Forward Planning 2025

HSBC UK Agriculture

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HSBC UK | Opening up a world of opportunity

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Welcome to the 51st edition of Forward Planning.

We are delighted to be working with many partners and professionals supporting the UK farming sector. The HSBC Sustainable Farming Pathway, which we launched in September 2024, is a great example of this. Any of our Agriculture Relationship Managers and Directors will be very happy to discuss this exciting initiative with you.

We continue to see factors outside the control of farming businesses impact our customers. 2024 saw extremes of weather present tricky and, at times, difficult situations for farmers. HSBC UK Agriculture's focus on supporting the sector and working with farming businesses to enable them to face into challenges and benefit from opportunities that exist remains. We continue to take a long-term view.

The information in this publication provides a framework that can be adapted to each farm's unique situation. Its aim is to support farmers as they navigate the many asks of them, from producing nutritional food to moving towards more environmentally positive farming practices.

A sustainable approach
In the last 12 months, we have continued to grow our understanding of what our farming customers are doing to move their business onto as strong a footing as possible with regards to sustainable food production. Our article on page 11 outlines some of the insights we have gained from our conversations. We know from research we have undertaken with farms that bank with HSBC UK, that about 70% of our customers are already doing something on farm to support their businesses' transition to sustainable farming, but over 30% have not started yet. It was with this in mind that we launched

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability

the HSBC Sustainable Farming Pathway. This initiative is intended to enable farmers to evidence what they are already doing on farm to change their business. In return there are discounted loan arrangement fees available for specific lending products*. You can find more on the initiative at: **https://www.business.hsbc.uk/en-gb/solutions/hsbc-sustainable-farming-pathway**

Whether this is a whole farm approach such as adopting some, or all, of the regenerative principles or tailored projects including things such as renewable energy on farm, the solutions are very different for each farm. Changing systems and approaches can alter the cash cycles and working capital needs within any business. We encourage farmers to talk to the strong team of HSBC Agriculture Relationship Managers and Directors about the support we can provide.

Collaboration is key to help farming continue to move forward and we thank the team at Andersons for the content in Forward Planning and to LEAF for being the first partner in the HSBC Sustainable Farming Pathway.

2024 saw a return to a bit more stability in output prices than we have seen in previous years. Farming businesses continued to feel the impact of increased overhead costs. Where there is a focus on the efficiency of a farm extracting value from inputs or improving technical performance, this usually pays dividends for profitability.

Adapting to change

Every farm has different opportunities and challenges. Capturing these in a short or long term plan, considering how the business can approach them, is time very well spent. Even though cross winds can hit, knowing what the business is aiming to achieve can help it make the right decisions in times of change.

Whether it's policy or changing weather or the drive for sustainable food production, we continue to see many farms evolve their models, and bring in new farming and non-farming enterprises. That can be successful but needs to be built on robust business planning and often input from a strong management team, including the appropriate professional advisors.

We often see mindset and a diversity of views within a farming business as factors that make a difference in how successful any plan is or how efficiently that business is run. Adaptability and resilience are characteristics that enable farming businesses to thrive. Looking after our own mental health is key to this and it is with pride that we continue to work with various farming charities which support farmers in this area.

Agriculture continues to see change from a policy perspective too. Our Agricultural Support section highlights some of the key elements for each devolved region as BPS continues to be pulled back. Within each of the devolved region approaches it is clear to see the move towards encouraging and recognising environmentally positive farming. We continue to have customers who benefit from a range of policy initiatives, especially where the programme works with their day-to-day operations or where capital investment is needed to build resilience or adopt innovation.

In periods of change, there can be uncertainty. The commitment of a lender's support to the sector as well as their understanding of the challenges faced and the opportunities that arise is critical. Our large team of Agriculture Relationship Managers and Directors across the UK is working closely with our farming customers to provide the support they need.

Progressive farming businesses are driving efficiencies, working to and adapting their plans and have skillsets and attitudes within and alongside the business that enable it to navigate the changes facing the sector.

HSBC UK Agriculture is delighted to work with many of them. In addition, supporting farmers as they continue to build resilience into their businesses is as important as ever for us. We have a strong track record of supporting farmers through challenging times and our commitment to doing so remains undiminished.

My best wishes to everyone for the seasons ahead.

Martin Hanson
Head of Agriculture

*Lending is subject to credit status. Eligibility criteria applies.

Economic outlook

Economic outlook

The below is a summary from our Economics Research team's reports on the UK Economy.

The global economy is muddling through: although feared recessions have not materialised and global growth remains positive, activity has been mixed. China's property sector woes and softness in domestic demand has been offset by a rebound in exports. Growth has surprised to the downside in the US as consumption has moderated, albeit that comes after a period of strong growth last year. Europe is broadly stagnating largely driven by a lack of economic recovery in Germany amid weaker trade flows. The UK economy seems to be an outlier with a pick-up in growth in 2024 but that followed a brief technical recession at the end of 2023.

HSBC expects global GDP growth to slow to 2.7% in 2024 and then again to 2.6% in 2025. Interest rates are expected to decline: that should help loosen financial conditions further and support an uplift in investment. While further downward progress in rates of inflation will support positive real wage growth. On the upside, it's possible that greater confidence and lower interest rates sees households spend a larger share of their income. Europe and the UK in particular stand to benefit. High savings rates have acted as a drag on growth in 2024 but that could begin to change as households rebuild their buffers and confidence in employment prospects improves.

The slowdown in employment growth in advanced economies appears to have bottomed out, while unemployment rates have risen. Although positively that is largely down to an improving supply of labour rather than significant redundancies. On inflation, headline rates are expected to continue their bumpy downward path to 2%. However, with still low unemployment rates by historical standards and improvements in labour supply likely to be limited there is a risk that wage growth and subsequently, services inflation, prove stickier placing unwanted upward pressure on headline inflation rates.

For central banks, policy decisions are finely balanced as they weigh up the risk that structural drivers may keep inflation higher than their 2% targets, against a possible emergence of economic slack as high interest rates and less generous fiscal policy weigh on activity. Central banks have thus far erred on the side of caution. The ECB announced their first cut in June but then paused in July before cutting again in September. The US Federal Reserve has only just started cutting its policy rate although has sent a strong signal that further rate cuts are to come in Q4 2024. In the UK, where structural factors are more acute, the Bank of England has expressed the need to not cut interests too quickly or too much. HSBC expects a steady decline in policy rates from all three major central banks throughout 2025.

Perhaps the largest unknown for 2025 comes from the flurry of newly elected governments throughout 2024. The possibility of domestic policy changes and different approaches to international trade and geopolitical tensions could meaningfully shift the economic outlook. That said, fiscal positions are constrained, deficits have widened and high debt interest costs limit governments' ability to loosen fiscal policy. Trade tensions are one notable area of uncertainty with the possible implementation of a US universal tariff. That would have consequences across the global economy from trade flows to US consumer prices and interest rates.

In the case of the UK, the economy saw strong growth in the first half of this year, in part unwinding the mild recession recorded in 2023. Activity surveys have consistently pointed to expansion, confidence has improved, and inflation is near 2%. Meanwhile employment growth has slowed as firms opted to make use of underutilised existing workforce. However, underlying momentum in household consumption looks unsteady while government spending and a cyclical rebuilding of inventories supported the 0.5% q-o-q growth in Q2 2024. HSBC forecasts UK GDP growth of 1.1% in 2024 and 1.4% in 2025.

Consumers have proven resilient over the last couple of years, however, their ability to markedly increase spending may take some time. The surge in the cost of living coupled with higher mortgage and rental costs and higher taxes have left scarring on household budgets. The good news is that with interest rates beginning to fall, price rises moderating and still robust wage growth the worst should be behind us.

Inflation is expected to rise in Q4 2024 as energy bills rise and the downward pull from other goods disinflation comes to an end. However, 2025 should see the path downward resume. HSBC expects the average annual rate of consumer price inflation to ease from 2.6% in 2024 to 2.4% in 2025.

UK trade intensity has declined in recent years largely driven by weak goods export trade. However, the new government wants to improve relations with the EU which could go a long way in reducing border frictions and helping to improve bilateral trade. But negotiations are likely to take time to conclude and it is unclear, at this stage, how the UK could agree a deal that meaningfully tackles merchandise trade barriers without compromising on its position to not return the UK to the EU's single market.

The new UK government have said they are focused on driving faster economic growth, centred on unlocking private investment and improving public services. In her inaugural budget, Chancellor Rachel Reeves announced a flurry of new policies, including a GBP47bn uplift in public spending, GBP40bn per year of tax rises, and an average GBP24bn per year increase in public sector investment. That level of public investment prevents investment as a share of GDP falling but does not offer an uplift to GDP growth within the five-year forecast period. Rather, investment plans offer a longer-term foundation for growth if investment can be sustained as a share of GDP beyond the current parliament. In the near term, the Chancellor's new fiscal targets are met by only a small margin for error. That raises the prospect of further difficult policy decisions if the economic outlook disappoints.

Clients of HSBC can access more economic commentary on the UK, the global economy and much more in the HSBC Global Research website. Contact your HSBC representative for more details.

Sustainability and carbon emissions

HSBC UK Agriculture and our commitment to net zero
Our net zero ambition means aiming to align financed emissions – the greenhouse gas emissions of our clients – to net zero by 2050 or sooner. We're setting 2030 sector targets, across our financed portfolio. 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 been working with our farmers across the UK to understand what they are experiencing both practically on farm regarding changes to the climate, but also what feedback they are getting from their supply chains, government and advisors on net zero. Our analysis covers 820 farms from January to June 2024, from across the UK covering a range of farm types, with borrowings over £500k within our Relationship Managed clients.

- Most common primary enterprise was arable 31%, dairy 29%, beef 11% and poultry 13%
- Most common secondary enterprises were mainly beef, arable and sheep
- 81% are predominately owner occupiers
- The main non-farming enterprises include tourism, contracting and renewables

This analysis and feedback is invaluable. It helps us adapt, build our knowledge and develop our products, such as the Sustainable Farming Pathway, so we can support clients with their investment plans to adapt and grow their farming business on their journey to net zero.

Climate change
Farmers have discussed with us a range of extreme weather events and their impacts on production or damage to assets over recent times. By far the most common event across the UK has been extremes of rainfall or snow, leading to flooding or ground saturation. These challenges were seen through the winter of 2023/24. However, in the Southern region, extreme or prolonged periods of heat are experienced more, leading to drought and heat stress on crops and livestock, with rainfall/snow second. Farmers are adapting their infrastructure and production practices. See page 13.

Carbon emissions in agriculture
Carbon auditing is becoming increasingly more widespread with 15% of clients having completed one. We see our dairy sector clients in the sample making most progress with this. 55% of all audits done were by dairy farmers, then 15% arable. This is primarily driven by their processor.

Of those farmers intending to undertake an audit in the next 12 months, dairy at 34% and arable at 30% were the highest, showing a slight shift and an increase in intentions from some farmers in the arable sector.

Conversely, arable were also the highest, at 47%, of the farms with no current plans. This would appear to be from farmers who have either diversified their business, and have a simple arable system alongside the diversification, or from those farmers who will wait until it is financially beneficial to them or driven by regulations.

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.

		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
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
Finishing cattle	(kg CO2e/kg dwt)	17.62	22.23	26.35
Lowland sheep	(kg CO2e/kg dwt)	21.49	26.74	30.23

What next?
Whether you are starting out and haven't undertaken a carbon footprint, or have undertaken one but are unsure on next steps, understanding the results of a carbon footprint and ways to reduce emissions is key to moving forward. Baseline measurements and reporting of farming activities and their carbon footprint may 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.

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.com, the carbon and emissions calculator
All categories AFTER exclusion of Top and Bottom 10% of farm reports

Sustainability actions and progress
Whether an audit has been completed or not, our clients are progressing in a number of areas to reduce emissions and improve wider aspects of sustainability on farm such as biodiversity and water use:

- 82% of livestock farmers are carrying out actions on farm to improve health, genetics and fertility. The most common were use of the vet to support improved welfare, reduce mortality and taking unproductive animals out of the herd/flock
- 75% of farmers are carrying out actions on farm to improve soil quality, with manures and digestate use being the most common practice to increase organic matter
- 73% of farmers are taking steps to reduce fuel and energy usage and generate renewable energy, renewables being the most common action on these farms
- 70% of these farms are engaged in agri-environment schemes, supporting nature and biodiversity enhancements. Only a small number of these are private markets
- 70% of livestock farmers are carrying out actions on farm to improve livestock diets, feed utilisation and reduce waste. The most common action being to analyse forage quality and look to improve forage nutritional value
- 65% of farmers are undertaking actions on farm to improve fertiliser and manure management. Covering slurry stores and using soil testing to inform NPK use were most common
- 44% of farmers are carrying out actions on farm to improve water use efficiency, rainwater harvesting being the most common practice
- 70% of farmers have identified areas they want to invest in to become more resilient and sustainable, the most common themes being renewables (54%), slurry storage (22%) energy efficiency (20%) and precision agriculture (12%)

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 2025, the two sets are not linked i.e. the Agrecalc.com 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 2025.

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Market Analysis

Market analysis

Arable

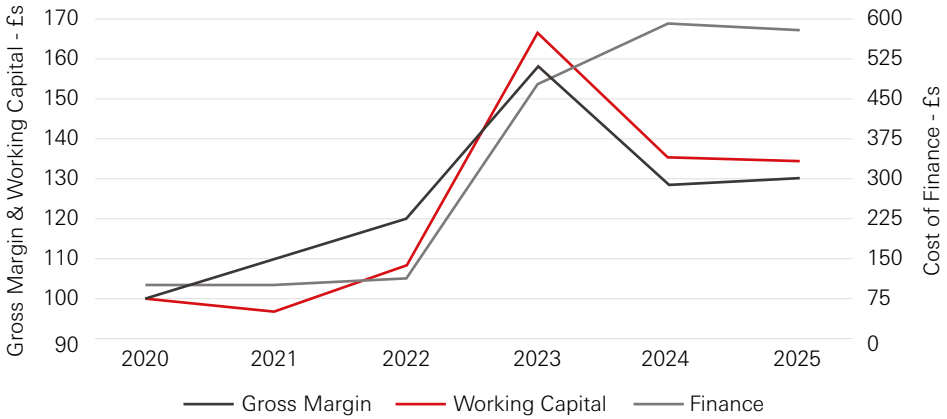
Autumn drilling in 2023 was severely impacted due to what turned out to be one of the wettest years on record. The AHDB estimated that the wheat area was the second smallest planted since 1981. Many of those crops that survived the wet winter have struggled throughout the season with poor soil structure and high disease pressure in the spring and summer due to 32% higher rainfall than the average, and above average temperatures (despite lower than average sunshine hours).

The recent USDA WASDE report showed a projected global increase of wheat supply, by 3.5 million tonnes, to 1,060 million tonnes for the 2024/25 season. This is due to increased supplies from Ukraine, Kazakhstan, and Australia, that outweigh lower production for the EU and the US. As a result of overall increased production, there is little prospect of significant commodity price increases in the short term.

To compound the impact of potentially below average yields, the November 2024 futures price has fallen almost £70/T from its peak in September 2022 to £195/T as at July 2024, which is on par with the cost of production published in Forward Planning 2024, assuming average yields are achieved. As projected in Forward Planning 2024, combinable crop businesses, with no additional income derived from diversification, were likely to generate potentially significant cash losses.

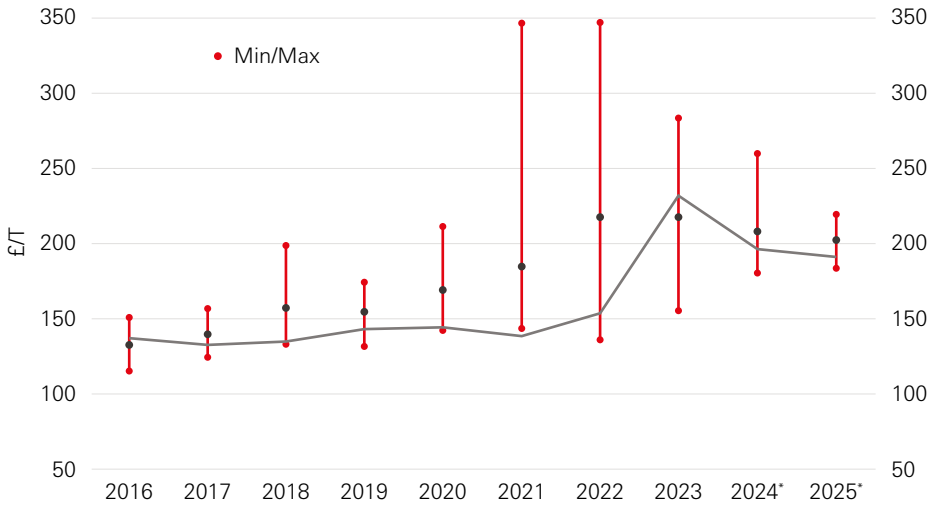
Looking ahead to 2025, combinable crop businesses have seen an increase of over 30% in their overhead cost structure over the past 5 years (see chart below). The additional expenditure, coupled with higher interest rates, has led to a significant increase in the cost of finance. Despite gross margins also increasing, a 75% reduction in the English Basic Payment Scheme payment has resulted in margins projected to be in deficit.

Combinable Crop Business
Movement in Gross Margin, Working Capital & Cost of Finance (2020=100)



Source: Andersons

UK Feed Wheat Futures Price (Harvest Year)



*as at August 2024
**Cost of Production at 8.80T/Ha
Source: AHDB/Andersons

Whilst the 2025 harvest budgeted cost of production has further reduced from its height in 2023, it is still markedly higher than in previous years. For the wheat crop, it remains below the average November 2025 futures price.

For oilseed rape at current prices, yields need to be in excess of 4 tonnes per hectare to generate a positive net margin. For many growers yields at these levels are a distant memory with too many external factors contributing to the risk profile of this crop. As a result, growers are increasingly deciding to derisk operations and use the Sustainable Farming Incentive options, as the gross margin equivalent for options such as rotational legume fallow are on par with an 'average' oilseed rape crop.

The regenerative arable system has been included again for 2025. As the figures suggest, whilst the margin pre support is on par with the conventional model, this system is better placed to benefit from the suite of options available under the latest release of the Sustainable Farming Incentive. Additional benefits that have not been included in the budgets could be access to carbon markets, crop premiums or even new commodity markets. As a reminder, this model assumes that the farm has completed the initial transition from the conventional system. The potential cost of this transition period should not be ignored and careful planning must be undertaken to ensure that the transition is affordable.

Dairy

2024 has followed the trend of recent years, with weather volatility and market pressures creating difficult challenges for UK dairy farmers. As we head towards the end of the year and look forward to 2025, there is reason for cautious optimism.

The current milk year (2024/25) looks set to follow the trend of last year, with milk volumes at their lowest levels since 2016/17. This is in part due to the wet winter and delayed spring, resulting in late turnout and slow grass growth inhibiting any sign of a spring peak. This follows a similar pattern to the rest of the world, where the forecast has been recently downgraded to a 0.1% decline for 2024.

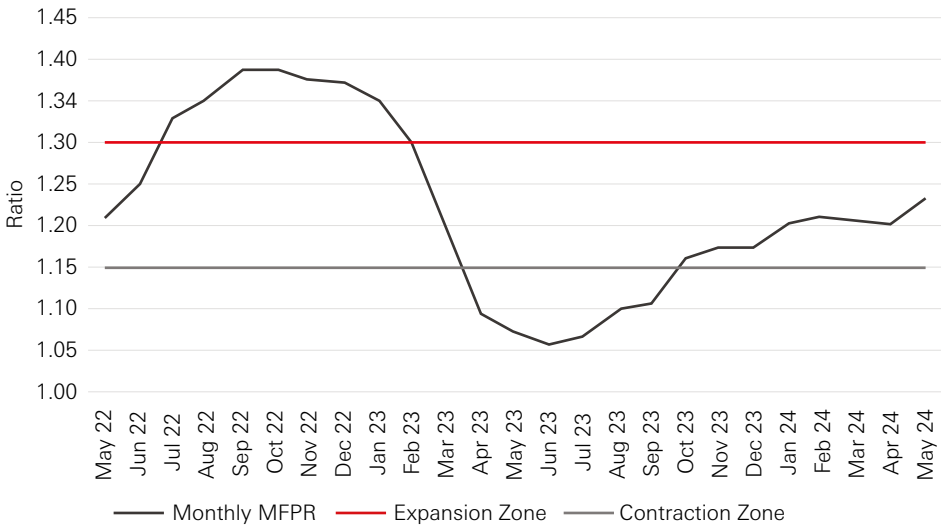
The dreaded 'spring peak' has become something of a non-event in the UK over the past two seasons. With clear signs of a move to more block calving systems and summer / autumn calving, it does beg the question as to whether milk processors can sustain the argument to continue penalizing spring milk so heavily in future. In Spring 2024 multiple processors implemented milk price rises during the 'peak' period which is almost unheard of.

Milk prices are currently on a steady incline, due to subdued production and slowly improving economic forecasts, resulting in an uptick in consumer demand.

With a clear trend away from liquid milk and an investment in manufacturing capacity across the UK (for example, Arla £300 Million across five sites, Ehrman £20 Million Desserts Investment and Muller's acquisition of Yew Tree Dairies), the sector will become increasingly agile, able to deal with peaks in production and 'store' products to a greater extent. Hopefully, this will be of benefit to farmers and processors alike, resulting in more stable and potentially higher prices for the long term.

In the short term, it is yet to be seen whether farmers can avoid the temptation to increase production as the milk to feed price ratio moves towards the expansion zone (> 1.30 ratio) for the first time since February 2023. In general, when the ratio goes above 1.30, this is the expansion zone, when an increase in milk production is seen.

UK Milk to Feed Price Ratio 2022-2024



If the temptation to produce is avoided, it is anticipated that prices in the early to mid-40's p/litre, can be expected through early 2025.

In the longer term, the UK dairy industry looks set to continue its decline, with the latest producer numbers showing a 5.80% decline (-440 producers to April 2024). However, the milking herd has stabilized, which suggests that those remaining continue to expand and grow.

Volatility in milk price is now only a factor in long term decisions, with greater importance now placed on infrastructure such as silage and slurry storage facilities. With greater rainfall, longer winters and changes to the Farming Rules for Water*, the Environment Agency pressure on farms to improve and expand stores is increasing.

With a significant cost of investment in new stores, for little or no financial benefit, and planning permission often proving an issue, farms often have no choice but to consider reducing numbers or even ceasing production. With cow values at an all-time high and limited successors keen to take on dairy businesses, this is further incentive for some farms to stop.

For the well invested farms, able to keep up with increasing regulation and milk buyer's sustainability requirements, the future looks bright. With consumer demand returning, processors investing in UK capacity for the long term and increasing standards across farms, UK dairy has the capability to extend its reach providing healthy and sustainable products for both the UK consumer and further afield.

*This guidance should be read with The Reduction and Prevention of Agricultural Diffuse Pollution (England) Regulations 2018'

Red Meat

Beef
December 2023 survey figures showed the UK suckler cow herd continuing to decline, with numbers falling 4.4% over the year to 1.33 million head. The reduction in the dairy herd was less dramatic with the survey reporting a 0.5% fall to 1.84 million head. Overall, the UK breeding herd was down 2% on the year, the sharpest decline since 2009.

Suckler cow margins have been under pressure for many years and despite the significant rise in store cattle prices this remains the case. Total cost of production data in Forward Planning 2025 suggests producers need in excess of 350p per kg live weight to produce a 400 kg yearling store, this compares with a market price of perhaps 300p per kg.

For many years suckler cow enterprises have been cross subsidised using support payments, changes in agricultural policy and inflation have significantly reduced the value of these payments. Inflation has also had a marked effect on the costs of production making many businesses assess the future of their suckler herds.

Some innovative and low cost systems are evolving, often associated with delivering wider environmental or regenerative objectives, but these remain relatively niche and the bulk of the herd remains exposed to the gap between costs of production and sale price.

AHDB data suggests heifer slaughterings in 2024 running at high levels which will reduce the supply of replacements coming into the breeding herd, high cull cow prices are also incentivising culling rather than sale for further breeding of any herds being reduced or dispersed.

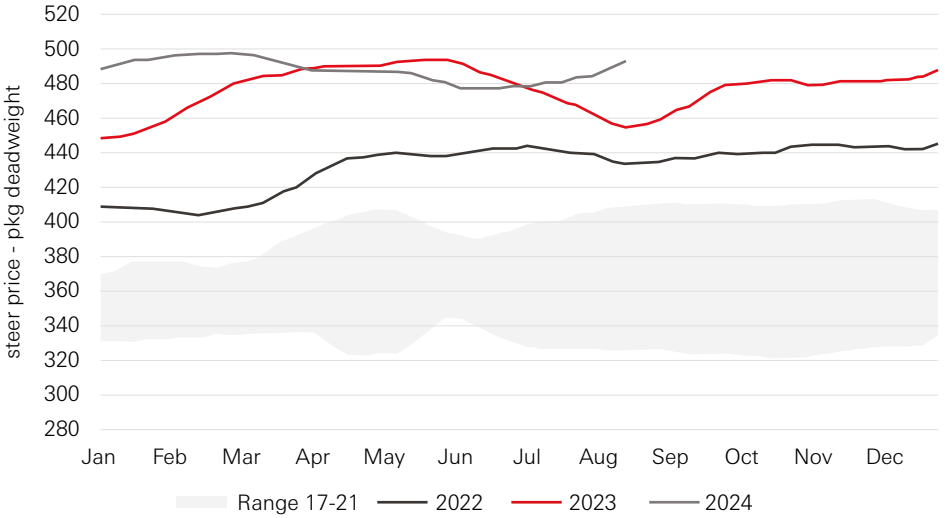
The national suckler cow herd looks likely to continue its decline.

With regards to the dairy herd, after a very difficult year for milk producers in 2023/24, the prospects going into 2025 are more encouraging and this may bring some stability. The main factors driving any change in the short term will be the costs of investment required, particularly in slurry storage to comply with legislation and over the longer-term, rising milk yields meaning few cows being required to produce the same amount of milk.

It is clear the beef sector will have to rely more heavily on supplies from the dairy herd going forward. More initiatives driven by retailers and processors are appearing to be aimed at securing supplies of dairy bred beef. Its traceability, uniformity and lower carbon footprint make it more attractive to them.

GB dead weight cattle prices have remained strong in 2024 and above 2023 levels for much of the year supported by good consumer demand and strong cattle values in Ireland and throughout Europe. 450 to 490 p per kg dead weight appears the "new norm," bearing in mind the costs of production, this will be needed as minimum if domestic supplies are to be maintained.

Calf registrations fell 2.5% in 2023, the steepest reduction seen since 2018. Whilst sexed semen used in the dairy herd drove up dairy beef calf registrations, this was more than offset by lower dairy bull registrations and fewer suckler calves from the beef breeding herd.



Source: AHDB/Various/Andersons

Population data suggests a 3% reduction in prime cattle coming forward for slaughter in 2025, and a tightening in domestic supply which should maintain or even lift prices in the year ahead.

On the cost side, 2025 feed prices may ease £15 to 20/t as compared with 2024, but straw looks set to be more expensive. With regards to overhead costs, electricity and fuel may reduce to some degree, but the rising cost of insurance, paid labour, contractors and machinery are likely to offset any savings, so the total costs of production are continuing to move upwards.

Sheep
December 2023 survey data reported a 4.3% decline in the UK breeding flock to 13.8 million head, this is the lowest breeding flock number since current records began in 1996.

Record high lamb prices in the first two quarters of 2024 are likely to have resulted in many ewe lambs intended for breeding having been slaughtered, in addition high cull ewe prices look to be resulting in many younger ewes, which in previous years may have been sold for further breeding, going for slaughter, hence a further fall in the breeding flock seems likely.

AHDB is forecasting a 2.9% decline in sheep meat production in 2024, compared with 2023. A reduced carry over of lambs from 2023 into the first quarter of 2024, and a smaller 2024 lamb crop from the reduced flock are the main factors.

With around 30% of total sheep meat production exported, 95% of which goes to the EU, another factor supporting prices is declining EU production which is forecast to fall by around 5% in 2024.

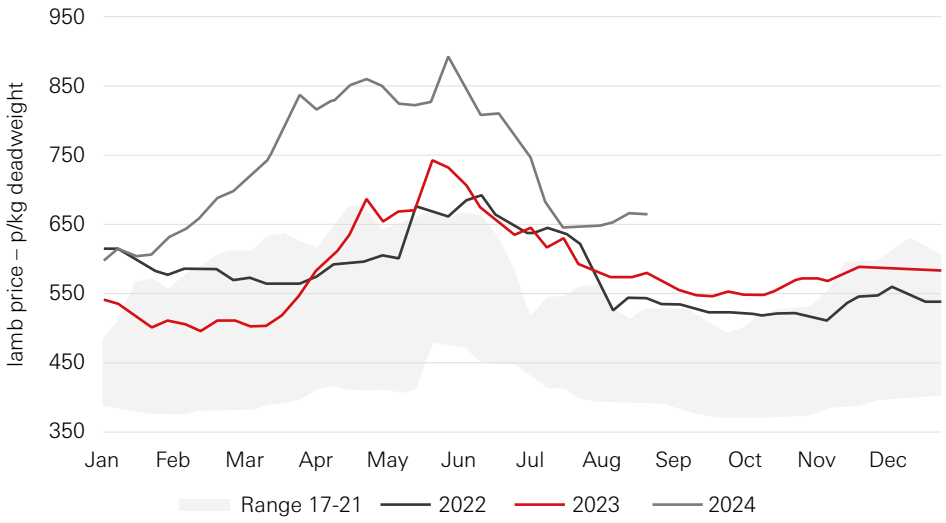
New Zealand and Australian supplies appear tighter at the present time and prices are rising, this is reducing to some degree the attractiveness of these supplies to both our own and EU markets, their focus for the time being also remains on supplying the nearer Chinese market.

Looking forward to 2025 price prospects remain positive with reduced supplies likely to more than offset the effects of the high price of the product to the consumer and long-term reducing trend in consumption.

Forward Planning 2025 suggests efficient and productive sheep flocks selling lambs through the summer and autumn period having total costs of production of around 235p per kg liveweight as compared with market prices of perhaps 300p per kg, suggesting a positive margin from production, which historically has not always been the case. Committed producers will hopefully be in for another year of good returns.

The best producers are reducing their reliance on concentrate feeds and looking to make more use of forage. Lower feed prices and fertiliser costs (back to more typical levels) remain helpful with regards to cost of production. Nonetheless, labour, machinery, insurance and contractor's costs are likely to continue to rise ahead of the basic rate of inflation in the year ahead.

For both cattle and sheep farmers in England the Sustainable Farming Incentive (SFI) offers a genuine opportunity for many to generate some meaningful extra income, as can be seen from the Beef and Sheep whole farm models in Forward Planning 2025. A carefully put together SFI scheme can go hand in hand with improving technical efficiency and reducing carbon emissions which continues to increase in importance with many of the major retailers.



Source: AHDB/Various/Andersons

Arable

Arable

Winter wheat

Performance level

	Feed	Milling	Feed	Milling
Tonnes per hectare	8.80	8.35	8.80	8.35
	£ per hectare		£ per tonne	
Output @ £190.00 per tonne	1,672		190.0	
Output @ £220.00 per tonne		1,837		220.0
Total gross output	1,672	1,837	190.0	220.0
Variable costs				
Seed	92	94	10.5	11.3
Fertiliser	335	385	38.1	46.1
Spray	240	255	27.3	30.5
Total variable costs	667	734	75.9	87.9
GROSS MARGIN	1,005	1,103	114.1	132.1
Total overheads including rent, finance, drawings & tax			114.6	120.8
Total cost of production (£/t)			190.5	208.7
Net margin (before support payments) (£/t)			(0.5)	11.3

Net margin sensitivity – £/ha

Feed Wheat

(£/t)	8.25 t/ha	8.80 t/ha	9.35 t/ha	10.00 t/ha
170.00	(270)	(180)	(115)	(33)
190.00	(105)	**(4)**	72	167
210.00	60	172	259	367

Milling Wheat

(£/t)	7.80 t/ha	8.35 t/ha	8.90 t/ha	9.45 t/ha
200.00	(180)	(73)	4	81
220.00	(24)	**94**	182	270
240.00	132	261	360	459

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 @ £165.00 per tonne	1,196	1,444	165.0	165.0
Total gross output	1,196	1,444	165.0	165.0
Variable costs				
Seed	85	85	11.7	9.7
Fertiliser	285	325	39.3	37.1
Spray	193	203	26.6	23.2
Total variable costs	563	613	77.6	70.0
GROSS MARGIN	633	831	87.4	95.0
Total overheads including rent, finance, drawings & tax			142.9	119.4
Total cost of production (£/t)			220.5	189.4
Net margin (before support payments) (£/t)			(55.5)	(24.4)

Crop price	Net margin sensitivity - £/ha		
(£/t)	7.25 t/ha	8.00 t/ha	8.75 t/ha
145.00	(547)	(464)	(389)
165.00	**(402)**	(304)	**(214)**
185.00	(257)	(144)	(39)

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 @ £195.00 per tonne	1,219	1,463	195.0	195.0
Total gross output	**1,219**	**1,463**	**195.0**	**195.0**
Variable costs				
Seed	90	90	14.4	12.0
Fertiliser	190	225	30.4	30.0
Spray	133	148	21.3	19.7
Total variable costs	413	463	66.1	61.7
GROSS MARGIN	806	1,000	128.9	133.3
Total overheads including rent, finance, drawings & tax			165.8	140.3
Total cost of production (£/t)			231.9	202.0
Net margin (before support payments) (£/t)			(36.9)	(7.0)

Crop price	Net margin sensitivity - £/ha		
(£/t)	6.25 t/ha	6.85 t/ha	7.50 t/ha
160.00	(449)	(378)	(315)
195.00	**(231)**	(139)	**(53)**
230.00	(12)	101	210

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	2.80	3.50	2.80	3.50
	£ per hectare		£ per tonne	
Output @ £420.00 per tonne	1,176	1,470	420.0	420.0
Total gross output	**1,176**	**1,470**	**420.0**	**420.0**
Variable costs				
Seed	65	65	23.2	18.6
Fertiliser	350	370	125.0	105.7
Spray (Inc. Desiccation)	270	277	96.4	79.1
Total variable costs	685	712	244.6	203.4
GROSS MARGIN	491	758	175.4	216.6
Total overheads including rent, finance, drawings & tax			369.0	295.2
Total cost of production (£/t)			613.6	498.6
Net margin (before support payments) (£/t)			(193.6)	(78.6)

Crop price	Net margin sensitivity - £/ha		
(£/t)	2.50 t/ha	2.80 t/ha	3.50 t/ha
380.00	(782)	(654)	(415)
420.00	(682)	**(542)**	**(275)**
460.00	(582)	(430)	(135)

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	100	100	28.6	23.5
Spray	178	193	50.9	45.4
Total variable costs	363	378	103.8	88.9
GROSS MARGIN	442	600	126.2	141.1
Total overheads including rent, finance, drawings & tax			228.8	188.4
Total cost of production (£/t)			332.6	277.3
Net margin (before support payments) (£/t)			(102.6)	(47.3)

Crop price	Net margin sensitivity - £/ha		
(£/t)	2.75 t/ha	3.50 t/ha	4.25 t/ha
200.00	(621)	(464)	(329)
230.00	(539)	**(359)**	**(201)**
260.00	(456)	(254)	(74)

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 & 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 @ £260.00 per tonne	884		260.0	
Output @ £200.00 per tonne		1,200		200.0
Total gross output	**884**	**1,200**	**260.0**	**200.0**
Variable costs				
Seed	98	70	28.8	11.7
Fertiliser	90	210	26.5	35.0
Spray	173	123	50.9	20.5
Total variable costs	361	403	106.2	67.2
GROSS MARGIN	523	797	153.8	132.8
Total overheads including rent, finance, drawings & tax			260.1	147.4
Total cost of production (£/t)			366.3	214.6
Net margin (before support payments) (£/t)			(106.3)	(14.6)

Net margin sensitivity - £/ha

Combinable Peas

(£/t)	2.90 t/ha	3.40 t/ha	3.90 t/ha
240.00	(562)	(429)	(324)
260.00	(504)	**(361)**	(246)
280.00	(446)	(293)	(168)

Spring Oats

(£/t)	5.50 t/ha	6.00 t/ha	6.50 t/ha
180.00	(313)	(208)	(135)
200.00	(203)	**(88)**	(5)
220.00	(93)	32	125

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 @ £230.00 per tonne	10,350	11,500	230.0	230.0
Total gross output	**10,350**	**11,500**	**230.0**	**230.0**
Variable costs				
Seed	1,390	1,550	30.9	31.0
Fertiliser	600	650	13.3	13.0
Spray	875	875	19.4	17.5
Nematicide*	368	368	8.2	7.4
Total variable costs	3,233	3,443	71.8	68.9
GROSS MARGIN	7,117	8,057	158.2	161.1
Total overheads including rent, finance, drawings & tax			135.2	123.7
Total cost of production (£/t)			207.0	192.6
Net margin (before support payments) (£/t)			23.0	37.4

Crop price	Net margin sensitivity - £/ha		
(£/t)	45.00 t/ha	47.50 t/ha	50.00 t/ha
180.00	(1,215)	(873)	(630)
230.00	**1,035**	1,502	**1,870**
280.00	3,285	3,877	4,370

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 £20/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 @ £200.00 per tonne	9,600	10,400	200.0	200.0
Total gross output	**9,600**	**10,400**	**200.0**	**200.0**
Variable costs				
Seed	1,330	1,390	27.7	26.7
Fertiliser	650	700	13.5	13.5
Spray	720	741	15.0	14.3
Nematicide*	368	368	7.7	7.1
Total variable costs	3,068	3,199	63.9	61.6
GROSS MARGIN	6,532	7,201	136.1	138.4
Total overheads including rent, finance, drawings & tax			126.8	118.5
Total cost of production (£/t)			190.7	180.1
Net margin (before support payments) (£/t)			9.3	19.9

Crop price	Net margin sensitivity - £/ha		
(£/t)	48.00 t/ha	50.00 t/ha	52.00 t/ha
170.00	(994)	(719)	(527)
200.00	**446**	782	**1,033**
230.00	1,886	2,282	2,593

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 £16/t to the cost of production (COP)

Sugar beet

Campaign 2025/26 (1 Year Contract)

Performance level

Adjusted tonnes per hectare	75.00	75.00
		£ per hectare
Output @ 32.31 per tonne ex farm*	2,423	32.3
Total gross output	2,423	32.3
Variable costs		
Seed	315	4.2
Fertiliser	245	3.3
Spray	290	3.9
Total variable costs	850	11.4
GROSS MARGIN	1,573	20.9
Total overheads including rent, finance, drawings & tax		20.0
Total cost of production (£/t)		31.4
Net margin (before support payments) (£/t)		0.9

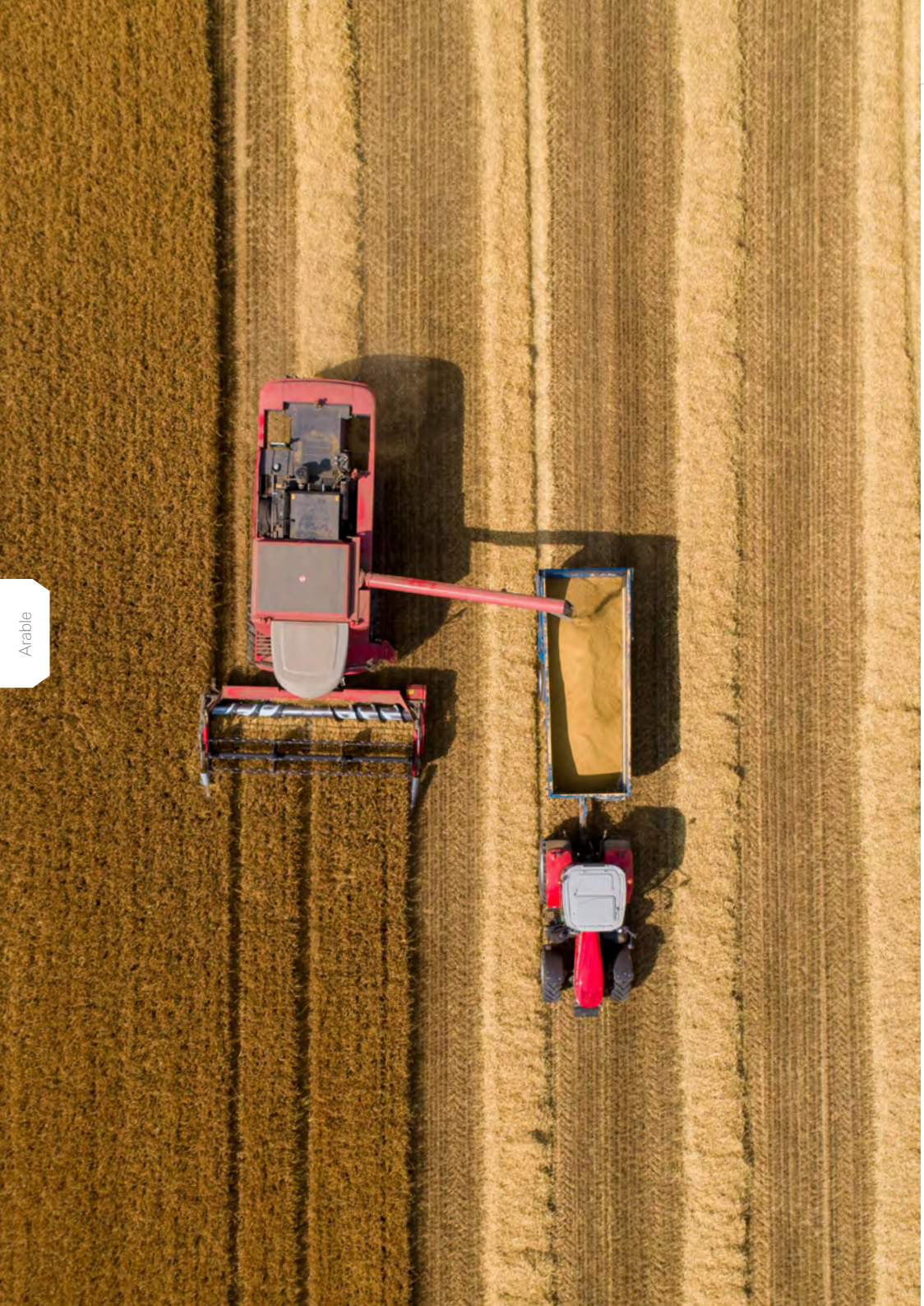
Yield (t/ha)	Net margin sensitivity - £/ha
65.00	(254)
75.00	**75**
85.00	400

*Price assumes 70% at fixed £33/T, with balancing 30% at £30.70 (assuming no Market Linked Bonus)
*Price assumes no Yield Protection
Break Even = 73T/Ha @ £32.31/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 late delivery bonuses
Most growers will incur contract lifting charges in the region of £220 - £280 per hectare (included above)

Sustainable Farming Incentive - Examples (England only)

Description	Legume fallow	Legume fallow	Pollen and nectar flower mix	Winter Bird Food	Herbal Leys	Winter Cover Crops
Option	CNUM3	CNUM3	CAHL1**	CAHL2**	CSAM3	CSAM2
Rotational / Non Rotational Assumption	NR*	R (Annual)	R (Annual)	R (Annual)	NR*	R (Annual)
No of years cropped over 3 year scheme	2	3	3	3	2	3
			£ per hectare			
Total output	593	593	739	853	382	129
Average variable cost over agreement length						
Seed	58	125	150	150	60	55
Fertiliser	0	0	0	0	0	0
Spray	10	15	15	15	10	15
Total average variable cost over agreement length	68	140	165	165	70	70
AVERAGE GROSS MARGIN over agreement length	525	453	574	688	312	59
AVERAGE GROSS MARGIN over cropping year length	787	453	574	688	468	59

*Where management prescriptions state 'establish within 12 months of the actions start date', assumed established following harvest.
**'Limited Area' option - i.e. total combined eligible area cannot be more than 25% of the total agricultural area of the holding
Overhead cost savings will vary depending on scale of adoption, and need to be considered in the decision to replace arable crops.
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	8.80	190.00	1,005.0	256,275
Winter barley	130	7.25	165.00	633.0	82,290
Oilseed rape	80	2.80	420.00	491.0	39,280
Spring oats	45	6.00	200.00	797.0	35,865
Field beans	130	3.50	230.00	442.0	57,460
Fallow	10			(25.0)	(250)
TOTAL GROSS MARGIN	650			724.5	470,920
Overheads					
Labour				118.9	77,299
Power and machinery (including depreciation)				415.7	270,206
Administration				72.4	47,034
Property				47.3	30,730
Overhead costs				654.3	425,269
Surplus (deficit) pre rent and finance				70.2	45,651
Farm specific overheads					
Rent and finance*				186.2	121,000
Drawings and tax				101.5	66,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(217.5)	(141,349)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(141,349)	(141,349)	(141,349)
Plus Basic Payment**	129,139	84,644	36,744
Plus Sustainable Farming Incentive***			20,863
Surplus (deficit) post support payments	(12,210)	(56,705)	(83,742)

To break even in England, the feed wheat base price (which relates to the barley and oat price) needs to be in excess of £215/T
*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-2028
**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	8.80	190.00	1,005.0	38,190
Winter barley	20	7.25	165.00	633.0	12,660
Oilseed rape	12	2.80	420.00	491.0	5,892
Spring oats	6	6.00	200.00	797.0	4,782
Field beans	20	3.50	230.00	442.0	8,840
Fallow	4			(25.0)	(100)
TOTAL GROSS MARGIN	100			702.6	70,264
Overheads					
Labour				51.3	5,125
Power and machinery (including depreciation)				300.0	30,000
Administration				37.5	3,750
Property				20.5	2,050
Overhead costs				409.3	40,925
Surplus (deficit) pre rent and finance				293.4	29,339
Farm specific overheads					
Finance (Marginal Cost)				50.0	5,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS (EXCL. Rent)				243.4	24,339

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	24,339	24,339	24,339
Plus Basic Payment*	19,868	18,094	
Plus Sustainable Farming Incentive**			3,556
Margin available for rent + profit	44,207	42,433	27,895
Margin available for rent + profit / hectare	442	424	279
Margin available for rent + profit / acre	179	172	113
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	799.0	199,750
Spring barley	130	5.25	195.00	646.0	83,980
Legume Fallow (Annual)	130			453.0	58,890
Field beans	130	3.00	230.00	347.0	45,110
Fallow	10			(25.0)	(250)
TOTAL GROSS MARGIN	650			596.1	387,480
Overheads					
Labour				95.1	61,839
Power and machinery (including depreciation)				332.6	216,165
Administration				72.4	47,034
Property				47.3	30,730
Overhead costs				547.3	355,768
Surplus (deficit) pre rent and finance				48.8	31,712
Farm specific overheads					
Rent and finance*				176.9	115,000
Drawings and tax				101.5	66,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(229.7)	(149,288)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(149,288)	(149,288)	(149,288)
Plus Basic Payment**	129,139	84,644	36,744
Plus Sustainable Farming Incentive***			53,853
Surplus (deficit) post support payments	(20,149)	(64,644)	(58,691)

To break even in England, the feed wheat base price (which relates to the barley and oat price) needs to be in excess of £215/T
*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-20
**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

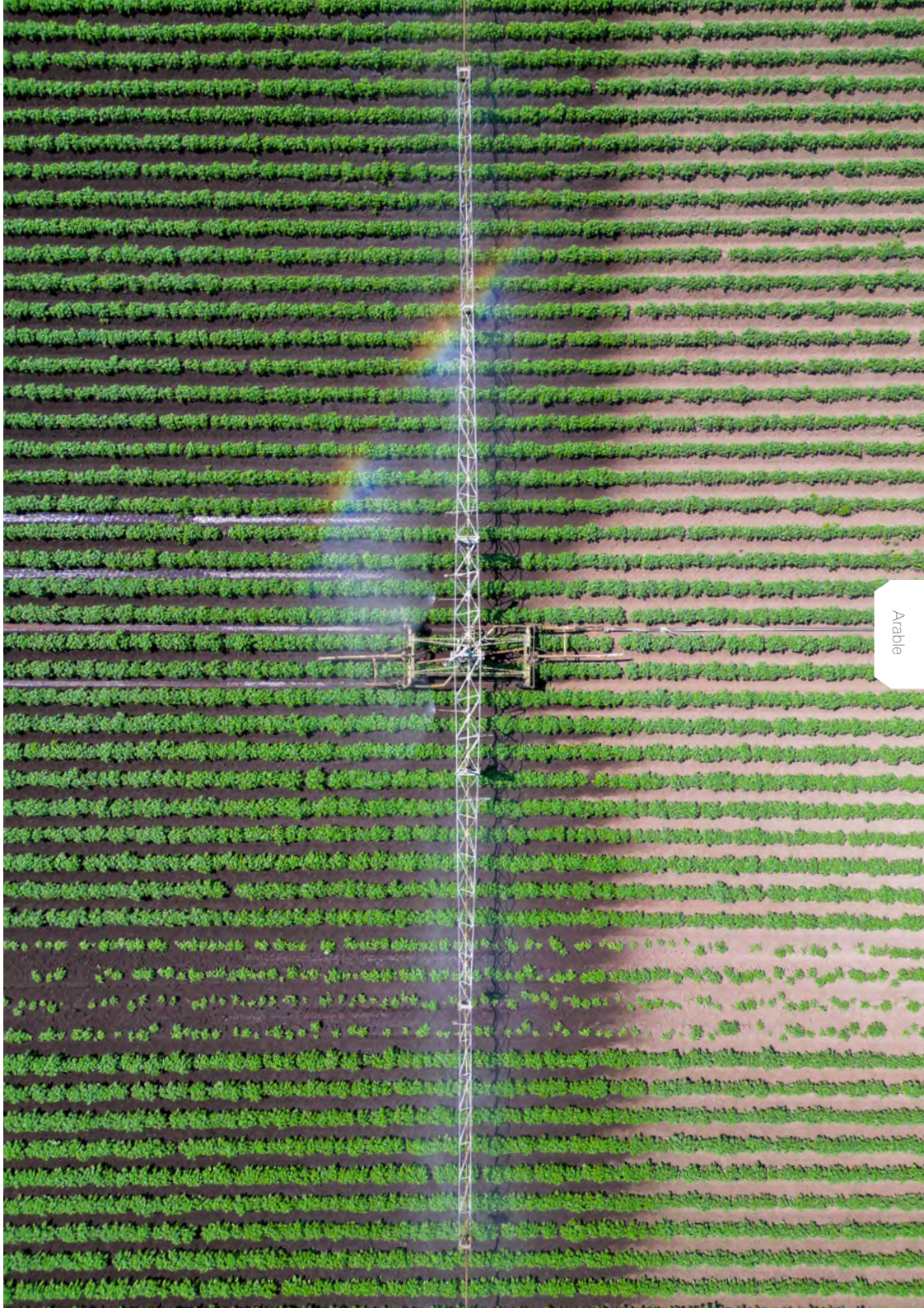
Combinable crops & potatoes

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

	Area	Yield	Price		
	ha	t/ha	£/t	£/ha	£ Total
Gross margin					
Wheat (feed)	274	8.80	190.00	1,005.0	275,370
Winter barley	92	7.25	165.00	633.0	58,236
Field beans	92	3.50	230.00	442.0	40,664
Oilseed rape	58	2.80	420.00	491.0	28,478
Spring oats	34	6.00	200.00	797.0	27,098
Potatoes (ware)	107	45.00	230.00	7,117.0	761,519
Fallow	8			(25.0)	(200)
TOTAL GROSS MARGIN	665			1,791.2	1,191,165
Overheads					
Labour				325.0	216,125
Power and machinery (including depreciation)				846.1	562,637
Administration				93.8	62,400
Property				68.2	45,379
Overhead costs				**1,333.1**	**886,541**
Surplus (deficit) pre rent and finance				**458.1**	**304,624**
Farm specific overheads					
Rent and finance*				333.8	222,000
Drawings and tax				147.4	98,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(23.1)	(15,376)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(15,376)	(15,376)	(15,376)
Plus Basic Payment**	129,139	84,644	36,744
Plus Sustainable Farming Incentive***			25,265
Surplus (deficit) post support payments	**113,763**	**69,268**	**46,633**

*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.
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-2028
**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 2025

Performance level

Egg Sales	eggs (dozens) per bird	27.00	27.00
		£ per bird	Pence per dozen
Output			
Eggs	155 pence per dozen	41.85	155.00
Cull Sales		0.19	0.70
Less Mortality	7% mortality	(2.94)	(10.89)
Total gross output		39.10	144.81
Variable costs			
Bird Purchases		5.25	19.44
Feed cost	£315 per tonne	16.38	60.67
Vet and med		0.36	1.33
Livestock sundries (incl. chemicals, pest control etc)		0.05	0.19
Catching & Cleaning & Contract		0.58	2.15
Grassland Management	£110 per hectare	0.06	0.22
Total variable costs		22.68	84.00
GROSS MARGIN		16.42	60.81
Overheads			
Labour		2.33	8.63
Power and machinery (including depreciation)		3.42	12.67
Administration		0.43	1.59
Property		0.50	1.85
Finance		1.96	7.26
Total overheads		8.64	32.00
Total cost of production (£/t)		31.32	116.00
Net margin (before support payments) (£/t)		7.78	28.81

Net margin sensitivity - ppdz

Egg Price (ppdz)	£ per bird	Feed Price (£/T)	£ per bird
145.00	5.1	355.00	5.7
150.00	6.4	335.00	6.7
155.00	7.8	315.00	7.8
165.00	10.5	275.00	9.9

Assumes no AI housing restriction in place
Price based on eggs sold direct to packer
Break Even = 124 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 2025 - March 2026

Performance level

Milk sales	litres per cow	8,000	9,500	8,000	9,500
		£ per cow		Pence per litre	
Output					
Milk	41.5 pence per litre	3,320	3,943	41.5	41.5
Plus calf	(£200 less 8% mortality)	184	184	2.3	1.9
Less cow depreciation*		(178)	(184)	(2.2)	(1.9)
Total gross output		3,326	3,943	41.6	41.5
Variable costs					
Feed cost	£310 per tonne	837		10.5	
Feed cost	£330 per tonne		1,172		12.3
Vet and med		94	127	1.2	1.3
Dairy sundries (incl. recording, AI and bull depreciation)		200	257	2.5	2.7
Forage	£545 per hectare	273		3.4	
Forage	£679 per hectare		407		4.3
Total variable costs		1,404	1,963	17.6	20.6
GROSS MARGIN		1,922	1,980	24.0	20.9
Total overheads including rent, finance, drawings & tax				21.4	18.0
Dairy replacement variable costs				2.3	2.3
Dairy replacements				(5.1)	(5.1)
Total cost of production (ppl)				36.1	35.8
Net margin (before support payments) (ppl)				5.4	5.7

Net margin sensitivity - ppl

Milk price (pence per litre)	8000 litres per cow	9500 litres per cow
36.50	0.4	0.7
41.50	5.4	5.7
46.50	10.4	10.7

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 2025 - March 2026

Performance level

Milk sales	litres per cow	5,000	6,000	5,000	6,000
		£ per cow		Pence per litre	
Output					
Milk	42.15 pence per litre	2,108	2,529	42.2	42.2
Plus calf	(£140 less 8% mortality)	129	129	2.6	2.2
Less cow depreciation*		(90)	(110)	(1.8)	(1.8)
Total gross output		2,147	2,548	43.0	42.6
Variable costs					
Feed cost	£280 per tonne	210		4.2	
Feed cost	£285 per tonne		392		6.5
Vet and med		51	62	1.0	1.0
Dairy sundries (incl. recording, AI and bull depreciation)		123	149	2.5	2.5
Forage	£398 per hectare	159		3.2	
Forage	£465 per hectare		233		3.9
Total variable costs		543	836	10.9	13.9
GROSS MARGIN		1,604	1,712	32.1	28.7
Total overheads including rent, finance, drawings & tax				25.0	20.8
Dairy replacement variable costs				2.2	2.6
Dairy replacements				(4.8)	(4.4)
Total cost of production (ppl)				32.5	32.5
Net margin (before support payments) (ppl)				9.7	9.7

Net margin sensitivity - ppl

Milk price (pence per litre)	5000 litres per cow	6000 litres per cow
37.15	4.7	4.7
42.15	9.7	9.7
47.15	14.7	14.7

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
		£ per head	£ per head	£ per head
Output				
Value of down calving heifer		1,800	1,800	1,330
Less calf	(£200 less 8% mortality)	(184)	(184)	
Less calf	(£140 less 8% mortality)			(129)
Total gross output		1,616	1,616	1,201
Variable costs				
Calf rearing		139	139	109
Feed cost		285	348	239
Forage	£272.5 per hectare	164	218	95
Miscellaneous		129	147	114
Total variable costs		717	852	557
GROSS MARGIN	Per heifer reared	899	764	644
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	**41.50 ppl**

	Number	Milk Sold			
	Hd	l/cow	ppl	£/Hd	£ Total
Gross Margin					
Dairy cows	250	8,000	24.0	1,922.0	480,500
Replacements	63		2.8	899.0	56,637
TOTAL GROSS MARGIN			26.8	2,148.6	537,137
Overheads					
Labour			5.1	408.0	101,992
Power and machinery (including depreciation)			5.7	458.6	114,648
Administration			1.2	96.3	24,084
Property			1.2	97.7	24,416
Overhead costs			13.2	1,060.6	265,140
Surplus (deficit) pre rent and finance			13.6	1,088.0	271,997
Farm specific overheads					
Rent and finance*			4.6	364.0	91,000
Drawings and tax			3.6	288.0	72,000
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS			5.4	436.0	108,997

Potential support payments	**N Ireland**	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	108,997	108,997	108,997	108,997
Plus Basic Payment**	41,213	27,815	22,934	11,297
Plus Sustainable Farming Incentive***				38,846
Surplus (deficit) post support payments	150,210	136,812	131,931	159,140

*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
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-2028
**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

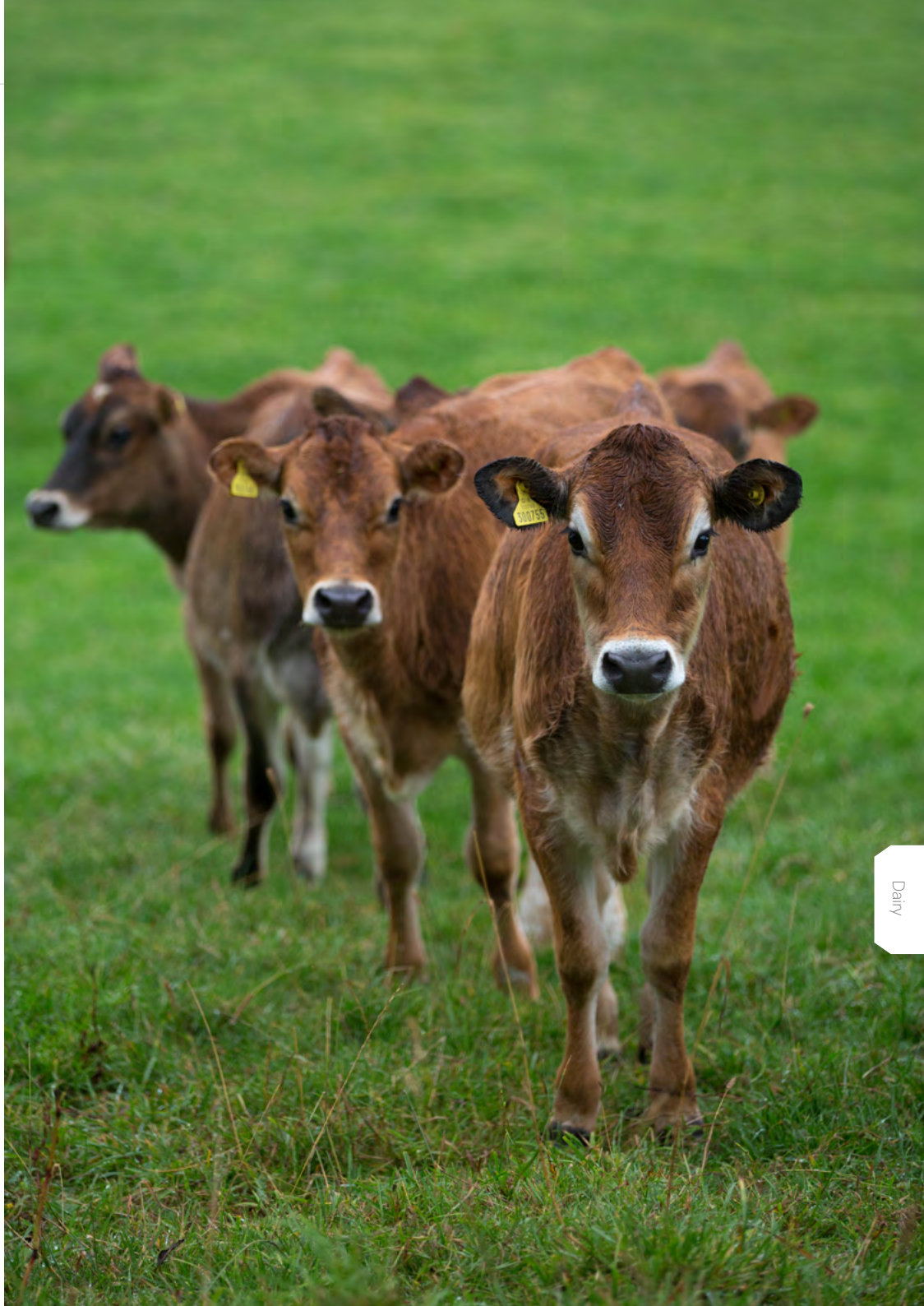
300 Cow dairy farm - spring calving grass based system

Farm size 170 ha
Herd size 300 cows
Milk price **42.15 ppl**

	Number	Milk Sold			
	Hd	l/cow	ppl	£/Hd	£ Total
Gross Margin					
Dairy cows	300	5,000	32.1	1,604.0	481,200
Replacements	60		2.6	644.0	38,640
TOTAL GROSS MARGIN			34.7	1,732.8	519,840
Overheads					
Labour			4.6	228.6	68,592
Power and machinery (including depreciation)			4.9	243.8	73,126
Administration			1.2	62.1	18,629
Property			1.3	63.9	19,154
Overhead costs			12.0	598.3	179,501
Surplus (deficit) pre rent and finance			22.7	1,134.5	340,339
Farm specific overheads					
Rent and finance*			6.1	306.7	92,000
Drawings and tax			6.9	346.0	103,800
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS			9.7	481.8	144,539

Potential support payments	**N Ireland**	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	144,539	144,539	144,539	144,539
Plus Basic Payment**	50,044	33,775	26,564	13,397
Plus Sustainable Farming Incentive***				60,282
Surplus (deficit) post support payments	194,583	178,314	171,103	218,218

*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
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-2028
**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 2025 and sold at 12 months of age as yearling stores

Performance level

Average liveweight sold per store (kg)		356.0	395.0	356.0	395.0
		£ per cow		Pence per kg lwt	
Output					
Store cattle (89% calving %) - see matrix*		1,060		297.8	
Store cattle (94% calving %) - see matrix*			1,195		302.5
Less cow and bull replacement charge**		(85)	(90)	(23.9)	(22.8)
Total gross output		975	1,105	273.9	279.7
Variable costs					
Feed cost	£260 per tonne (including creep feed)	156	143	43.8	36.2
Bulk feed		18	18	5.1	4.6
Vet and med		65	55	18.3	13.9
Bedding straw		70	50	19.7	12.7
Commission, haulage, levies, tags and sundries		50	50	14.0	12.7
Forage	0.9 ha per cow and store to sale	160	160	44.9	40.5
Total variable costs		519	476	145.8	120.6
GROSS MARGIN		456	629	128.1	159.1
Total overheads including rent, finance, drawings & tax				225.3	203.1
Total cost of production (p/kg lwt)				395.0	346.5
Net margin (before support payments) (p/kg lwt)				(97.2)	(44.0)

***Output matrix**

	kg lwt	p/kg lwt	£/hd	£/hd
Steers	410	300	1,230	
Heifers	390	295	1,151	
Steers	430	305		1,312
Heifers	410	300		1,230

**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		1,654	1,739	485.0	510.0
Less store purchase price - see matrix*					
	£1020 plus 0.5% allowance for mortality	(1,025)		(300.6)	
	£1024 plus 0.5% allowance for mortality		(1,029)		(301.8)
Total gross output		629	710	184.4	208.2
Variable costs					
Feed costs / by products	£250 per tonne	300		88.0	
	£235 per tonne		259		76.0
Vet and med		18	18	5.3	5.3
Bedding straw		70	70	20.5	20.5
Commission, haulage, levies, tags and sundries		45	45	13.2	13.2
Forage	0.25 ha per hd	65	65	19.1	19.1
Total variable costs		498	457	146.1	134.1
GROSS MARGIN		131	253	38.3	74.1
Total overheads including rent, finance, drawings & tax				67.4	67.4
Total cost of production (p/kg dwt)				514.1	503.3
Net margin (before support payments) (p/kg dwt)				(29.1)	6.7

Sale prices

	kg lwt	p/kg lwt	kg dwt	p/kg dwt	£/hd	£/hd
Average / Commercial	620	267	341	485	1,654	
Premium / Scheme**	620	280	341	510		1,739

***Store purchase price matrix**

	kg lwt	p/kg lwt	£/hd	£/hd
Average / Commercial	340	300	1,020	
Premium / Scheme	320	320		1,024

**Beef supply scheme for a retail outlet
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 @ 300p per kg	174.0	192.0	300.0	300.0
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		**153.0**	**171.0**	**263.8**	**267.2**
Variable costs					
Feed costs	£265 per tonne				
	70kg per ewe (including lamb)	18.6		32.1	
	40kg per ewe (including lamb)		10.6		16.6
Vet and med		14.0	14.0	24.1	21.9
Commission, haulage, levies, tags and sundries		10.5	11.0	18.1	17.2
Forage	0.14 ha per ewe	16.0	15.0	27.6	23.4
Total variable costs		**59.1**	**50.6**	**101.9**	**79.1**
GROSS MARGIN		93.9	120.4	161.9	188.1
Total overheads including rent, finance, drawings & tax				**133.2**	**120.7**
Total cost of production (p/kg lwt)				271.3	232.6
(p/kg lwt)				571.2	489.7
Net margin (before support payments) (p/kg lwt)				**28.7**	**67.4**

*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 @ 295p per kg				
	25% Store @ 34kg @ 295p per kg				
	30% Breeding @ £115 per head	148.5	159.5	297.0	297.0
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		**131.5**	**142.5**	**263.0**	**265.4**
Variable costs					
Feed costs	£275 per tonne				
	50kg per ewe (including lamb)	13.8		27.6	
	30kg per ewe (including lamb)		8.3		15.5
Vet and med		13.0	13.0	26.0	24.2
Commission, haulage, levies, tags and sundries		9.0	9.5	18.0	17.7
Forage	0.21 ha per ewe	15.0	14.0	30.0	26.1
Total variable costs		**50.8**	**44.8**	**101.6**	**83.5**
GROSS MARGIN		80.7	97.7	161.4	181.9
Total overheads including rent, finance, drawings & tax				**129.8**	**120.9**
Total cost of production (p/kg lwt)				265.4	236.0
(p/kg lwt)				570.8	507.5
Net margin (before support payments) (p/kg lwt)				**31.6**	**61.0**

*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

Lowland mixed farm

60 Suckler cows, 80 cattle finishing, 500 lowland ewes

Performance level

Lambs reared per 100 ewes		100	115
Lambs sold per 100 ewes		70	85
		£ per ewe	
Output			
Lambs	50% finished @ 30kg @ 290p per kg		
	50% stores @ 25kg @ 290p per kg	55.8	67.8
Draft ewe		14.0	14.0
Wool		0.5	0.5
Less ewe and ram replacement charge*		(8.0)	(8.0)
Total gross output		62.3	74.3
Variable costs			
Feed costs	£290 per tonne		
	35kg per ewe (including lamb)	10.2	
	20kg per ewe (including lamb)		5.8
Vet and med		12.0	10.0
Commission, haulage, levies, tags and sundries		7.0	6.0
Wintering costs		6.0	5.0
Forage		6.5	6.5
Total variable costs		41.7	33.3
GROSS MARGIN		20.6	41.0
Total overheads including rent, finance, drawings & tax		78.3	78.3
Net margin (before support payments) (£/hd)		(57.7)	(37.3)

*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

	Head	Area			
		ha	£/hd	£/ha	£ Total
Gross Margin					
Suckler cows	60	50	456.0	547.2	27,360
Cattle finishing	80	20	131.0	524.0	10,480
Lowland ewes	500	65	93.9	722.3	46,950
Winter barley		20		633.0	12,660
Spring barley		20		806.0	16,120
TOTAL GROSS MARGIN		175		649.0	113,570
Overheads					
Labour				82.2	14,391
Power and machinery (including depreciation)				351.8	61,572
Administration				70.3	12,301
Property				80.8	14,141
Overhead costs				585.2	102,405
Surplus (deficit) pre rent and finance				63.8	11,165
Farm specific overheads					
Rent and finance*				120.0	21,000
Drawings and tax				100.0	17,500
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(156.2)	(27,335)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(27,335)	(27,335)	(27,335)
Plus Basic Payment**	39,726	27,169	13,747
Plus Sustainable Farming Incentive***			28,764
Surplus (deficit) post support payments	12,391	(166)	15,176

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-20
**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	456.0	497.5	54,720
Upland ewes	1,500	315	80.7	384.3	121,050
TOTAL GROSS MARGIN		425		413.6	175,770
Overheads					
Labour				78.4	33,326
Power and machinery (including depreciation)				143.7	61,067
Administration				34.3	14,565
Property				47.7	20,260
Overhead costs				304.0	129,218
Surplus (deficit) pre rent and finance				109.5	46,552
Farm specific overheads					
Rent and finance*				72.9	31,000
Drawings and tax				78.4	33,300
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS				(41.8)	(17,748)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(17,748)	(17,748)	(17,748)
Plus Basic Payment**	103,116	57,419	26,185
Plus Sustainable Farming Incentive***			67,012
Surplus (deficit) post support payments	85,368	39,671	75,449

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-20
**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	456.0	15,960
Hill ewes	850	20.6	17,510
TOTAL GROSS MARGIN			33,470
Overheads			
Labour			6,578
Power and machinery (including depreciation)			30,746
Administration			9,421
Property			10,553
Overhead costs			57,298
Surplus (deficit) pre rent and finance			(23,828)
Farm specific overheads			
Rent and finance*			13,000
Drawings and tax			18,500
SURPLUS (DEFICIT) PRE SUPPORT PAYMENTS			(55,328)

Potential support payments	**Scotland**	**Wales**	**England**
Surplus (deficit) pre support payments	(55,328)	(55,328)	(55,328)
Plus Basic Payment**	44,584	72,544	14,571
Plus Sustainable Farming Incentive***			48,910
Surplus (deficit) post support payments	(10,744)	17,216	8,153

*Assumed 50% land rented (50% Agricultural Holdings Act (AHA) + 50% Farm Business Tenancy (FBT))
**As at August 2024, the payment rate in England for 2025 is as estimate as DEFRA have not announced deductions for 2025-2
**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

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 support policies tailored towards their own agricultural industry. Each is 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 is different in each nation. Due to the divergence in policy, each devolved region has been given a separate section.

Support Budget

The largest unknown in terms of support for 2025 will be the funding provided by Government. The UK budget for farm support has been fixed since 2020 at the same level as under the CAP. A revised allocation is due for 2025 onwards as part of the new Government's Spending Review. At the time of writing it is unclear what the budget will be. Figures for 2025 in the sections that follow assume that the amount will be similar to past years (in nominal terms), but not increased for inflation.

England
In England, the 'Agricultural Transition' runs from 2021 to 2028. In summary this means;

- The BPS will continue, but payments will be reduced annually (see below). By 2028 there will be no direct payments (BPS). Those that receive the highest payments are subject to the largest reductions. The table below shows the % deductions to payments from 2022-2025. **The 2025 rate is an estimate, as deductions for 2025-2028 had not been announced by Defra at the time of writing.**

Agricultural Transition (BPS Deductions) – source Defra

Payment Band	2022	2023	2024	2025
Up to £30,000	20%	35%	50%	65%
£30,000 to £50,000	25%	40%	55%	70%
£50,000 to £150,000	35%	50%	65%	80%
£150,000 or above	40%	55%	70%	85%

- Payments were de-linked in 2024, meaning the business will continue to receive BPS payments throughout the transition period, regardless of farmed area. Amounts were calculated according to BPS received in 2020, 2021 and 2022. The table below shows payments from 2022-2025.

English BPS Rates (estimates in bold)

£ per Ha	2022	2023	2024	2025
Lowland (non-SDA)	186.64	151.65	**117**	**82**
SDA	185.28	150.54	**116**	**81**
Moorland	51.20	41.60	**32**	**22**

Payments include lowest payment band Ag. Transition deduction. Larger reductions on bigger claims.

- During the Agricultural Transition, Environmental Land Management (ELM) is the main scheme for land managers. It is being phased-in from 2021-2025. This pays land managers for providing 'public goods' including biodiversity, landscapes, clean air & 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. From summer 2024 there is an expanded SFI 2024 'offer'. In total there are now 102 actions available. Many of the actions that were previously available under

Countryside Stewardship Mid-Tier are now included in the SFI and are available through a single online application. Over 90 actions are for 3 years, with payments made quarterly in arrears. The expanded offer is also open to those who have not previously claimed the BPS. Actions are grouped into themes:

- Soils
- Nutrient Mgt
- IPM
- Precision Farming
- Farmland Wildlife & Habitats
- Species Recovery & Mgt
- Boundary Features
- Waterbodies
- Moorland
- Agroforestry
- Buffer Strips
- Heritage
- Organic Land
- Common Land

There is also a Management Payment paid annually on the first 50 hectares entered into the agreement. This is £40 per Ha in the first year and then £20 per Ha thereafter.

Countryside Stewardship (CS) – Payments are made for management actions and capital items which 'make space for nature' that support local nature recovery and deliver local environmental outcomes. Support for forestry is under CS. For 2025 onwards this component will be made up of the previous CS Higher Tier as most Mid-Tier actions have been subsumed into the SFI. Higher Tier is being kept separate as these agreements are usually more complicated and require specialist advice from Natural England (NE) or the Forestry Commission (FC). Later in 2024 applicants will be able to start working with NE or the FC to draw up their applications with the first agreements commencing in early 2025. After this, applications should be possible all year round with quarterly payments.

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 (20+ years) bespoke agreements.

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

Farm Investment Fund (FiF) – 40%-50% grants for capital investments. The Farming Equipment & Technology Fund (FETF) provides grants of between £1,000 and £50,000 for a set list of capital items to improve productivity, manage slurry and improve animal health and welfare. The other grants under the FIF are for larger items of spending with grants of between £25,000 and £500,000 (based on a 40-50% grant rate). Grants open in rounds, with funding available in the following areas: water management, improving farm production, adding value, slurry infrastructure, and housing grants for the livestock sector.

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 until March 2025.

Farming in Protected Landscapes (FiPL) – provides support to farmers and the wider community in National Parks, Areas of Outstanding Natural Beauty (AONB) and the Broads.

Scotland

In Scotland, the BPS will continue in 2025 but farmers will have to meet some Essential Standards to receive the payment (see below for rates). Full details were not available at the time of writing, but these are expected to include;

- Greening – as per current rules
- Cross Compliance – as per current rules with new protection for wetlands and peatlands
- Whole Farm Plans - pick two from; carbon audit, biodiversity audit, soil test, animal health and welfare plan, IPM plan.

Scottish BPS Rates (estimates in bold)

£ per Ha	2022	2023	2024	2025
Region 1	223.08	223.56	**223**	**223**
Region 2	45.21	45.36	**45**	**45**
Region 3	13.73	13.76	**14**	**14**

Scotland has retained two coupled support schemes, the Scottish Suckler Beef Support Scheme (SSBSS) and the Scottish Upland Sheep Support Scheme (SUSSS). Coupled payments are approximately £103 per beef calf (£146 in the Islands) under the SSBSS. These will continue to be available in 2025. However, from 2025 payment via the SSBSS will only be made on calves coming from cows with a calving interval of 410 days or less. The SUSSS pays £61 per ewe hogg for farms with >80% Region 3 land.

Support for the environment, woodland, sustainable agriculture and advisory services are also expected to be available in 2025, as will LFASS payments.

From 2026 new support schemes will be introduced. Payments under four tiers are proposed:

- **Tier 1 – Base Level Direct Payment** – to support active farming and food producers. Conditional on Essential Standards e.g. Active farmer test, whole farm plan, cross compliance and greening.
- **Tier 2 – Enhanced Level Direct Payment** – 'top-up' payment conditional on achieving high levels of GHG reductions, nature restoration and enhancement.
- **Tier 3 – Elective Payment** – an indirect payment focussed on targeted measures for nature restoration, innovation support, organic farming and supply chain support.
- **Tier 4 - Complementary Support** – to include delivery of CPD, advisory services, measurement tools for nature restoration & enhancement and GHG emissions & 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 BPS will continue in Wales in 2025. The introduction of the new Sustainable Farming Scheme (SFS) has been delayed by one year and will now commence in 2026. BPS Payments are shown in the table below;

Welsh BPS Rates (estimates in bold)

£ per Ha	2022	2023	2024	2025
All-Wales region	123.08	121.85	**121**	**121**
Redistributive Payment	112.42	111.02	**111**	**111**

Redistributive Payment made on first 54ha of claim

During 2025 there will be a 'Preparatory Phase' during which support to improve the environment will be available via the Habitat Wales scheme and woodland schemes. Funding for organic farming and an extension to Farming Connect has also been confirmed as well as a new scheme to encourage collaboration to deliver nature-based solutions at landscape scale.

The new Sustainable Farming Scheme (SFS) is being phased in from 1st April 2026 to 31st March 2030. Over this period the BPS will be phased out as follows;

Welsh BPS Phasing for 2026 - 2030

2026	2027	2028	2029	2030
80%	60%	40%	20%	0%

Farmers will be able to choose to continue with the (reducing) BPS or move into the new SFS.

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 continuing the Farming Connect programme, including a 'redesigned' advisory service and a Continuing Professional Development (CPD) Programme.

Northern Ireland
In 2025 the new Farm Support and Development Programme will be introduced. This will be made up of a number of voluntary schemes, 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 no longer be available and 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. The latter commenced in January 2024. The former is expected to be rolled-out later in 2024.
- **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 2024.

There will also be funding for items that improve productivity, innovation, cooperation and environmental outcomes. A Farming for the Generations scheme will encourage longer-term planning for farm businesses and DAERA will invest in the initiation of an industry led Ruminant Genetics Programme. A new capital investment scheme is expected to commence in 2025. Support remains available for woodlands.

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Issued by HSBC UK Bank plc
Customer information: HSBC Customer Information, PO Box 760, Fareham PO14 9TE

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This booklet has been prepared in consultation with Andersons whose assistance is greatly appreciated.