

Ceres Rural – Farming Update

Introduction

Welcome to the inaugural Ceres Rural Farming Update, a publication that provides independent insights on agricultural issues, reports on policy, grant and administrative updates and key market information. To discuss any of the topics raised, contact one of the Team using the details below.



In the Field

Cereals

Despite the similar, if not more challenging conditions, faced in autumn 2020 as those encountered in autumn 2019, many winter cereals established in timely fashion have coped with the wet weather quite well, although wheats drilled in December are proving more variable. With many being forced to fall back on spring wheat in the previous year, this may now prove a useful source of home saved seed for drilling either whole fields, headlands or patches that remain undrilled. The consecutive wet drilling seasons of 2019 and 2020 have again highlighted the importance of maintaining accurate drainage records, keeping up moling and regular ditch maintenance.

The bounce back anticipated from the record low wheat area of 1,387kha in 2020 appears to have materialised, with the AHDB Early Bird Survey forecasting a 28% increase year on year to 1,776kha hectares for harvest 2021. This aligns 2021 with the AHDB Early Bird Survey 5-year wheat area average of 1,739kha. Likewise, winter barley drilled areas are forecasted to bounce back to 389kha for harvest 2021, a 25% year on year increase from 2020.

Oilseed Rape

Most oilseed rape crops hold more promise than the previous year, with early crop failure due to cabbage stem flea beetle being less severe than autumn 2019. Despite this, larvae are present in some crops and combined with recent cold weather and hungry pigeons, the previously full green canopies of January have disappeared as a result of defoliation. Keeping pigeons off, getting nitrogen on and moderating growth regulation will be key management practices to set the crop up this spring. The disappointing yields of 2020 have further fueled

the trend in reduced plantings of oilseed rape, with the AHDB Early Bird Survey forecasting 312kha oilseed rape drilled for 2021, a further 18% reduction from 380kha in 2020, which was off the back of a 28% reduction from the 530kha of 2019.

Sugar Beet

As the sugar beet campaign draws to an end, it has been one that left many growers with disappointing yields as a result of high levels of virus yellows infection and spring drought. Unprecedented populations of peach potato aphid in the crop while young and susceptible last year caused high levels of virus yellows. This combination of prominent virus yellows and spring drought left some growers with up to 80% yield loss according to British Sugar, with benchmarking identifying yield losses of 50% being common among those with high levels of virus infection. The British Beet Research Organisation (BBRO) reported the Brooms Barn research station caught 4,000 aphids in 2020, the highest count on record since the 1970s and more than 2,000 above the previous record set in 2014. In response to the disappointing yields and negative net margins experienced by many growers, British Sugar announced a price boost to the 2021 crop in an attempt to build confidence back into the crop. The 'Beet Package Plus' contains a number of elements for the 2021 crop, including:

- 1-year contract price increase of £0.80/t from £20.30/t to £21.10/t
- 3-year contract price increase of £0.82/t from £21.18/t to £22.00/t
- Surplus beet price fixed at £20.30/t
- Increased campaign flexibility to avoid harvesters operating in fields unsuitable for lifting
- £12m Virus Yellows Assurance Fund to compensate growers for yield lost to Virus Yellows

The conditional derogation for the use of the neonicotinoid seed treatment Cruiser SB (thiamethoxam) that had been provisionally approved will not be applied this season as the Rothamstead virus forecast did not reach the 9% trigger threshold. As the forecast has demonstrated a high level of accuracy in the past, looking ahead to the 2021 crop it is hoped aphid populations will not reach the unprecedented levels of 2020. Growers will have one foliar application of Teppeki (flonicamid) for the control of aphids in 2021. Emergency approvals for two other foliar products have been submitted.



Policy and Business News

UK – EU Trade Relations

The UK-EU Trade and Cooperation Agreement secured on Christmas Eve has experienced a few teething problems, specifically around the Northern Ireland Protocol and Sanitary and Phytosanitary issues.

The Northern Ireland Protocol requires checks on products such as meat, milk, fish and eggs when goods move from Great Britain to Northern Ireland. These checks have resulted in significant delays for some goods. Temporary grace periods are in place and vary from 3 to 12 months but Northern Ireland businesses have called for extensions to provide time to adjust to the new arrangements. The Joint Committee review of the situation on 18th February led to Michael Gove asking for a grace period extension to 2023. Longer grace periods were not ruled out by the EU, however they are unlikely to agree to the two years proposed by Michael Gove. Another option to ease friction would be the creation of a veterinary agreement between the UK and EU.

The Trade and Cooperation Agreement did little to minimise sanitary and phytosanitary requirements, which resulted in delays at ports due to the short timeframe for businesses to respond to the new agreement. Two potential options to address this issue could be a Swiss style SPS agreement whereby the UK would follow EU standards, or a New Zealand style agreement whereby physical checks would be lowered to reflect the low risk level due to a high degree of alignment in standards.

DEFRA gene editing consultation

Following the expiry of the transition period, DEFRA believes genetically edited organisms should no longer be grouped and regulated as genetically modified organisms. Genetically edited organisms have their existing genes switched on or off, commonly through the CRISPR technique, whereas genetically modified organisms have foreign genetic material inserted into the host's genes. The CRISPR gene editing technique enables researchers to edit DNA with precision, achieving outcomes that would otherwise be impossible or take years through traditional breeding techniques. The practical applications of gene editing include increasing drought tolerance of crops, mildew resistance in wheat and reduced gluten content of wheat. Gene editing also extends to applications in the livestock sector, where it

can be used to develop animals with specific disease resistance, such as pigs with resistance to the viral disease PRRS.

This contentious subject will likely receive polarised responses from lobbying groups. To submit your views, access the consultation using the link [here](#) before the closing date of 17th March.

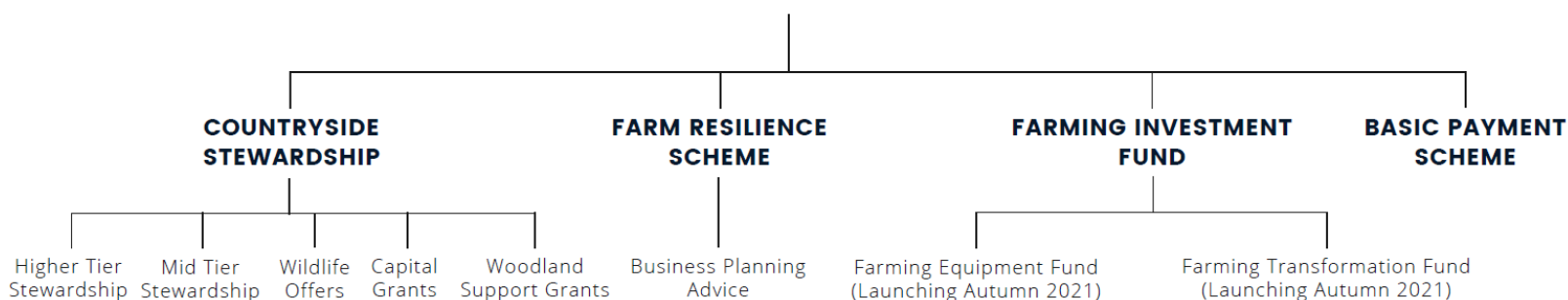


Grants and Rural Payments

As the phasing out of the Basic Payment Scheme (BPS) begins in 2021, the implementation of the Agricultural Transition Plan will start to gain traction with funds freed up from BPS. The diagram below shows that in 2021 this will be in the form of the Farm Resilience Scheme and Farming Investment Fund. The latter will provide small to medium grants through the Farming Equipment Fund and large awards through the Farming Transformation Fund. Both schemes are set to open in the autumn with more details expected later in the spring and summer. Alongside these new schemes, the BPS and Countryside Stewardship (CSS) will continue to be major channels of government funding in 2021.

The pilot for the Sustainable Farming Incentive opened for applications in March 2021, however the scheme will not be ready for full roll out until 2024. DEFRA announced the indicative Arable payment rate for the scheme would range from £28/ha to £74/ha, although it was noted that this is a starting point for payments and they will likely change as the Sustainable Farming Incentive evolves during the pilot. Currently the scheme can be added alongside an existing Countryside Stewardship scheme as long as there is no overlap and double funding.

Rural Grants & Payments 2021



2021 Basic Payment Scheme

The window for BPS applications is fast approaching, with the portal opening on 18th March and submission deadline set for 17th May. The most notable change in 2021 is the removal of Greening, which included the crop diversification and ecological focus area rules. This is welcome news as Greening added complexity to the BPS while providing little environmental benefit.

This year will see phased reductions implemented on a tiered basis, as shown in the table below. As the BPS starts to phase out, funding will be redirected through new schemes and grants as well as enhancing existing schemes, such as CSS. The final destination of the Agricultural Transition Plan in 2028 is a vibrant agricultural sector comprised of productive, profitable and environmentally sustainable businesses that are no longer reliant on public subsidy. Part of these funds will also be used to implement the ambitions of the 25-year Environment Plan, which was published in 2018 and set the target for this generation to be the first to leave the environment in a better condition than it was inherited.

Payment Band	Scheme Year			
	2021	2022	2023	2024
£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	25%	40%	55%	70%

2021 Countryside Stewardship

CSS opened for applications on 9th February 2021 for agreements starting on 1st January 2022. The scheme offers payments for a suite of land management options and capital grants with the aim to enhance the environment. These are implemented through five channels:

- 1) **Higher-Tier Stewardship** – this scheme covers environmentally significant sites and offers a wider range of management options and capital items. The deadline to request an application pack is 31st March and completed applications need to be submitted by 30th April.
- 2) **Mid-Tier Stewardship** – this scheme aims to deliver environmental benefits through a range of management options and capital grants. The deadline to request an

application pack is 30th June and completed applications need to be submitted by 30th July.

- 3) Wildlife Offers** – this scheme is a simplified option that guarantees an agreement if the requirements are met. There is no deadline to request a pack as applications are completed online and must be submitted by 30th July.

- 4) Capital Grants** – this scheme offers 67 capital grant options that increase biodiversity, enhance habitats and improve water and air quality. Similar to Wildlife Offers, applications are completed online. The deadline for applications and supporting evidence is 30th April. However, if an application includes options that require approval from a Catchment Sensitive Farming Officer, this needs to be requested by 18th March. A useful addition to the scheme this year is the option for existing Higher Level Stewardship agreement holders to apply for Capital Grants.

- 5) Woodland support grants** – this scheme includes grants for woodland creation, maintenance, management and tree health. Applications can be submitted year-round for these grants, however it is important to plan the timing of a Woodland Support application if a woodland is then going to be entered into a Mid or Higher Tier scheme and the dates these involve.

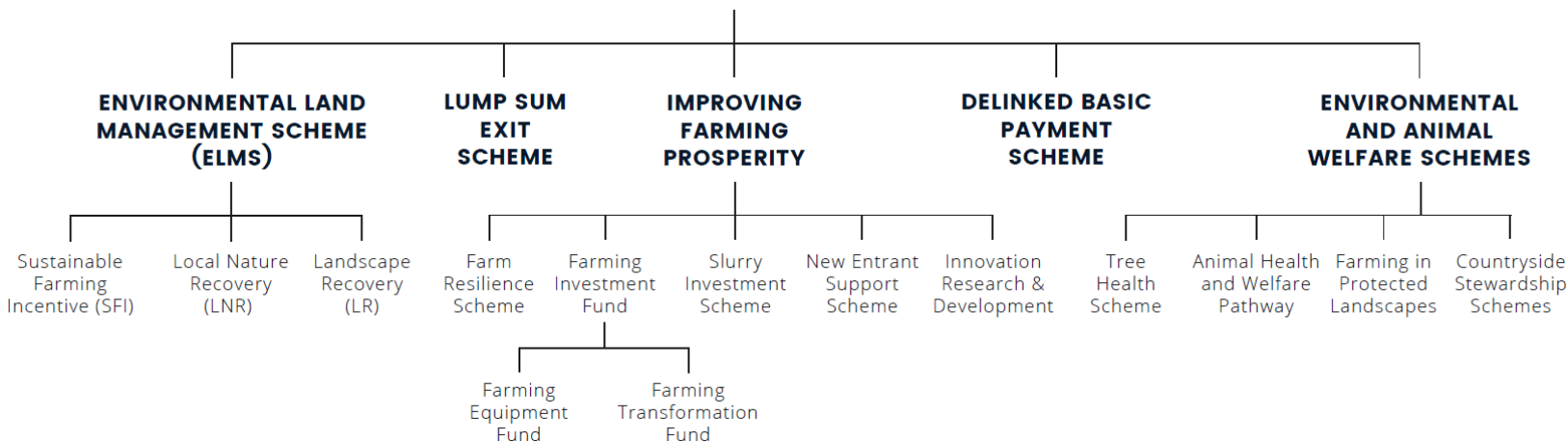
Changes in 2021 include new options to specifically improve air and water quality and reduce ammonia emissions, improvements to capital grant offers and importantly, a change to the regulatory approach. This will shift the focus from inspection and penalties for breaches, to advice and support for the delivery of environmental outcomes, allowing breaches to be corrected and if needed paid back without additional penalties. Previously the prospect of penalties for breaches has put farmers off CSS, however this change in regulatory approach and the guarantee of being free to leave agreements early to join the new Environmental Land Management Scheme (ELMS) now make it an attractive option for those seeking to mitigate losses from BPS reductions. If you would like to discuss the opportunities and identify the most suitable options for your farm, contact a member of the [Team](#).

Agricultural Transition Plan

As more details are released on the Agricultural Transition Plan, it is apparent there will be a broad selection of funding streams to choose from, effectively taking the single payment hose pipe of BPS funds and putting it through a sprinkler of various targeted schemes.

The diagram below maps the schemes announced in the November update from DEFRA, although it will likely continue to morph as the results of consultations, pilots and co-designs shape the future of farm support.

Agricultural Transition Plan Funding Channels (2021-2028)



Set to launch in Autumn 2021, the Farming Investment Fund is the first of the new schemes to take effect. The fund will consist of two grant channels, the Farming Equipment and Technology Fund and the Farming Transformation Fund. The Farming Equipment fund will provide grant support for farmers to invest in specific kit from a set list, similar to the popular Small Grant Scheme. The Farming Transformation Fund will provide grant support for substantial investment in equipment, technology or infrastructure that will transform business performance. As these schemes are set to open in Autumn 2021, more details should be released throughout the Spring and Summer.

Reviewing the information available on the long-awaited ELM scheme, it is clear this will consist of three components, the Sustainable Farming Incentive, Local Nature Recovery and Landscape Recovery. An update on the Sustainable Farming Incentive was published in March this year, with DEFRA providing more information on how the scheme will work, scheme options and payment rates, with further updates expected in June. The first phase of the scheme is expected to be available from 2022 onward.

Local Nature Recovery is the second element of the ELM scheme, whereby payments will be available for actions such as restoring, creating and managing habitats. Pilots for this element should be running by the end of 2021.

Landscape Recovery is the third element of the ELM scheme and will encompass landscape scale schemes, such as the restoration or creation of forests, coastal habitats or peatland. There will be far fewer of these landscape scale projects, with DEFRA aiming to offer the first 10 between 2022 and 2024.

Consultation on the lump sum payment is set to be published in March. The Tenant Farmers Association has highlighted the need for clarity on the tax implications of how the lump sum will be treated. As three-quarters of the 360 tenant farmers surveyed noted they were seriously interested in the lump sum payment, it could increase land mobility and provide opportunities for new entrants.

Many of the schemes announced as part of the Agricultural Transition Period are being trialed this year and DEFRA is expected to publish further information on them throughout the course of 2021, as a number intend to be open to applications in 2022. If you would like to discuss any of these new schemes, contact Ed Hutley.



Market Update

Domestic combinable crop commodity markets sit comfortably above previous year prices off the back of a record low production from harvest 2020, whereby DEFRA wheat production forecasts were the lowest since 1981. This is resulting in a tight domestic balance sheet. Going forward, this will be compounded with the re-opening of the Vivergo Ethanol plant on Humberside in early 2022, consuming a million tonnes of wheat when operational. The global commodities picture has been heavily influenced by Chinese purchasing of maize stocks, slow progress on Brazilian maize planting and frost damage to US winter wheat crops.

Oilseed rape prices have made dramatic gains so far this year, rising £59/t from the start of 2021 to March, a perfect example of supply and demand. The rally has been fueled by Canadian supplies being 9% lower than the previous season, small European rapeseed crops

and strong demand for vegetable oil and protein meal off the back of China's reinstated pig herd after the mass culls implemented to control African Swine Fever. Due to the live nature of commodity markets, do contact Robert Gazely for the latest market prices and to discuss your marketing strategy in more detail.

Arable (£ per tonne)	Year Ago	March 2021	Year Ahead
Milling Wheat	£163.50	£217.25	£187.75
Feed Wheat	£145.50	£202.25	£167.75
Feed Barley	£124.00	£156.50	£149.75
Oilseed Rape	£325.75	£429.75	£368.75
Beans	£230.00	£229.00	£202.75

Source: Merchant East Anglia ex. farm bids

Livestock (£ per kilo dead weight)	Year Ago	March 2021	Year Ahead
Beef Cattle (R4L)	3.35	3.85	Positive Sentiment
Lambs (SQQ overall)	5.30	6.13	Possible Decrease
Milk (pence per litre)	29.39 (Nov. 19)	30.08 (Nov. 20)	Positive Sentiment
Pork (SPP)	1.60	1.37	Possible Decrease

Source: AHDB



Dates for the Diary

- Cereals – 30th June to 1st July 2021
- Groundswell - 23rd to 24th June 2021
- Farm Business Innovation Show – 10th to 11th November 2021
- Agri Technica – 14th to 20th November 2021
- CropTec – 24th to 25th November 2021
- LAMMA – Postponed to 2022
- Norfolk Show – Postponed to 2022
- Suffolk Show – Postponed to 2022

If you would like to discuss any of the topics covered in this issue of the Farming Update, do contact a member of the team.



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