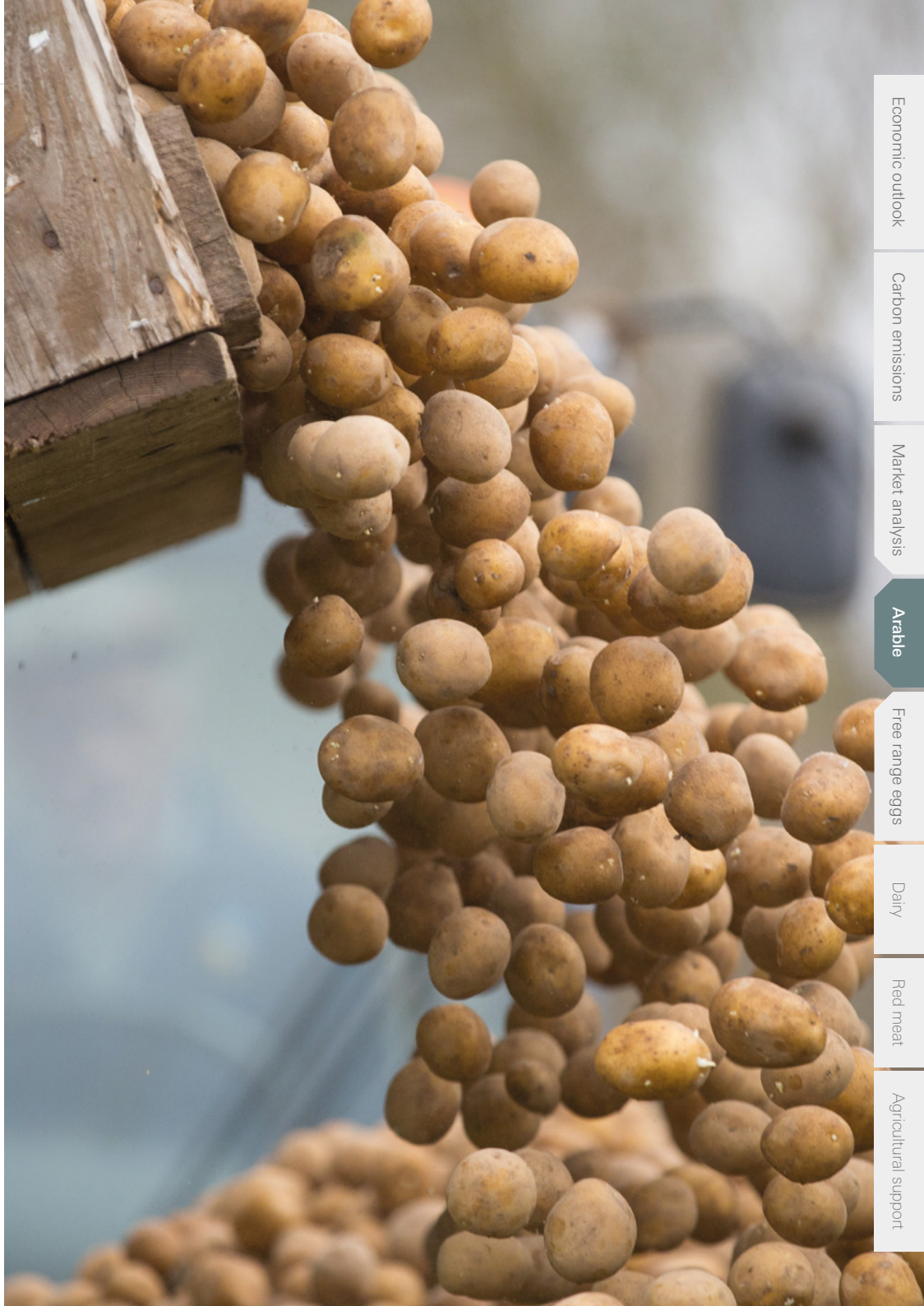
*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT)).
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
***Payments available can vary significantly
Fallow area refers to blackgrass control and failed crop
The above model assumes that regenerative practices have been adopted for over 5 years

Combinable crops & potatoes

ROTATION: Wheat, barley, oilseed rape / oats, wheat, potatoes, wheat, beans

	Area	Yield	Price		
	ha	t/ha	£/t	£/ha	£ Total
Gross margin					
Wheat (feed)	274	8.75	190.00	966.0	264,684
Winter barley	92	7.25	170.00	645.0	59,340
Field beans	92	3.50	230.00	443.0	40,756
Oilseed rape	58	3.00	440.00	620.0	35,960
Spring oats	34	6.00	170.00	600.0	20,400
Potatoes (ware)	107	45.00	205.00	6,099.0	652,593
Fallow	8			(25.0)	(200)
TOTAL GROSS MARGIN	665			1,614.3	1,073,533
Overheads					
Labour				241.4	160,506
Power and machinery (including depreciation)				816.0	542,654
Administration				85.2	56,660
Property				58.8	39,119
Overhead costs				**1,201.4**	**798,939**
Surplus (deficit) pre-rent and finance				**412.9**	**274,594**
Farm-specific overheads					
Rent and finance*				331.0	220,106
Drawings and tax				159.4	106,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(77.5)	(51,512)
Potential support payments			**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments			(51,512)	(51,512)	(51,512)
Plus Basic Payment*			145,000	84,644	59,488
Plus Sustainable Farming Incentive **					9,381
Surplus (deficit) post support payments			**93,488**	**33,132**	**17,357**

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
To ensure a sustainable rotation, 15Ha land rented for potatoes on an annual cropping licence.
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
***Payments available can vary significantly
Fallow area refers to blackgrass control and failed crop



Free range eggs

Free range eggs

64-week production cycle from January 2024

Performance level

Egg sales	eggs (dozens) per bird	27.00	27.00
		£ per bird	Pence per dozen
Output			
Eggs	135 pence per dozen	36.45	135.00
Cull sales		0.15	0.56
Less mortality	7% mortality	-2.56	-9.48
Total gross output		34.04	126.08
Variable costs			
Bird purchases		5.00	18.52
Feed cost	£330 per tonne	17.49	64.78
Vet and med		0.36	1.33
Livestock sundries (incl. chemicals, pest control etc)		0.04	0.15
Catching & cleaning & contract		0.58	2.15
Grassland management	£100 per hectare	0.05	0.19
Total variable costs		23.52	87.12
GROSS MARGIN		10.52	38.96
Overheads			
Labour		2.22	8.22
Power and machinery (including depreciation)		3.63	13.44
Administration		0.41	1.52
Property		0.48	1.78
Finance		2.09	7.74
Total overheads		8.83	32.70
Total cost of production		32.35	119.82
Net margin (before support payments)		1.69	6.26

Net margin sensitivity – ppdz

Egg price (ppdz)	£ per bird	Feed price (£/T)	£ per bird
125.00	(1.0)	370.00	(0.4)
130.00	0.3	350.00	0.6
135.00	1.7	330.00	1.7
145.00	4.4	290.00	3.8

Assumes no AI housing restriction in place
Price based on eggs sold direct to packer
Break Even = 128 Pence per dozen
Assumes 64 week cycle, 60 week laying and 4 week cleaning
Pullets purchased at 16 weeks
Assumes employed labour
Assumes capital investment of £30 per bird amortized over 15 years and depreciated over 20 years

Dairy

Dairy

Dairy cows – all year round calving

Production year April 2024 – March 2025

Performance level

Milk sales	litres per cow	8,000	9,500	8,000	9,500
		£ per cow		Pence per litre	
Output					
Milk	35.5 pence per litre	2,840	3,373	35.5	35.5
Plus calf	(£155 less 8% mortality)	143	143	1.8	1.5
Less cow depreciation*		(140)	(198)	(1.8)	(2.1)
Total gross output		**2,843**	**3,318**	**35.5**	**34.9**
Variable costs					
Feed cost	£320 per tonne	832		10.4	
Feed cost	£340 per tonne		1,190		12.5
Vet and med		94	127	1.2	1.3
Dairy sundries (incl. recording, AI and bull depreciation)		194	254	2.4	2.7
Forage	£592 per hectare	296		3.7	
Forage	£712 per hectare		427		4.5
Total variable costs		**1,416**	**1,998**	**17.7**	**21.0**
GROSS MARGIN		1,427	1,320	17.8	13.9
Total overheads including rent, finance, drawings & tax				20.7	17.4
Dairy replacement variable costs				2.3	2.3
Dairy replacements				(4.1)	(4.1)
Total cost of production (ppl)				36.6	37.2
Net margin (before support payments) (ppl)				(1.1)	(1.7)

Net margin sensitivity – ppl

Milk price (pence per litre)	8,000 litres per cow	9,500 litres per cow
28.50	(8.1)	(8.7)
35.50	(1.1)	(1.7)
42.50	5.9	5.3

Assumes herd is not affected by TB
Milk prices can vary significantly within and between contracts due to issues including milk quality and volume bonuses - this model is based upon non-aligned liquid
* Cow value less cull value (inc. 10% mortality) divided by expected years in herd (25% & 30% replacement rate)
Forage costs include maize for the 9,000l model and contractor's charges for specialist contracting, e.g. silaging for both models
Total overheads derived from the 250 cow dairy unit on page 49, including allowance for rent, finance, drawings and tax
Total cost of production net of calf sale, replacement variable costs and dairy replacement output

Dairy cows – spring calving grass-based system

Production year April 2024 - March 2025

Performance level

Milk sales	litres per cow	5,000	6,000	5,000	6,000
		£ per cow		Pence per litre	
Output					
Milk	36.5 pence per litre	1,825	2,190	36.5	36.5
Plus calf	(£110 less 8% mortality)	101	101	2.0	1.7
Less cow depreciation*		(113)	(123)	(2.3)	(2.1)
Total gross output		**1,813**	**2,168**	**36.2**	**36.1**
Variable costs					
Feed cost	£300 per tonne	225		4.5	
Feed cost	£305 per tonne		419		7.0
Vet and med		51	62	1.0	1.0
Dairy sundries (incl. recording, AI and bull depreciation)		121	145	2.4	2.4
Forage	£448 per hectare	179		3.6	
	£521 per hectare		261		4.4
Total variable costs		**576**	**887**	**11.5**	**14.8**
GROSS MARGIN		1,237	1,281	24.7	21.3
Total overheads including rent, finance, drawings & tax				24.0	20.0
Dairy replacement variable costs				2.3	2.7
Dairy replacements				(4.3)	(3.9)
Total cost of production (ppl)				33.8	34.0
Net margin (before support payments) (ppl)				2.7	2.5

Net margin sensitivity - ppl

Milk price (pence per litre)	5,000 litres per cow	6,000 litres per cow
29.50	(4.3)	(4.5)
36.50	2.7	2.5
43.50	9.7	9.5

Assumes herd is not affected by TB
Milk prices can vary significantly within and between contracts due to issues including milk quality and volume bonuses - this model is based on standard manufacturing
Assuming spring block calving (12-15 weeks) - grazing based system. Milk price reflects seasonality
* Heifer value less cull value divided by expected years in herd
Forage costs include contractor's charges for specialist contracting, e.g. silaging
Total overheads derived from the grass based 300 cow dairy unit on page 50, including allowance for rent, finance, drawings and tax
Total cost of production net of calf sale, replacement variable costs and dairy replacement output.

Dairy replacements – cost of rearing

Age at Calving (years)		2.0 AYR*	2.5 AYR	2.0 GRAZING
		£/Hd	£/Hd	£/Hd
Output				
Value of down calving heifer		1,450	1,450	1,175
Less calf	(£155 less 8% mortality)	(143)	(143)	
Less calf	(£110 less 8% mortality)			(101)
Total gross output		**1,307**	**1,307**	**1,074**
Variable costs				
Calf rearing		126	126	99
Feed cost		306	374	257
Forage	£296 per hectare	178	237	104
Miscellaneous		125	143	111
Total variable costs		**735**	**880**	**571**
GROSS MARGIN per heifer reared		**572**	**427**	**503**
Stocking rate				
Hectares per heifer reared		**0.6**	**0.8**	**0.4**

*All Year Round
Assumes herd is not affected by TB
If block calving, need to calve at 2 years
Down calving heifer value is set to represent the comparable cost of purchasing the heifer
Forage costs include contractor's charges for specialist contracting, e.g. silaging
The lifetime yield and 1st lactation yield increases with the reduced age at calving
Overhead costs would add a further £0.50 - £1.00 / head / day to the cost of rearing

250 Cow dairy farm – all year round calving

Farm size	140 ha
Herd size	250 cows
Milk price	**35.50 ppl**

	Number	Milk sold			
	Hd	l/cow	ppl	£/Hd	£ Total
Gross margin					
Dairy cows	250	8,000	17.8	1,427.0	356,750
Replacements	63		1.8	572.0	36,036
TOTAL GROSS MARGIN			19.6	1,571.1	392,786
Overheads					
Labour			4.9	388.5	97,136
Power and machinery (including depreciation)			6.0	478.4	119,592
Administration			1.1	91.5	22,864
Property			1.2	92.8	23,191
Overhead costs			**13.2**	**1,051.1**	**262,783**
Surplus (deficit) pre-rent and finance			**6.4**	**520.0**	**130,003**
Farm-specific overheads					
Rent and finance*			4.1	324.4	81,105
Drawings and tax			3.6	284.0	71,000
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS			(1.3)	(88.4)	(22,102)

Potential support payments	**N. Ireland**	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	(22,102)	(22,102)	(22,102)	(22,102)
Plus Basic Payment**	41,213	31,231	22,934	16,196
Plus Sustainable Farming Incentive***	-	-	-	5,713
Surplus (deficit) post-support payments	**19,111**	**9,129**	**832**	**(192)**

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
However, additional 22ha rented land assumed at £480/ha all rented
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
Northern Ireland Basic Payment is estimated due to unknown entitlement value
Scotland Basic Payment assumes additional 22ha has the same entitlement value as existing 118ha
***Payments available can vary significantly

300 Cow dairy farm – spring calving grass based system

Farm size	170 ha
Herd size	300 cows
Milk price	**36.50 ppl**

	Number	Milk sold			
	Hd	l/cow	ppl	£/Hd	£ Total
Gross margin					
Dairy cows	300	5,000	24.7	1,237.0	371,100
Replacements	60		2.0	503.0	30,180
TOTAL GROSS MARGIN			26.7	1,337.6	401,280
Overheads					
Labour			4.4	217.8	65,326
Power and machinery (including depreciation)			5.2	260.1	78,033
Administration			1.2	58.9	17,659
Property			1.2	60.3	18,099
Overhead costs			**12.0**	**597.1**	**179,117**
Surplus (deficit) pre-rent and finance			**14.7**	**740.6**	**222,163**
Farm-specific overheads					
Rent and finance*			5.3	263.2	78,965
Drawings and tax			6.8	341.0	102,300
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS			2.6	136.3	40,898

Potential support payments	**N. Ireland**	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	40,898	40,898	40,898	40,898
Plus Basic Payment**	50,044	37,923	26,564	19,345
Plus Sustainable Farming Incentive***	-	-	-	-
Surplus (deficit) post-support payments	**90,942**	**78,821**	**67,462**	**60,243**

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
However, additional 52ha rented land assumed at £480/ha all rented
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
Northern Ireland Basic Payment is estimated due to unknown entitlement value
Scotland Basic Payment assumes additional 22ha has the same entitlement value as existing 118ha
***Payments available can vary significantly.

Red meat

Red meat

Suckler cows – spring calving

Calving spring 2024 and sold at 12 months of age as yearling stores

Performance level

Average liveweight sold per cow (kg)		356.0	395.0	356.0	395.0
		£ per cow		Pence per kg lwt	
Output					
Store cattle (89% calving %) – see matrix *		935		262.6	
Store cattle (94% calving %) – see matrix *			1,057		267.6
Less cow and bull replacement charge**		(85)	(90)	(23.9)	(22.8)
Total gross output		**850**	**967**	**238.7**	**244.8**
Variable costs					
Feed cost	£270 per tonne (including creep feed)	162	149	45.5	37.7
Bulk feed		18	18	5.1	4.6
Vet and med		60	50	16.9	12.7
Bedding straw		60	45	16.9	11.4
Commission, haulage, levies, tags and sundries		45	45	12.6	11.4
Forage	0.9 ha per cow and store to sale	140	140	39.3	35.4
Total variable costs		**485**	**447**	**136.3**	**113.2**
GROSS MARGIN		**365**	**520**	**102.4**	**131.6**
Total overheads including rent, finance, drawings & tax				218.9	197.3
Total cost of production (p/kg lwt)				379.1	333.3
Net margin (before support payments) (p/kg lwt)				(116.5)	(65.7)

***Output matrix**	kg lwt	p/kg lwt	£/hd	£/hd
Steers	410	265	1,087	
Heifers	390	260	1,014	
Steers	430	270		1,161
Heifers	410	265		1,087

** Replacement value less cull value divided by expected years in herd plus an allowance for bulls
Sale price assumes calves sold onto the traditionally strong spring market for grazing cattle
Forage costs include contractor's charges for specialist contracting, e.g. silaging
Total overheads derived from the upland beef and sheep unit on page 60, including allowance for rent, finance, drawings and tax.

Finishing store cattle

Stores purchased throughout the year 300-380 day feeding period

Performance level

Average deadweight sold per store (kg)		341.0	341.0	341.0	341.0
		£ per head		Pence per kg dwt	
Output					
Sale		1,535	1,569	450.0	460.0
Less store purchase price – see matrix*					
£901 plus 0.5% allowance for mortality		(906)		(265.7)	
£832 plus 0.5% allowance for mortality			(836)		(245.2)
Total gross output		**629**	**733**	**184.3**	**214.8**
Variable costs					
Feed costs/by products	£260 per tonne	312		91.5	
	£245 per tonne		270		79.2
Vet and med		18	18	5.3	5.3
Bedding straw		60	60	17.6	17.6
Commission, haulage, levies, tags and sundries		40	40	11.7	11.7
Forage	0.25 ha per hd	55	55	16.1	16.1
Total variable costs		**485**	**443**	**142.2**	**129.9**
GROSS MARGIN		**144**	**290**	**42.1**	**84.9**
Total overheads including rent, finance, drawings & tax				66.6	66.6
Total cost of production	(p/kg dwt)			474.5	441.7
Net margin (before support payments) (p/kg dwt)				(24.5)	18.3

***Sale prices**	kg lwt	p/kg lwt	kg dwt	p/kg dwt	£/hd	£/hd
Average	620	248	341	450	1,535	
Above average	620	253	341	460		1,569
***Store purchase price matrix**						
Average	340	265			901	
Above average	320	260				832

Assumes killing out at 55%
Forage costs include contractor's charges for specialist contracting, e.g. silaging
Total overheads derived from the lowland mixed unit on page 59, including allowance for rent, finance, drawings and tax.

Lowland sheep

March/April lambing flock

Performance level

Lambs sold per 100 ewes		145	160	145	160
Average liveweight sold per ewe (kg)		58.0	64.0	58.0	64.0
		£ per ewe		Pence per kg lwt	
Output					
Lambs	40kg liveweight @ 245p per kg	142.1	156.8	245.0	245.0
Wool		1.0	1.0	1.7	1.6
Less ewe and ram replacement charge*		(22.0)	(22.0)	(37.9)	(34.4)
Total gross output		**121.1**	**135.8**	**208.8**	**212.2**
Variable costs					
Feed costs	£275 per tonne				
	70kg per ewe (including lamb)	19.3		33.3	
	40kg per ewe (including lamb)		11.0		17.2
Vet and med		12.0	12.0	20.7	18.8
Commission, haulage, levies, tags and sundries		9.5	10.0	16.4	15.6
Forage	0.14 ha per ewe	14.0	13.0	24.1	20.3
Total variable costs		**54.8**	**46.0**	**94.5**	**71.9**
GROSS MARGIN		66.3	89.8	114.3	140.3
Total overheads including rent, finance, drawings & tax				**131.9**	**119.5**
Total cost of production	(p/kg lwt)			262.6	224.2
	(p/kg dwt)			552.8	472.0
Net margin (before support payments) (p/kg lwt)				**(17.6)**	**20.8**

* Replacement value less cull value divided by expected years in flock
Assumes killing out at 47.5%
Forage costs include contractor's charges for specialist contracting, e.g. silaging
Total overheads derived from the lowland mixed farm unit on page 59, including allowance for rent, finance, drawings and tax
Total cost of production net of wool sale.

Upland sheep

Breeding stock & lamb production

Performance level

Lambs sold per 100 ewes		135	145	135	145
Average liveweight sold per ewe (kg)		50.0	53.7	50.0	53.7
		£ per ewe		Pence per kg lwt	
Output					
Lambs	45% Finished @ 38kg @ 240p per kg				
	25% Store @ 34kg @ 240p per kg				
	30% Breeding @ £95 per head	121.4	130.4	242.8	242.8
Wool		1.0	1.0	2.0	1.9
Less ewe and ram replacement charge*		(18.0)	(18.0)	(36.0)	(33.5)
Total gross output		**104.4**	**113.4**	**208.8**	**211.2**
Variable costs					
Feed costs	£285 per tonne				
	50kg per ewe (including lamb)	14.3		28.6	
	30kg per ewe (including lamb)		8.6		16.0
Vet and med		12.0	12.0	24.0	22.3
Commission, haulage, levies, tags and sundries		8.0	8.5	16.0	15.8
Forage	0.21 ha per ewe	13.0	12.0	26.0	22.3
Total variable costs		**47.3**	**41.1**	**94.6**	**76.4**
GROSS MARGIN		57.1	72.3	114.2	134.8
Total overheads including rent, finance, drawings & tax				**125.4**	**116.8**
Total cost of production	(p/kg lwt)			254.0	224.8
	(p/kg dwt)			546.2	483.4
Net margin (before support payments) (p/kg lwt)				**(11.2)**	**18.0**

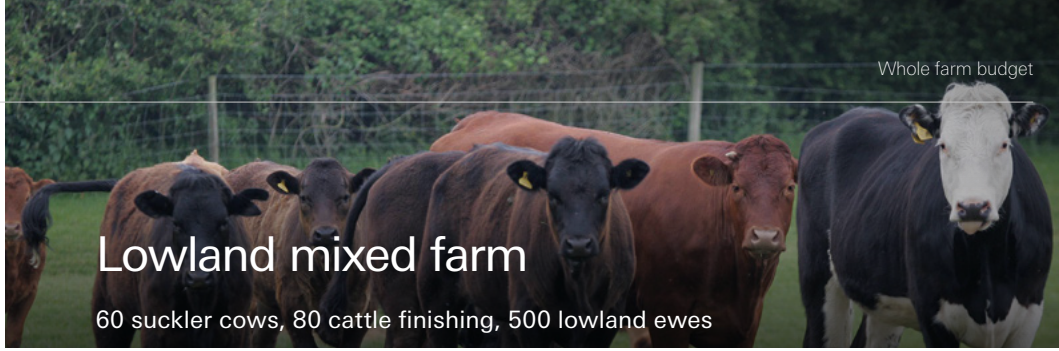
* Replacement value less cull value divided by expected years in flock.
Assumes killing out at 46.5%.
Budgeted price adjusted for breeding sales.
Forage costs include contractor's charges for specialist contracting, e.g. silaging.
Total overheads derived from the upland beef and sheep unit on page 60, including allowance for rent, finance, drawings and tax.
Total cost of production net of wool sale.

Hill sheep

Performance level

Lambs reared per 100 ewes	100	115
Lambs sold per 100 ewes	70	85
	£ per ewe	
Output		
Lambs 50% finished @ 30kg @ 235p per kg		
50% stores @ 25kg @ 235p per kg	45.2	54.9
Draft ewe	14.0	14.0
Wool	0.5	0.5
Less ram replacement charge*	(8.0)	(8.0)
Total gross output	**51.7**	**61.4**
Variable costs		
Feed costs £300 per tonne		
35kg per ewe (including lamb)	10.5	
20kg per ewe (including lamb)		6.0
Vet and med	10.0	10.0
Commission, haulage, levies, tags and sundries	6.0	6.0
Wintering costs	5.0	5.0
Forage	5.5	5.5
Total variable costs	**37.0**	**32.5**
GROSS MARGIN	14.7	28.9
Total overheads including rent, finance, drawings & tax	**77.8**	**77.8**
Net margin (before support payments) (£/hd)	**(63.1)**	**(48.9)**

* Replacement value less cull value divided by expected years in flock.
Forage costs include contractor's charges for specialist contracting, e.g. silaging.
Total overheads derived from the hill beef and sheep unit on page 61, including allowance for rent, finance, drawings and tax.



Lowland mixed farm

60 suckler cows, 80 cattle finishing, 500 lowland ewes

	Head	Area ha	£/hd	£/ha	£ Total
Gross margin					
Suckler cows	60	50	365.0	438.0	21,900
Cattle finishing	80	20	144.0	576.0	11,520
Lowland ewes	500	65	66.3	510.0	33,150
Winter barley		20		645.0	12,900
Spring barley		20		758.0	15,160
TOTAL GROSS MARGIN		175		540.7	94,630
Overheads					
Labour				78.3	13,706
Power and machinery (including depreciation)				350.1	61,267
Administration				67.2	11,752
Property				78.5	13,729
Overhead costs				**574.0**	**100,454**
Surplus (deficit) pre-rent and finance				**(33.3)**	**(5,824)**
Farm-specific overheads					
Rent and finance*				122.7	21,467
Drawings and tax				100.0	17,500
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS				(256.0)	(44,791)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	(44,791)	(44,791)	(44,791)
Plus Basic Payment**	39,039	27,169	19,870
Plus Sustainable Farming Incentive***	-	-	19,088
Surplus (deficit) post-support payments	**(5,752)**	**(17,622)**	**(5,833)**

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
The Scotland model also includes Suckler Beef Support Scheme payments
***Payments available can vary significantly.

Upland beef and sheep farm

120 suckler cows, 1500 upland ewes

	Head	Area			
		ha	£/hd	£/ha	£ Total
Gross margin					
Suckler cows	120	110	365.0	398.2	43,800
Upland ewes	1,500	315	57.1	271.9	85,650
TOTAL GROSS MARGIN		425		304.6	129,450
Overheads					
Labour				74.7	31,739
Power and machinery (including depreciation)				143.6	61,031
Administration				32.8	13,932
Property				46.3	19,670
Overhead costs				297.3	126,372
Surplus (deficit) pre-rent and finance				7.2	3,078
Farm-specific overheads					
Rent and finance*				72.7	30,879
Drawings and tax				71.1	30,200
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS				(136.5)	(58,001)
Potential support payments			**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments			(58,001)	(58,001)	(58,001)
Plus Basic Payment**			102,626	57,419	40,949
Plus Sustainable Farming Incentive***			-	-	38,695
Surplus (deficit) post-support payments			44,625	(582)	21,643

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
The Scotland model also includes LFASS & Suckler Beef Support Scheme payments
***Payments available can vary significantly
Areas used by individual farmers to generate this level of physical and financial output will vary considerably between country, topography and also the level of support payment which these attract. Please be guided by and adjust for local circumstances.

Hill beef and sheep farm

35 suckler cows, 850 hill ewes

	Head		
		£/hd	£ Total
Gross margin			
Suckler cows	35	365.0	12,775
Hill ewes	850	14.7	12,495
TOTAL GROSS MARGIN			25,270
Overheads			
Labour			6,265
Power and machinery (including depreciation)			31,209
Administration			9,011
Property			10,245
Overhead costs			56,730
Surplus (deficit) pre-rent and finance			(31,460)
Farm-specific overheads			
Rent and finance*			13,080
Drawings and tax			18,500
SURPLUS (DEFICIT) PRE-SUPPORT PAYMENTS			(63,040)
Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre-support payments	(63,040)	(63,040)	(63,040)
Plus Basic Payment**	45,309	72,544	21,107
Plus Sustainable Farming Incentive***	-	-	21,053
Surplus (deficit) post-support payments	(17,731)	9,504	(20,880)

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**Basic Payment rate per hectare in England will differ depending on claims during reference period (2020-2022)
The Scotland model also includes LFASS & Suckler Beef Support Scheme payments
***Payments available can vary significantly

Economic outlook
Carbon emissions
Market analysis
Arable
Free range eggs
Dairy
Red meat
Agricultural support

Agricultural support

Agricultural support

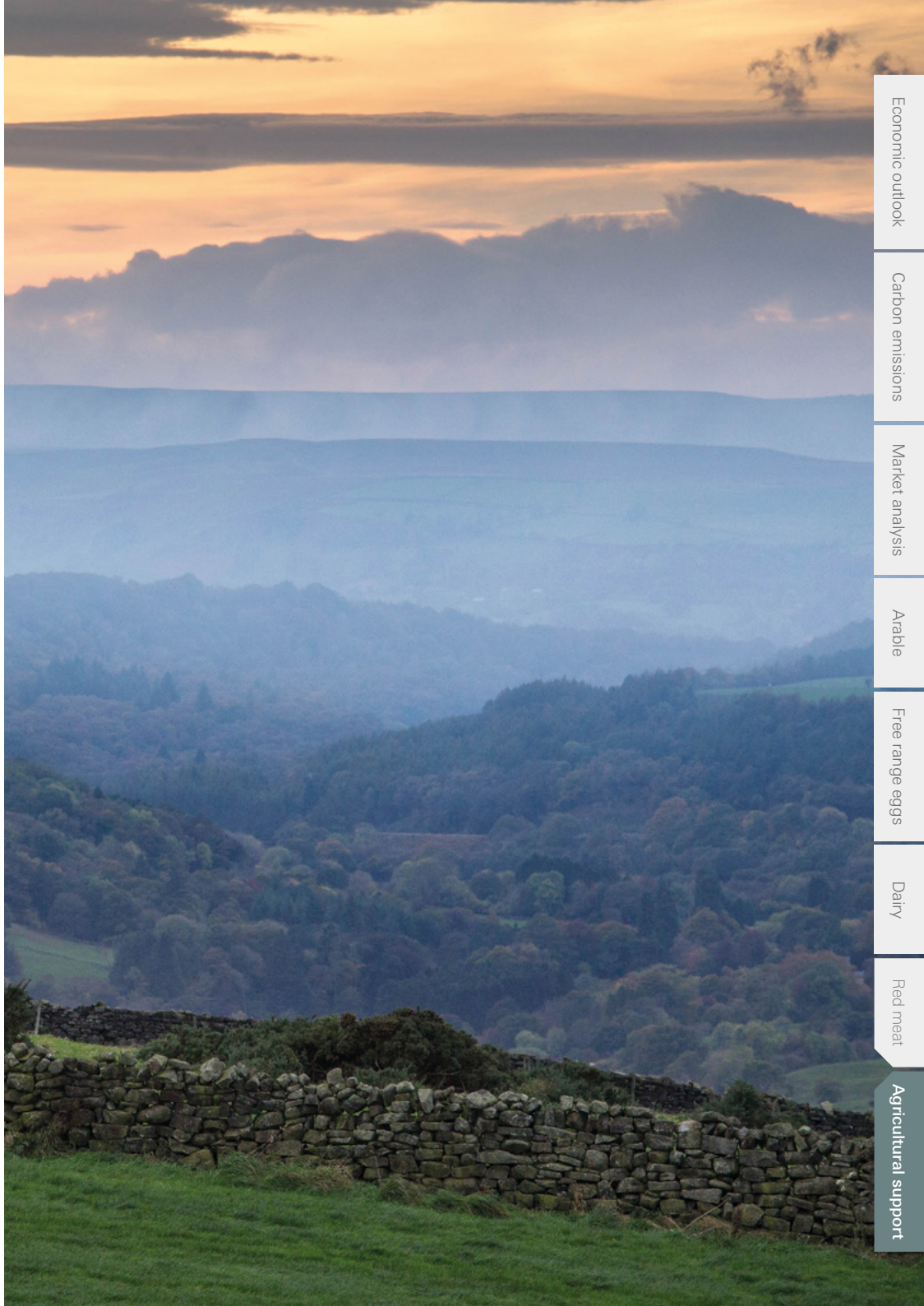
Introduction

Agricultural support in the UK now falls under domestic legislation. The devolved Governments of the UK are free to set up their own support policies tailored towards their own agricultural industry. Each are moving away from the Basic Payment Scheme and other Rural Development schemes previously available under the Common Agricultural Policy (CAP) of the EU. The speed at which these new schemes are being introduced and the support on offer will be quite different in each nation.

A summary of our latest understanding of what future support will look like in each country is provided on pages 66-67.

In the short term, the BPS will continue in all parts of the UK, but this will be under domestic legislation and means amendments can be made. For Scotland, Wales and Northern Ireland, there are not expected to be any significant changes compared with 2023. Ecological Focus Areas (EFA) requirements remain in Scotland but have been abolished by other devolved Governments.

In England, BPS payments started to be phased out from 2021. Further change will take place in 2024 when these (declining) BPS payments will be de-linked. This means there will be no requirement to occupy farmland each year to receive the remaining payments (see pages 66-67 for further information).



Agricultural support

Basic Payment Scheme 2024 Summary

	Scotland	Wales	N. Ireland	England
Entitlements and Regions:				
Number of Regions	Three; 1. Arable/Grass 2. Good Rough Grazing 3. Poor Rough Grazing	One	One	
Top-Up Schemes:				
Schemes operating	Greening, Young Farmers, Coupled Payments[1]	Redistributive Payment[2] Young Farmers	Young Farmers[3] Protein Crops Scheme [4]	BPS payments in England will be **De-linked** for 2024 onwards. This means future payments will be made to those that claimed BPS in the years 2020, 2021 and 2022. There will be no specific scheme rules or claims required for these payments – they will be paid automatically.
Young Farmers payment limit	90 Ha	25 Ha	90 Ha	
'Greening '				
Greening requirements	EFAs, and Perm. Pasture retention	N/A[5]	N/A[5]	
Land eligible for EFA NFC = Nitrogen fixing crops	1. Fallow 2. Field margins 3. Green cover 4. NFC 5. Hedges 6. Agro-forestry	N/A	N/A	

	Scotland	Wales	N. Ireland	England
Restrictions / Deductions:				
Minimum claim size	3 Ha	5 Ha	5 Ha	BPS payments in England will be **De-linked** for 2024 onwards. This means future payments will be made to those that claimed BPS in the years 2020, 2021 and 2022. There will be no specific scheme rules or claims required for these payments – they will be paid automatically.
Capping / Degressivity Rates in Scotland & Wales not applicable to the Greening payment[5]. NI adjusted to £ and takes account of Greening payments.	5% above €150,000 p.a. 100% (i.e. full capping) above €600,000	£150-200K – 15% £200-250K – 30% £250-300K – 55% > £300K – 100%	100% (i.e. full capping) above £190,000	
Minimum Activity levels on naturally-kept land	Payment Regions 2 & 3 defined – min. stocking levels or an Annual Environmental Assessment	Saltmarsh and dunes defined – weed control, fencing and water provision required	Rules on minimum activity levels apply – see scheme guidance	
Estimated Payments for 2024:				
Estimated net payment for lowland[6] (non-LFA) arable land – £/Ha	£223	£121[7]	£294[8]	£117[9]

[1] payment of approx.£93.50 per beef-bred calf (£142.50 in the Islands). Plus £69.50 per ewe hogg for farms with more than 80% of their land in Region 3 and less than 200 Ha of Region 1 land
[2] payment of approximately £111 per Ha on the first 54 Ha of each claim.
[3] Level II agricultural qualification required for Young Farmers Payment in NI
[4] £330/hectare for spring peas, spring or winter field beans, spring or winter lupins
[5] With the abolition of Greening in Wales and Northern Ireland, the Greening payment has been subsumed into the main BPS.

[6] only the Lowland Region is shown in England & Region 1 in Scotland.
[7] excludes Redistributive Payment – see below
[8] NI payments were planned to phase to a flat-rate by 2021. With Brexit, this has not happened. BPS rates remain at a business's 2019 rate (increased to take account of subsumed Greening payment). Therefore, individual farm rates remain different. The figure shown is an average rate for farms as if phasing had continued until 2021.
[9] includes 50% Agricultural Transition reduction. Larger claims over £30,000 will face greater cuts – see below

Farm Support, 2024 Onwards

UK Funding
The UK Government has promised that the same level of funding as previously seen under the CAP will be guaranteed until the 'end of the current Parliament' – due to end 2024. The same split between the four nations of the UK will also be maintained so the budget in all regions is broadly unchanged for a further year.

England
In England, an 'Agricultural Transition' will run from 2021 to 2028. In summary;

- The BPS will continue through the Agricultural Transition, but payments will be reduced annually (see below). By 2028 there will be no direct payments (BPS). Those that receive the highest payments will see bigger reductions initially. The table below shows the % deductions to payments from 2021-2024. Rates beyond 2024 are not yet known. An example shows the decline for a payment of £50,000 received in 2020.
- During the Transition, payments will be 'De-linked' from the requirement to farmland. This will happen in 2024. Amounts will be calculated according to money received in 2020, 2021 and 2022. The average received will be the 'reference amount'. This will be multiplied by the % reductions during the Agricultural Transition (see table below) to get to the payment for the years 2024-2027.
- There was an option for payments to be capitalised into a Lump Sum for those exiting the industry. The scheme closed in September 2022.
- During the Agricultural Transition, Environmental Land Management (ELM) will become the main scheme for land managers. It is being phased-in from 2021-2025. This will pay land managers for providing 'public goods' including biodiversity, landscapes, clean air and water, soils, flood control etc.
- ELM is comprised of three components:

Sustainable Farming Incentive (SFI)
– a broad offer that should be accessible to most farms. The scheme is designed to run 'alongside' commercial farming operations. The first phase of the scheme commenced in June 2022 concentrating on Soils and the initial element of Animal Welfare. From 2023 there will be 23 Actions on offer grouped into 8 themes – Soils; Moorland; Hedgerows; IPM; Nutrient Management; Actions for Wildlife; Buffer Strips and Low Input Grassland. Animal Welfare will continue.

Countryside Stewardship (CS) (previously Local Nature Recovery (LNR)
– Defra has decided to evolve the existing CS. Payments will be made for management actions and capital items which 'make space for nature' that support local nature recovery and deliver local environmental outcomes. A further 30 actions will be available by the end of 2024 in addition to the 250+ already available. Collaboration between farmers will be encouraged via CS Plus. Further information is expected in late 2023.

Landscape Recovery Scheme (LRS) – funding for groups of landowners to work together (over 500 Ha) to deliver landscape and ecosystem recovery such as large-scale woodland planting, peatland restoration and coastal habitats (e.g. salt marshes). Payment will be made for long-term, bespoke agreements.

Other funding will be available to support productivity (grants, loans and training), food promotion, animal health & welfare, and business resilience. Examples include:

Future Farming Resilience Fund
– 17 providers delivering a variety of funded programmes, including one-to-one business reviews, workshops and webinars. The last phase runs from October 2022 to March 2025.

Farm Investment Fund (FiF)
– 40% grants for capital investments. Two levels; the Farming Equipment & Technology Fund provides grants of between £2,000 and £25,000 for a set list of capital items. The Farming Transformation Fund is for larger items, grants of between £25,000 and £500,000 are available in the following areas; water management; improving farm production; adding value; slurry infrastructure; and housing grants for the livestock sector.

Scotland
In Scotland, new support schemes will be introduced from 2026. In the meantime, the BPS will continue in its current form for 2024. In 2025, 'Essential Standards' as part of 'conditionality' will have to be met to obtain the Basic Payment. LFASS payments will also be available in 2024. In 2025 and 2026, there could be some 'Conditionality' applied to LFASS payments. Support for the environment, woodland, sustainable agriculture and advisory services also remain available.

A new Agriculture Bill which includes the proposals for agricultural support from 2026 onwards was consulted on in Autumn 2022 and is intended to go before Parliament sometime in 2023. Proposals are for payments under 4 Tiers:

- Tier 1 – Base Level Direct Payment – to support active farming and food producers. Conditional on Essential Standards to ensure climate, biodiversity and business efficiency outcomes.
- Tier 2 – Enhanced Level Direct Payment – conditional on achieving high levels of GHG reductions, nature restoration and enhancement.

Agricultural Transition (BPS Deductions) – source Defra

Payment Band	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000 to £50,000	10%	25%	40%	55%
£50,000 to £150,000	20%	35%	50%	65%
£150,000 or above	25%	40%	55%	70%
Payment – £50,000 received in 2020	£43,710	£36,675	£29,640	£22,605

- Tier 3 – Elective Payment – an indirect payment focused on targeted measures for nature restoration, innovation support and supply chain support.
- Tier 4 – Complementary Support – to include delivery of CPD, advisory services; measurement tools for nature restoration and enhancement and GHG emissions and sequestration. Support for tree planting, peatland restoration and an Agricultural Transformation Fund.

Tiers 1 and 2 will commence in 2026 and Tiers 3 and 4 from 2027. A 'National Test Programme' is underway to collect information from farmers and to develop the new programmes to be introduced from 2025 onwards.

Wales

The new Sustainable Farming Scheme (SFS) will be phased in from 1st April 2025 to 31st March 2029. The proposal is for the SFS to have three layers;

- Universal Actions - the aim is for these to be practices that most farmers will be able to undertake and that can be integrated into the current farming practice i.e. nutrient and livestock management, but also includes managing and enhancing habitats across at least 10% of the farm and 10% tree cover on farm. Famers will be expected to perform the Universal Actions to receive their baseline payment.
- Optional Actions - farmers will be able to choose which actions they undertake, these will be targeted towards specific land or landscape feature issues.
- Collaborative Actions - these will be carried out by multiple land managers at a landscape, catchment or national scale where they can deliver more than the sum of the individual parts.

The proposals also include support to continue the Farming Connect programme, including a 'redesigned' advisory service and a Continuing Professional Development (CPD) Programme.

In the meantime, the BPS will continue for 2024 with elements of support to improve environmental and business productivity via the Small Grants programme and also funding for organic farming and woodland creation. An Interim Agri-environmental scheme, Habitat Wales, will open in 2024 to bridge the gap between Glastir ending and the start of the SFS.

Northern Ireland

In March 2022 DAERA published the 'Future Agricultural Decisions for Northern Ireland', showing the elements that will be included in future farm support in the region, these will include;

- Farm Sustainability Payment (FSP) – providing a basic safety net, the payment will be area-based and use entitlements. The current BPS will continue for 2024. A Farm Sustainable Transition Payment will be introduced in 2025 with 'conditions' attached. The full FSP will commence in 2026.
- Beef Sustainability Package – including a Suckler Cow Measure and a Beef Carbon Reduction Measure. Both aim to increase productivity, whilst driving down carbon emissions. Expected to be rolled-out from 2024 – details awaited.
- Farming with Nature Package – payments for creating and restoring habitats that are important for species diversity. Pilots to commence in 2024.
- Farming for Carbon measures – supporting low carbon emission farming practices. Some elements expected to open in autumn 2023.

There will also be funding for items that improve productivity, innovation, cooperation and environmental outcomes. A Generational Renewal programme will encourage longer-term planning for farm businesses; and DAERA will invest in the initiation of an industry led Ruminant Genetics Programme. The current Farm Business Improvement Scheme will continue in 2024; a new capital investment scheme is expected to commence in 2025. Support remains available for woodlands.

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Disclosure appendix (for Economic outlook on p8-9)

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