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Outlook 2026

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INTRODUCTION TO Outlook 2026

Welcome to Andersons' Outlook 2026, our annual review of the UK farming industry and thoughts on the prospects for the sector.

With the notable exception of combinable cropping, returns in most parts of UK farming have been reasonable in 2025 - as outlined in the following Farm Profitability article. However, the mood in the industry is generally more 'downbeat' than profit levels might suggest. Partially, this will be down to the weather, with drought conditions hitting crop yields and forage stocks. However, a large element of the gloom is a result of Government policy decisions.

Since the last edition of Outlook the UK Chancellor has announced restrictions to Agricultural Property Relief and Business Property Relief for Inheritance Tax from April 2026. Significant increases in both Minimum Wages and Employers' National Insurance have also hit food and farming businesses with large workforces, particularly in horticulture. With another Budget due whilst this Edition is at press, there is fear of further tax raids on business to prop up Government finances. The budget for farm support has also been set for the next three years. This continues a long-term reduction in funding.

In England, there has also been the chaotic management of schemes - particularly the sudden closure of the SFI. The partnership that had been growing between Government and farming to deliver environmental outcomes has suffered a major setback.

The overriding theme appears to be that the present Government does not see farming as a 'special case' and should not expect to receive any special treatment. Whilst this is perhaps not very different to previous administrations, there is no longer the buffer of the Common Agricultural Policy to shelter the sector from Government indifference. The consequence is that farming cannot expect any external saviours - it is up to our industry to organise itself in a way that it makes sustainable returns for those operating in it.

Andersons has been working with farmers and the allied industries for over 50 years to help them achieve their business objectives, often in challenging times. We wish you all the best for a successful 2026 and beyond.

John Pelham Nick Blake David Siddle Richard King
Directors, Andersons the Farm Business Consultants Limited

Farm Profitability Prospects

JAMES WEBSTER-RUSK

Farm profitability increased significantly in 2024, according to official figures from Defra. Total Income from Farming (TIFF) was estimated at £7.69 billion, driven by strong output in the dairy, red meat and egg sectors. Whilst livestock thrived, arable cropping struggled with weather challenges.

The increase from 2023 to 2024 was amplified by an almost £1 billion upward revision to 2023 fertiliser costs. This reduced TIFF in 2023 and thus inflated the year-on-year improvement in profits. In last year's Outlook we highlighted Defra's record on revising these figures and suggested the original 2023 forecast 'felt' high.

Defra will not release its provisional TIFF figures for 2025 until well into the New Year. We have our own forecasting model in Andersons and produce estimates for the current and future years. For 2025, we believe profits will be broadly in line with 2024 levels. This may come as a surprise to many, particularly given the significant challenges facing the arable sector. However, a considerable proportion of farming output is generated from a relatively small land area in other sectors (intensive livestock and horticulture) which perhaps distorts the view of how well, or not, the industry is doing.

“A considerable proportion of farming output is generated from a relatively small land area in other sectors (intensive livestock and horticulture) which perhaps distorts the view of how well, or not, the industry is doing.”

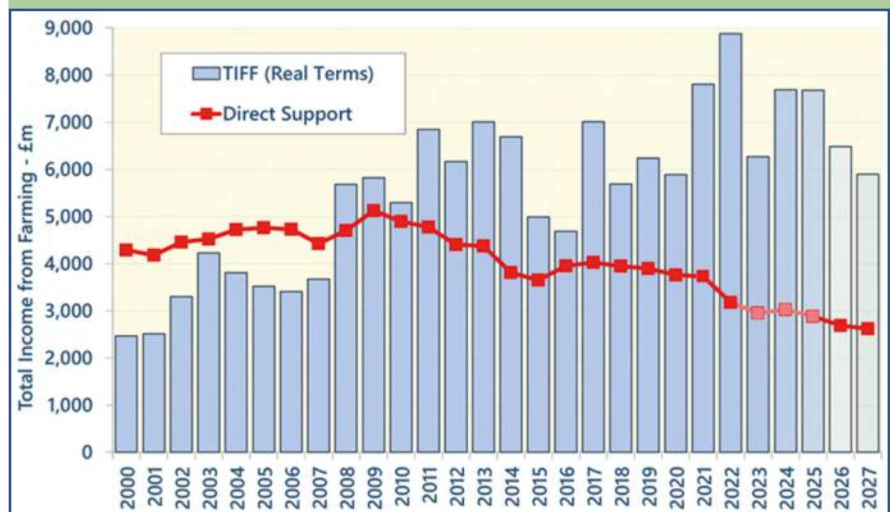
The dairy sector in particular has benefitted from a strong milk price for the first 9 months of 2025. Recent announcements and strong global milk supplies suggest that this may be a turning point with lower dairy returns into 2026.

The egg and broiler sectors also continued to perform well. Strength in the price of eggs, and increased demand for poultry in the wake of high red meat prices looks set to result in higher profits in the sector.

The standout performer in 2025, however, has been the beef sector. The price of beef is up 27% compared with 2024. Even with a slight decline in output, this results in an extra £1.1 billion of revenue.

Costs are forecast to marginally increase for 2025 compared to 2024. This is largely driven by higher labour charges following the decision to raise both the Minimum Wage and

Figure 1 Total Income From Farming and Support - 2000 to 2027 (Real terms, 2024 prices)



Source: Defra / Andersons

Employers' National Insurance Contributions. The impact of this, as far as TIFF is concerned, is somewhat offset by lower animal feed costs.

Farm support is still being eroded by inflation and changes in Government spending. The future of accounting for farm support in the TIFF figures remains uncertain; SFI comes with a cost of delivery which will reduce overall returns to farming. For now, we have accounted for this through increases in items such as seed costs.

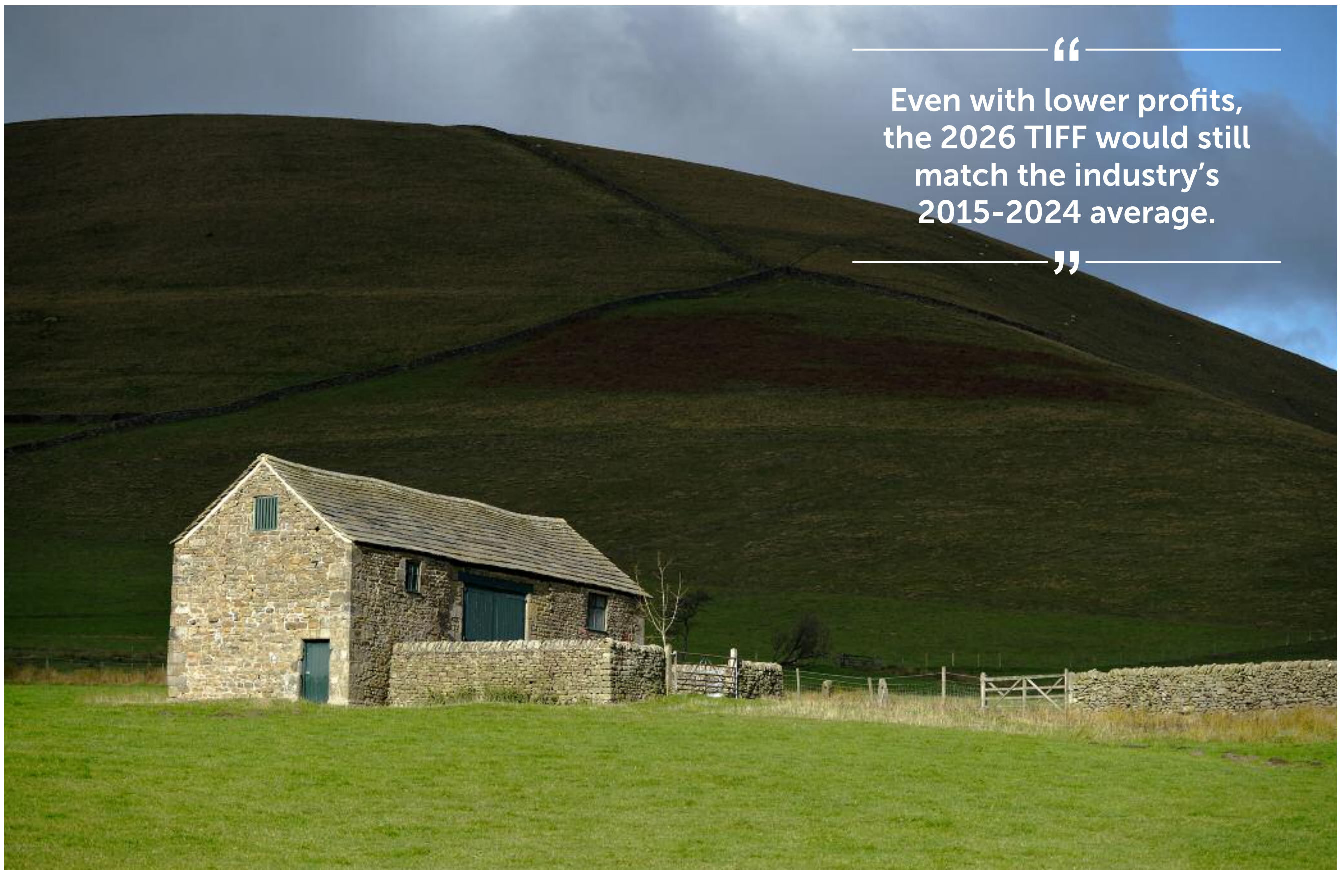
Looking further ahead, a £1.19 billion decline in profitability is forecast for 2026, to £6.48 billion. Weak global commodity prices, coupled with the prospect of further fertiliser costs rises, labour increases, and an ongoing decline in farm support are the main drivers.

Fertiliser prices in 2026 will be subject to the EU Carbon Border Adjustment Mechanism, with the impact on pricing already being seen in merchants' spring terms, depending on the origin of the fertiliser.

A number of sectors are anticipated to see declines in output next year. A lower milk price has already been mentioned. A large question also remains over how sustainable the red meat price is in the long-term. Other proteins and imports are already undercutting demand, with a likely effect on price at some point.

Even with lower profits, the 2026 TIFF would still match the industry's 2015-2024 average. That said, the overarching feeling in many sectors now is a tightening of belts, replanning cashflow and revisiting capital expenditure plans.

This trend is continued for 2027. A tentative forecast is included with a further small decline in profitability anticipated. The continuation of the decline in farm support, coupled with expectations of ongoing weakness in a number of commodity prices together with rising labour and fertiliser costs will put pressure on the industry.

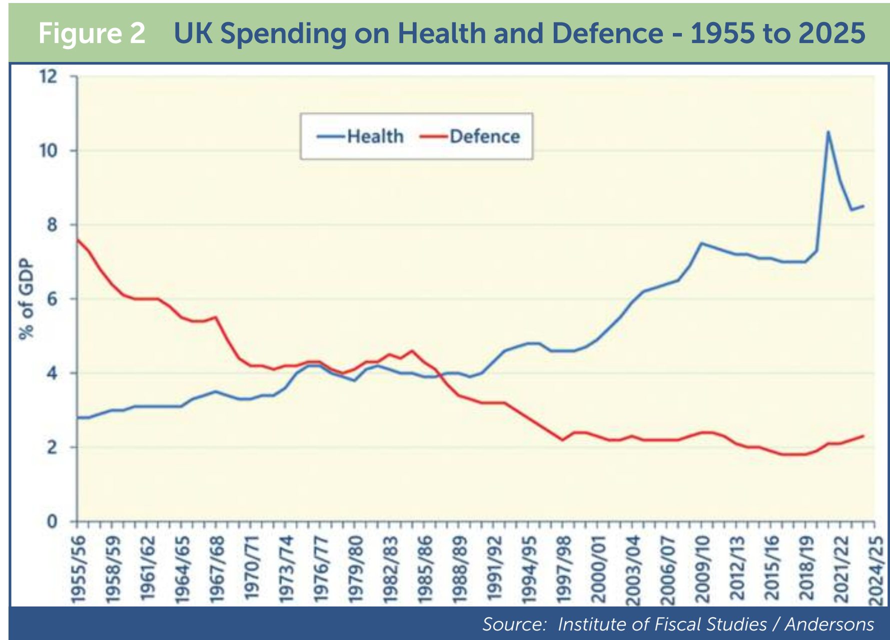


Economic Prospects

GRAHAM REDMAN

Britain's taxpayers are generally feeling less well off than last year. The Government has no reserves, its debt is mounting and costs are rising. More and more people have a draw on Government coffers and a number of the wealthiest (i.e. best tax payers) have moved to sunnier shores to pay their taxes in less expensive and more welcoming environments such as Dubai, USA, and even Italy and France. The wealthy are also the wealth creators. Few make money for themselves without taking others with them, so the spirit of entrepreneurialism is also being exported, or snuffed out. The Bank of England estimates 72% to 84% of wealth is self-created, leaving only a small proportion inherited. This suggests that wealth builders should be celebrated and indeed protected in an economy. They are also highly mobile people and should be kept here.

Figure 2 UK Spending on Health and Defence - 1955 to 2025



Source: Institute of Fiscal Studies / Andersons

The costs and risks of employing people are escalating, with National Insurance hikes, Minimum Wage increases, rising employee benefits (such as long-term sick leave) and so on discouraging hiring. According to the Office of National Statistics (ONS), 53% of UK households receive more in direct government spending (health, education, benefits) than they pay in tax. Even when pensioners are taken from the equation it is still 46%, which does not leave a lot for indirect costs, including farm support. With the inevitable urban bias to Government, farming may well be seen as a small statistic that has little impact at the polls, so it is perhaps unsurprising that items such as the SFI have been turned off. There appears to be little interest in, or funding for, a long-term agricultural policy.

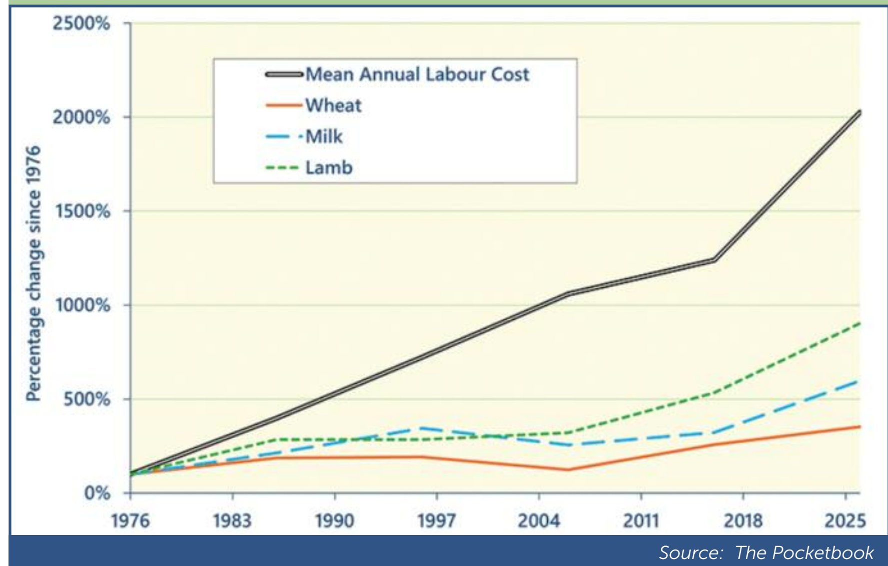
We mentioned last year that the welfare system was too expensive and the triple lock unsustainable. Pressure is mounting on Government to tackle the pension costs, but it appears the outcome will be to target the prudent instead by taxing the pension pots of those who have prepared for their dotage. Defence costs have to rise. From the current 2.3% of GDP, to 2.5% GDP by 2027 will cost another £5bn, then when it reaches 3% by 2029, will cost another £16bn at today's prices, which is equivalent to over five times the total spend on agriculture. Government's logic is along the lines of whilst we can import food (and we need to, being a small, densely populated island), we cannot import our security.

As this Outlook goes to print, the National Debt (the total sum that the UK Government owes to others in UK gilts), at £3 trillion, is now comfortably

larger than the country's entire Gross Domestic Product (total annual value of the UK economy including private sector).

Mrs Thatcher once referred to Government debt as the household budget. From 1915 to 1942, National Debt as a percentage of GDP rose from approximately 30% to 240% because of the World Wars. It was then brought down to under 50% by 1970 and halved again by 1990. So it is possible to reduce it. Debt as a proportion of GDP is higher in some other countries such as Italy, Greece, USA, Canada, Singapore and Japan.

Figure 3 Price Changes on Farm - 1976 to 2025



Source: The Pocketbook

When [defence spending] reaches 3% by 2029, will cost another £16bn at today's prices, which is equivalent to over five times the total spend on agriculture

The Bank of England is reversing the Quantitative Easing policy that began with the Financial Crisis. This effectively involved printing money and buying assets. It released liquidity onto the market, was inflationary, increased share prices and, critically, kept bond yields low and Government finances afloat. Now the reverse is happening. 'Quantitative Tightening' means the BoE is selling £300bn of bonds back onto the market in 2025-6, helping to partly explain why UK bond yields are higher than other nations. But bond rates also rise in line with risks of default. UK Bonds were once amongst the lowest in the world but are now paying more than the equivalent in Czech Republic, Italy and Vietnam, to name a few. Britain's credit rating has fallen from its top dog 'AAA' pedestal.

Should the Bank print money again? The following inflation would reduce the debt burden. It might be a tempting course for politicians, but the BoE's remit is to control inflation. In any event, this would not tackle the underlying issues of the ballooning welfare budget, the unsustainable triple lock, an ageing population or the rise of non-workers. These are issues the economy did not face last time our debt exceeded GDP.

The Government's answer to the UK's financial problems is economic growth. A larger economy creates greater tax revenues which can then be spent on all the things that voters like. However, the flagship policy in this area has not (yet?) taken-off. High wages for unskilled workers, and escalating taxes, penalties for entrepreneurs and 'redistributive' payments, have outstripped the relaxed planning laws, which themselves take time to get going. Growth is not stimulated by tax. Churchill once said "for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle". It doesn't work.

Globally, the level of economic tetchiness is palpable. Whether it is the apparently overvalued stock markets, led by tech-hype, the protectionist movement closing the routes of competition, the wider tariff costs mounting globally, or the possible escalation of the geopolitical unrest and the myriad of implications that could lead to.

But what does all this mean for UK farming? Certainly, labour costs will rise faster than the value of farm produce. But this continues a trend that has been evident for a long time. Looking back at the last 50 years of the Nix Farm Management Pocketbook shows how economics of resources have changed. Over that period the price of wheat, milk and lamb have risen 3.5, 6 and 9 -fold respectively. Labour has risen more than 20-fold. The soaring costs of employment over time are easily overlooked by other more visible costs like machinery or variable inputs.

Borrowing costs look set to remain at around their current levels. Farming, along with the rest of the economy, got used to the ultra-low rates that prevailed for over a decade after the Financial Crisis, but these are unlikely to return soon. Growth will continue to be elusive and consumers could be reluctant to spend. This will hit diversified farm businesses that rely on discretionary spending. Lastly, Government finances will be under pressure. There will be little money to spend on agriculture and, crucially, as a sector that is seen to be 'wealthy', further tax raids may be forthcoming.

Farm Policy

CAROLINE INGAMELLS AND
ALEX BENBOW

We are at a turning point in the evolution of agricultural policy in all four regions of the UK. However, whilst Scotland, Wales and Northern Ireland are at the start of their future farm policy, England is at a different point altogether. After four years of the Agricultural Transition under the Environmental Land Management (ELM) model, the sudden closure of the Sustainable Farming Incentive (SFI) signals not a move to a more permanent system, but a policy 'reset' driven by budget constraints, reassessment of priorities, and uncertainty for English farmers.

More details of the plans in Scotland and Wales are provided in the articles later in Outlook.

Farmers in England no longer have the safety net of the BPS. The maximum payment had already been cut sharply to £7,200 for 2025. For 2026 and 2027 an announcement accompanying the Comprehensive Spending Review (CSR) in June means it will be just £600. These deep cuts come on the back of some very difficult years, particularly for the arable sector.

The SFI was supposed to be the scheme that most farmers would be able to enter and recoup some of the lost BPS money. The sudden closure of SFI 2024 in March 2025, without warning, left farmers feeling let down and (further) undermined their confidence in Defra. At the time of closure, Defra said it was time for a 'reset' and there would be a revised offering with details being announced in summer 2025 - but no further information had been made available by the time of writing (late-October). Defra has indicated that the revised offer would direct funding where there is 'greatest potential to do more on nature and where there is the least ability to access decent returns from agricultural markets, or other sources of investment, as set out in the Land Use Framework'.

> **Farmers in England no longer have the safety net of the BPS**

We are left wondering what any new scheme might look like. It may focus on a narrower set of environmental outcomes (water quality, biodiversity, carbon, soil health) rather than wide-ranging actions. There may be a payment cap to help manage the budget and certain farm types or landscapes could be prioritised. But with no details, many farmers are left in limbo, unable to plan because they still do not know what support (if any) will be available next year. Furthermore, any new scheme is not expected to be open to applications until at least April 2026 (possibly later). Currently there are the 'haves' and the 'have-nots'. This could lead to cashflow pressure on the have-not farmers who factored SFI payments into business planning, especially where tenders for tenancy agreements were tied to SFI participation. One positive is Defra's decision to give a one-year extension to those Countryside Stewardship Mid-Tier agreements that were due to end on 31st December 2025.

Of course, the SFI is only one element of Environmental Land Management (ELM), the others being Countryside Stewardship and Landscape Recovery. At the time of writing the only element of ELM open was the Countryside Stewardship (CS), but this is by invitation only, with no timetable given for when it might open to 'wider' applications. Furthermore, after most of the CS Mid-Tier options were subsumed into SFI 2024, CS is now Countryside Stewardship Higher Tier (CSHT). This provides funding for more complex land management actions that deliver significant environmental benefits, particularly for priority habitats,

species, and landscapes. Therefore, it is only suitable for a small number of farms.

The third element of ELM is Landscape Recovery (LR) which funds a smaller number of long-term, large-scale projects. These often involve several land managers working together to provide bespoke schemes to enhance the natural environment and deliver significant benefits. Although we were told Defra would be opening the scheme annually, there were no application rounds in 2024 and none to date in 2025. Of the 56 proposals that have been awarded Project Development Funding, only two have progressed to the Project Implementation Stage and been given long-term funding. Although the Government reaffirmed its commitment to Landscape Recovery in the CSR it doesn't seem like another round will open soon. The aim is for projects to attract private finance alongside public funding in a 'blended finance' model. In practice, attracting and aligning private investment with government funding seems to be proving challenging, making the intended partnerships harder to realise.

The standalone 'environmental' capital grant funding for farmers in England, closed in December 2024 unexpectedly. A revised offer, with capping, reopened in June 2025 under the proviso of year-round applications or until the budget was exhausted. Yet, within just four weeks, the scheme closed again as funds were fully allocated. It appears farmers and advisors worked 'round the clock' to submit applications – after being 'bitten' by previous sudden scheme closures. This way of applying doesn't seem sustainable, with many waiting for Catchment Sensitive Farming Officer (CSFO) approval missing out and others submitting ill thought-out applications in the rush. However, it would be worthwhile to continue to chase CSFO approvals over the winter, so they are in place when (if) the scheme reopens. Defra has said 'we expect' to open a new round for funding during 2026. But it is unclear in what form this might be.

In addition to the environmental capital grants, there has been funding for grants aimed at improving the productivity on English farms via the Farming Investment Fund (FIF). Again, the availability of these schemes has been less frequent than in previous years. The smaller strand, the Farming Equipment and Technology Fund (FETF), which provides grants to help buy items from a set list, opened for one round in 2025, but this is expected to be the last round under this scheme. The larger grants under the FIF, offering funding of between £15,000 and £500,000 have not been open for new rounds in 2025. Furthermore, there was no mention of them in a set of policy announcements made by the then Defra Secretary of State, Steve Reed, at the NFU Annual Conference back in February. The future of these grants is, again, unclear.

Funding has however, been made available for the Farming Innovation Programme. This is for those who want to research or develop an innovative solution to a known problem in the agricultural industry or those who require funding to accelerate a product to market.

The agricultural budget has come under a lot of scrutiny this year, meaning the Comprehensive Spending Review (CSR) in June was 'eagerly awaited'. The result is that Defra's budget is to be cut over the next three years.

Figure 4 sets out the proposed spending. The Farming and Countryside Programme (FCP) is the

Figure 4 Defra's Farm Budget - 2025 to 2029

£m	2025-26	2026-27	2027-28	2028-29
Delinked Payments	225③	20	20	0
ELM Schemes	1,850③	1,950	1,950	2,000
Other①	500③	350	300	250
Farming and Countryside Prog.	2,600	2,320	2,270	2,250
'Nature Schemes'②	-	450	450	450
Total	**2,600**	**2,770**	**2,720**	**2,700**

Source:Defra / Andersons ① productivity, innovation etc. ② Nature for Climate and Biodiversity Targets Programme - tree planting, peatland etc. ③ Estimated

equivalent of the spending that used to be received under the Common Agricultural Policy. We have put the current year's spending in for comparison, although the breakdown in the FCP is not known, so they are our estimates. The figures are all in current prices, so take no account of inflation.

As can be seen, the budget for the FCP falls significantly in current terms compared to the current year. It is the rather nebulous 'Nature Schemes' that brings the figure back up. It is unclear exactly what these cover, but we would guess the funding will not go to 'ordinary' commercial farms. The pressure on Defra spending looks set to remain, with implications for the support schemes outlined above.

Baroness Minette Batters has been appointed to head Defra's review into farm profitability. The review will feed into the 25-Year Farming Roadmap as well as the Land Use Framework and the Food Strategy. It covers England only. Baroness Batters is being supported by a team of Defra officials - a new 'Farm Profitability Unit'. The report aims to make recommendations on policies both the Government and industry could implement. It is highlighted that these must be 'pragmatic' and will look at the short, medium, and long term. The report is expected to have been finalised before Outlook is on readers desks.

> **"The sudden closure of SFI 2024 in March 2025, without warning, left farmers feeling let down and (further) undermined their confidence in Defra"**

In last year's Outlook we said a consultation on the long-awaited Land Use Framework for England should start before Christmas. In fact, it was early 2025, before a 12-week consultation began. Designed to guide how land is managed to balance food production, nature recovery, housing, energy, and climate goals, the consultation sets out categories for significant land-use change by 2050. Defra's headline was 9% of farmland coming out of agriculture over the next 25 years but other categories severely limit productive farming, meaning overall loss might be nearer 15%.

Whilst the final Framework has yet to be published, nothing in the consultation suggested any element of compulsion. Land is owned privately, so it will continue to be up to each individual owner to do what they want with their land (within the law). To incentivise the level of change

Defra is suggesting will require a lot of funding. It is currently unclear where this would come from. The largest impact of the Framework may be through the Planning system. The data and tools that feature prominently in the consultation could increasingly influence whether Planning Permission is granted.

On the subject of Planning, The Planning and Infrastructure Bill had its first reading in Parliament in March 2025. This is one of the Government's flagship pieces of legislation as it aims to deliver on the 'growth' agenda. It also aims to boost the drive to net zero through supporting renewable infrastructure, especially for nationally significant infrastructure projects (NSIPs). Farmers and landowners are very likely to feel the effects of this legislation. It is currently in the House of Lords but is expected to become law in 2026.

> **The pressure on Defra spending looks set to remain, with implications for support schemes**

Livestock diseases seem to become more challenging each year. Bluetongue has had a severe impact on the Continent and UK livestock keepers have been encouraged to vaccinate their animals to try and prevent the same escalation here. Avian influenza is now an annual challenge, requiring strict biosecurity and, at times, housing orders. Bovine TB remains one of the biggest animal health challenges for English farmers.

A major shift in policy is a move away from widespread badger culling. Instead, the Government is expanding badger vaccination and continuing to develop a cattle vaccine, which cannot come soon enough. Deployment of a vaccine in the field is expected in the 'next few years'. Defra has recently updated the evidence base for TB control through the Godfray Review Update 2025. This is feeding into a new TB strategy expected to be published in spring 2026. The goal remains to achieve Officially TB Free status for England by 2038.

The next few years will see a great deal of change in UK farming, perhaps quicker than some anticipated, due to changes in farm support and the political environment surrounding agriculture.

Agricultural Trade Issues

MICHAEL HAVERTY

It has been a tumultuous year in agri-food trade with the new Trump Administration in the US introducing a raft of new tariffs which have shifted global trading patterns, particularly for commodities such as soybeans and pig meat. From a UK perspective, its Economic Prosperity Deal (EPD) with the US has mitigated the more extreme impacts of the 'Trump Tariffs' but the deal is having significant implications for the UK biofuels sector, in particular.

At the same time, the Labour Government has sought to reset relations with the EU. Formal negotiations on a new UK-EU Sanitary and Phytosanitary (SPS) Agreement have recently begun. Since 2021, British agri-food exports to the EU have been subject to stringent regulatory controls, particularly in the SPS sphere. Exporters must comply with export health certificates, documentary and identity checks, and face the risk of value deterioration in perishable shipments due to delays. In many commodities, SPS-related costs make up a substantial share of overall Non-Tariff Measure (NTM) costs. The remainder of this article examines how a potential SPS Agreement could affect UK agri-food trade, specifically in terms of reducing NTM costs in the years ahead.

Based on a recently published study led by Andersons for Defra in 2024-25, Figure 5 segments estimated NTM costs into SPS-related (SPS) and other NTM costs (Other) for British exports to the EU across a selected range of products. The analysis is expressed in £ per tonne (or per 1,000 litres for whisky) under both a Medium and High scenario, which reflect the trading conditions that British exporters to the EU currently face. (Note; imports were not in the study's scope).

If the UK dynamically aligns with EU legislation, then there is the potential for all SPS-related costs to be removed. These are significant for perishable products such as chilled meat, fish, dairy and tomatoes. Taking beef and lamb for example, SPS-related NTM costs (£41-44 per tonne) account for approximately 40% of total NTM costs in a Medium scenario and over half of the estimated NTM costs in a High scenario (£105-110 per tonne). On a 'per load' basis, this suggests savings of £740 to nearly £2,000, which is substantial when considering that profit margins are generally less than 5% when exporting such products. Savings of similar magnitudes are also achievable for chilled pork and salmon. Here, value deterioration can play a key role as delays due to SPS-related checks can have a corrosive effect on the prices that exporters can obtain for perishable products if they 'miss the market' in key trading continental centres.

For dairy products such as cheese, SPS-related costs are also sizeable and range from £30 to over £51 per tonne across the Medium and High scenarios. This equates to approximately 30% of total NTM costs across both scenarios. Again, this is sizeable and indicates that British exports of dairy produce could become significantly more competitive in the EU if a comprehensive SPS agreement were to be reached.

> "The Labour Government has sought to reset relations with the EU"

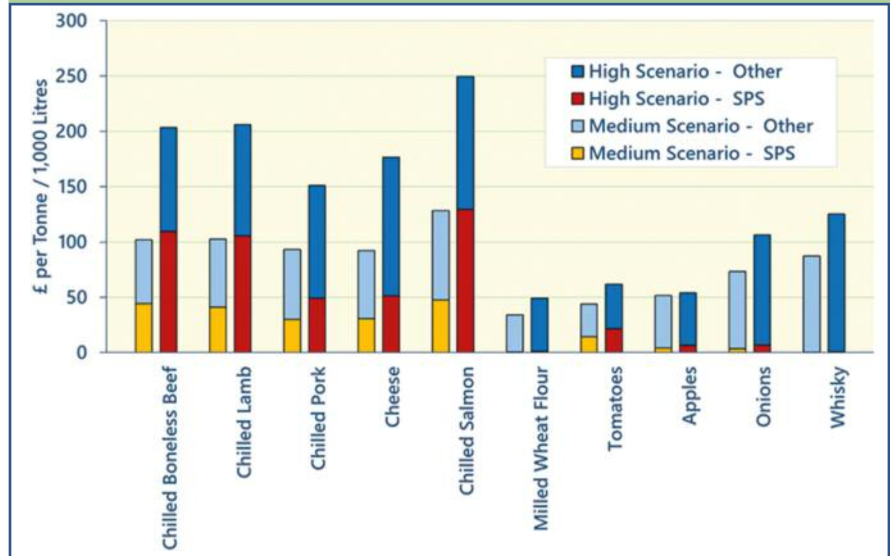
NTM costs are also notable in the fresh produce sector, particularly for products such as tomatoes and salads. The UK generally does not export sizeable volumes of these products – instead they are primarily imported. However, the cost savings arising from a UK-EU SPS agreement are again significant, equating to over one-third of the estimated NTM costs in the case of tomatoes. Assuming that similar

savings apply to imports, this would make a difference to the inflationary pressures that these products have faced over the past five years. This would be seen as positive for UK consumers (voters).

For products that are less perishable, such as apples and onions, SPS-related NTM costs are lower. In the case of milled wheat flour and whisky, they are negligible. Therefore, the impact of an SPS Agreement in these sectors would be minimal.

The analysis shows that a UK-EU SPS agreement has the potential to make the exports of GB meat, dairy and fish to the EU significantly more competitive and it also has the scope to notably reduce the inflationary pressures on imports from the EU. Furthermore, it will make trade between GB and Northern Ireland (NI) more straightforward. Despite the implementation of the Windsor Framework, GB to NI trade for retail goods has been facing significant additional burdens (mainly due to SPS issues) as a result of NI remaining de-facto part of the EU Single Market, whilst GB has been outside. In addition congestion on key UK-EU shipping routes, particularly Dover-Calais would also ease.

Figure 5 Estimated Non-Tariff Trade Costs by Product - GB Exports to EU



Sources: Andersons and Trade Facilitation Consulting Ltd. (2025)

The main trade-off is that the UK would need to apply EU legislation to secure such a deal. This would mean ceding some control over domestic rules. Given the regulatory divergence that has already occurred since leaving the EU Single Market and Customs Union, this would require careful management. However, an accommodation should be attainable.

Overall, a UK-EU SPS Agreement would bring tangible benefits to both parties. It would enhance competitiveness, reduce consumer price pressures, and ease frictions on the UK's most important trade route. At the same time, it would allow the UK to continue pursuing trade agreements with other partners independently of the EU. Such an agreement would also mark a significant milestone in stabilising the UK-EU relationship after a decade of disruption.

"Overall, a UK-EU SPS Agreement would bring tangible benefits to both parties"

Land Prices and Rent

AMELIA ROME AND GEORGE COOK

The combination of poor ex-farm prices, difficult weather, and loss of the BPS has led to a significant reduction in farm profitability for the arable sector in contrast to the dairy and beef & sheep sectors. This is worth bearing in mind as Farm Business Tenancy (FBT) rents are determined by the open market, where rents are essentially set at the rate a Landlord and Tenant agree, which should be based on current market conditions and comparable lettings. Working capital constraints, particularly in the arable sector due to the aforementioned reasons, might kick start a downward trend of FBT rents in the coming year or two if commodity markets do not pick up.

There continues to be significant variation in FBT rents across the country; with the highest still generally in the East, where headline rents of £200 per acre (£500 per Ha) and upwards are not uncommon. A desire for scale and, in the case of some vegetable and potato growers the need for 'clean' land, continues to sustain high FBT rents, despite what the outlook for arable profitability suggests. Perhaps also a lack of understanding of a business's true costs and income, or the 'foot in the door' mentality, with the hope of securing a rent reduction may also push up bids beyond what is affordable. But with the principle of open market rents enshrined in the legislation, by the time the review occurs another block of land has been let in the area for an equally high and unserviceable rent. If any figures are done, they appear to be based solely on first wheats, often forgetting the less profitable other cereals and break crops which form significant proportions of rotations. For the larger blocks of land the working capital requirement is considerable, for those preparing to bid for such a block, a more robust approach to business planning is required. Proportionately, the combined rent and finance costs of a business should only represent a maximum of 15% of total output for the tenant to receive a meaningful return for their management and capital.

"Short FBT terms do not encourage longer term investment in soil condition"

The average term of an FBT for all sectors in England is just six years according to Farm Business Survey (FBS) data. The impact on soil health and longer-term soil fertility suffers as short FBT terms do not encourage longer term investment in soil condition.

Figure 6 English Tenanted Farmland Areas - 2010 to 2025

Source: Defra (Farm Business Survey and June Survey) / Andersons

The total number of FBT's in England has fallen from 47,000 in 2014/15 to 32,000 in 2023/24. The reasons being due to:

- FBT sizes increasing - the total area of land under FBTs has risen from 1.12 million hectares to 1.27 million hectares in the same time period
- the popularity of Contract Farming Agreements (CFA) and other joint venture structures
- more recently, land being taken back in hand by Landlords to access environmental scheme income, particularly the Sustainable Farming Incentive.

FBS data for the last two years, when the SFI was gaining momentum, is not yet available. But it seems likely that the number of FBT agreements fell. Whilst the introduction of the SFI would not be the sole reason for this, it is a strong contributing factor. This does lead us to wonder, will there be significant opportunity in the next three years in terms of the availability of land due to existing, comprehensive, SFI agreements (e.g. whole farm winter bird food) coming to an end? As of January 2025, 295,000 hectares of farmland are covered by SFI actions that take land out of production. Some of this area will be whole farms or fields, although some will be part fields.

Landlords who have taken land back in hand to access scheme income, will be looking for land to be managed, as current policy suggests no like-for-like alternative will be available. The cost to these businesses of re-entering in-hand farming will be too high to justify, and therefore the sensible alternative would be to turn to a CFA or FBT to manage the land. The theory of supply and demand would suggest that more land available on the let market will help stabilise FBT rents or potentially contribute to a downwards trend.

Agricultural Holdings Act (AHA) rents are still determined by the productive capacity of the holding. In certain areas, there is pressure from Landlords to remove Tenants from the farm to enable them to pursue non-farming income streams which they perceive to be more profitable. This will become increasingly common with the Government's house building targets and renewable energy policies.

Most Agents' land price series show that values have declined over the past year. Higher interest rates, Inheritance Tax (IHT) reform and other factors have contributed to the

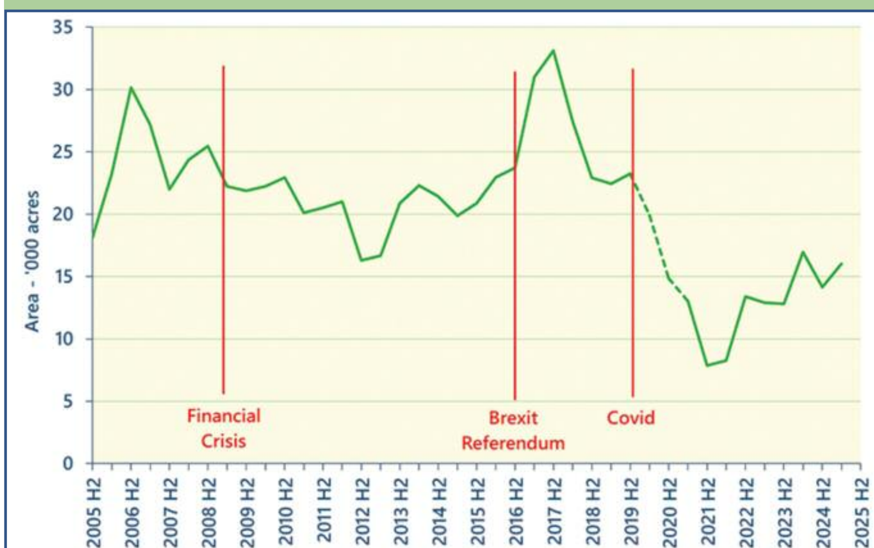
"With IHT reforms not implemented until April 2026, the full impact on the land market is yet to emerge"

downward trend. In real-terms, land prices have been relatively flat for a number of years. This is despite the volume of land publicly marketed being far lower than its pre-Covid level.

With IHT reforms not implemented until April 2026, the full impact on the land market is yet to emerge. However it is worth noting that not all land is marketed publicly and a large proportion of land transactions happen privately. Any additional sales may not always been seen in the figures.

The main factor driving farmland supply to the market is debt and financial restructuring, with just under a third of all land marketed being for this reason, according to Savills. Selling land is often the last resort for many businesses; careful strategic and financial planning and cashflow management remain critical in ensuring farm businesses remain on track.

Figure 7 GB Farmland Marketed - 2005 to 2025



Source: RICS / Andersons

Finance and Banking

PAM JACOBS AND TOM PROCTER

Cast your minds back five years and it is a struggle to believe that we were enduring the first winter of Covid-19 restrictions, with the threat of Christmas being cancelled. Those employed in industries like food production were continuing to be hailed as front-line, Key Workers, critical to fighting the Coronavirus pandemic. Appetite for agricultural investment was strong.

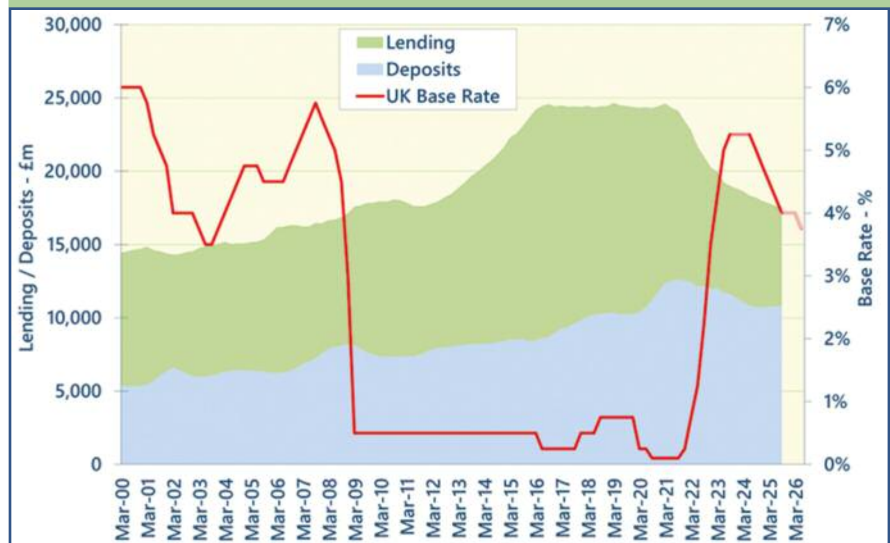
When we review what has happened over that five-year period we have seen attitude and appetite, particularly from the High Street banks, become segmented between higher and lower risk businesses. Those considered high risk are, in some cases, being pushed towards alternatives; for example, where the debt profile has increased significantly over that 5-year period and debt serviceability has become reduced with poorer performance, increased cost of production and increased cost of finance. Andersons Loam Farm arable farm model suggests that overhead costs alone have increased by 45% over this period, contributing significantly to an increased working capital requirement.

Alternatives to additional High Street lending may be in the form of asset finance or specialist rural lenders, which often come at a higher cost. In some cases, asset disposal is being considered, to fund losses or reinvestment in enterprises with a potential higher return on capital. Short-term solutions such as advance payments for crop and delayed input payment terms remain options to fund working capital, but do not fix long term issues. In summary, we can say that dwindling are the days of reliance on a 'strong' balance sheet to fund continued losses for poorer businesses.

Nevertheless, there is strong appetite and continuing support for those businesses considered to have lower, more manageable risk, demonstrating cash generation after debt service, and with prudent plans for reinvestment. Some providers are also now looking to offer discounted funding, in conjunction with other products, to those businesses

> “We have seen attitude and appetite [for lending], particularly from the High Street banks, become segmented between higher and lower risk businesses”

Figure 8 Farm Borrowing, Deposits and Base Rate: 2000 - 2025 (real terms)



Source: Bank of England

demonstrating the intention to reduce carbon emissions and improve soil health.

Agricultural businesses must therefore be willing to regularly review their short and long-term strategy. Consider the true cash position of your business. We would encourage all of our clients to continue to look forwards and regularly review the annual budget and forecast, giving knowledge, flexibility and time to make decisions in the face of difficulty. But also continue to come back to the long-term strategy. Where do you see the business in 5-10 years time? Does your short-term strategy align with this, or is more drastic change required when succession and reinvestment are considered?

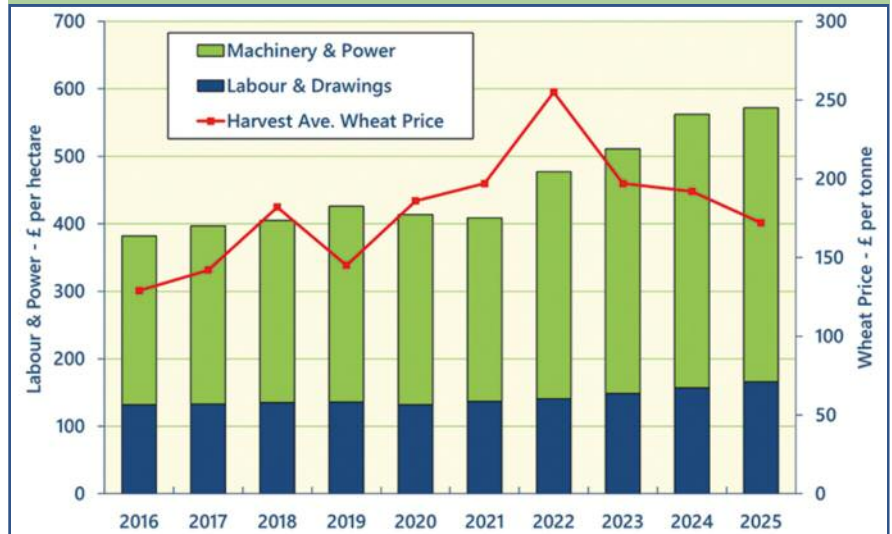
> **"Dwindling are the days of reliance on a 'strong' balance sheet to fund continued losses for poorer businesses"**

Combinable Cropping

JOE SCARRATT AND
SEBASTIAN GRAFF-BAKER

2024 and 2025 have been incredibly challenging seasons for all combinable crop growers - physically for all and financially for most. Fundamentally, output has been the challenge. There has been a lot out of the grower's hands - two very wet autumns hindering or preventing crop establishment, one very wet spring and one very dry spring/summer. Such weather extremes, rising costs and lack of reward from the market has put pressure on the sector to re-evaluate its production strategies and business models.

Figure 9 Loam Farm* Costs and Wheat Price - 2016 to 2025



*Source: Andersons * Loam Farm is Andersons model business in the combinable crop sector. It has been used since 1991 to track the fortunes of British arable farms. It is based on real-life data. It has 600 hectares growing wheat, oats, beans and barley. It is partly owned and partly rented, has a working proprietor plus one full time member of staff and harvest casual. The farm has an SFI agreement (2024 version)*

> **"2024 and 2025 have been incredibly challenging seasons for all combinable crop growers"**

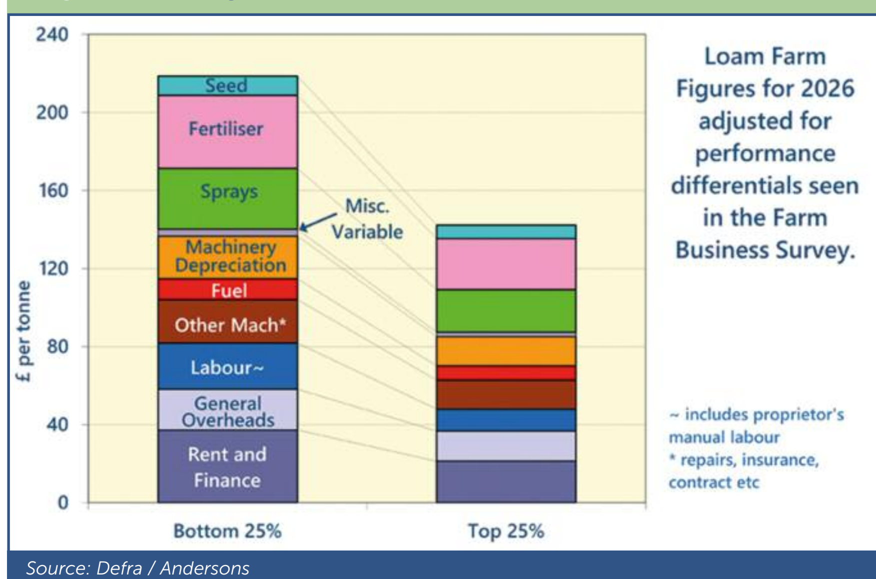
The industry is being nurtured into a more regenerative, reduced input system. Provided costs can be reduced accordingly, or if the market or policy pays for it, that could work well. However, with the increase in cost base most businesses have incurred, there is perhaps some concern over the risk of lower output. This year highlights the impact of low output without any adjustment in cost levels. Andersons' Loam Farm model business indicates an increase in power and labour costs of 50% in the past 10 years which even the most entrepreneurial of business owners would have found difficult to navigate.

Scale has been seen as the solution by many over the years, but this can sometimes lead to attention-to-detail challenges that negate much of the benefit.

Looking ahead to 2026, commodity prices for cereals are, at the time of writing, unexciting. The five-year average feed wheat price is circa £200 per tonne, some £20 per tonne above current forward prices for new crop. As consultants, we often use five-year averages to build models for the future. However, that average includes the highs of 2022 and 2023. If that 12-month spike is removed the average declines by around £20 per tonne; more in line with harvest 2026 prospects. Whilst the profit potential from this is uninspiring, the very best will still manage to achieve a small return. Recent history would suggest that current forward prices are akin to those expected in the medium-term and, as such, are the basis for future business planning now, whether we like it or not.

Loam Farm's cost of production for harvest 2026 is £168 per tonne. Figure 10 adjusts this figure for the performance differentials in the top and bottom 25% of producers (as found in Defra's Farm Business Survey). Clearly yield is a significant factor, but in all other areas the best businesses spend significantly less per hectare than the average. It continues to demonstrate the attention to detail needed to succeed. To understand where to focus, businesses need to first understand how their costs compare.

Figure 10 Range in Cost of Production - 2026 Harvest



Source: Defra / Andersons

To be controversial, there are perhaps still some growers who lack sufficient knowledge on their key area of expertise - crop production. There is far too much reliance on 'insurance' based agronomic approaches which can be costly in some cases. Be honest with resources - the capacity of machinery and labour linked to high autumn workloads; the capability of certain blocks of land, and the cost of travelling to those. Some rents are coming down but not in all areas and not sufficiently to match productive capacity variations of different soil types. Land providers' expectations have to change in the medium term. The very best businesses are now making decisions to ensure every element of their business is the best - small incremental gains that collectively will allow an acceptable level of margin.

> **"The very best businesses are now making decisions to ensure every element of their business is the best - small incremental gains that collectively will allow an acceptable level of margin"**

Fully understanding the productive capacity of soils and the costs of cropping land at distance will be key to targeting all inputs. Whilst many businesses have been willing to crop unprofitable land because of logistical simplicity and ease of management, the balance of loss making and profitable cropping activity has, for some, swung too far to continue without change. Addressing this fundamental aspect can be both frightening and liberating.

Combinable crop farming seems to stand at a pivotal moment. Short-term it is fighting cash flow pressure and poor commodity prices in relation to a high cost of production as a result of low yields. Profitability will increasingly depend on precision - targeting inputs where they are most effective, and adaptability, especially with reduced or even no support. For many businesses, success will lie not in doing more, but in doing their job much better.

Sugar Beet and Potatoes

NICK BLAKE AND JAMIE MAYHEW

Sugar Beet

It was written last year that despite the 17.5% price reduction to a headline of £33 per tonne, the 2025/26 campaign price would produce returns for growers which compared favourably to the alternative break crops. With the continued decline of grain commodity markets the gap has widened.

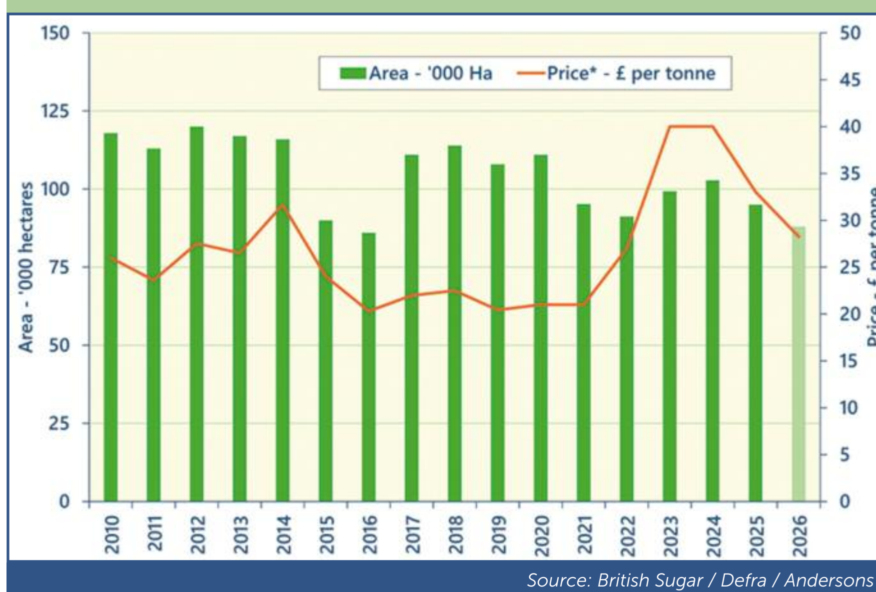
The beet crop had to contend with long periods of little to no rainfall, with the spring average in the East being less than 50% of the 30-year average and summer rainfall being between 50-70%. Despite this, early reports of the 2025/26 campaign are showing surprisingly positive results with good root yield and high sugar content, most likely on heavier soils. For the first time in many years, those who have harvested early have welcomed the kind conditions, with little soil damage and favourable drilling conditions for the following crop. The 2025/26 campaign could be a tale of two halves with better performance for heavier land growers compared to those on lighter land suffering from the lack of rainfall noted above.

Once again price negotiations have been agreed early which will help growers better plan their future rotation. With the continued decline of the value of other crops, and low prices in world sugar markets, it was unsurprising to see a further drop in the sugar beet price. The headlines for the 2026/27 season are:

1. A one-year Fixed price contract at £30 per tonne, for up to 65% of the contract.
2. A one-year contract with a guaranteed base price of £25 per tonne, plus a Market-linked Bonus for up to 100% of the contract.
3. An Index-linked contract (previously known as 'Futures-linked'), for up to 50% of the contract.
4. Yield Protection contract at a £1 per tonne reduction on the Fixed and Market-linked bonus contract prices.
5. One-year contract holiday for up to 750,000 tonnes CTE, on first-come, first-served basis.

For those opting to mitigate risk and fix the majority of their contract at £30 per tonne and fill the balance with the Market-linked option, the base price will be £28.25 per tonne. This is a 30% drop in price in just two seasons. To compound the issue, costs are continuing to rise. Looking at a net margin level, it is expected that growers could generate losses on par with the 2021/22 campaign, when the headline price was £21 per tonne. This is due to an increase in the cost of production by over 35% over the intervening period.

Figure 11 UK Sugar Price and Area - 2010 to 2026



Source: British Sugar / Defra / Andersons

When comparing sugar beet with the alternatives, such as beans, peas or even oilseed rape, the risk of soil and infrastructure damage and following crop yield depletion, have been outweighed by the price. It seems that at the new price, for some, there is no longer sufficient return. It is therefore likely that there is going to be a strong uptake for the one-year contract holiday for the upcoming season. With only 750kt available, approximately 10% of the total tonnage grown, there may be many growers left growing sugar beet that wish to stop. They will be hoping for similar harvesting conditions to the early part of the 2025/26 campaign to minimise costs and effects on following crops.

The impact of Beet Moth in 2025 is another sign of the various threats to production from a changing climate, which leaves growers with a further factor to consider when assessing price.

Potatoes

The optimism of the sector experienced in the last two years has been dampened by the finish to the marketing of the 2024 harvest, with over supply, as old crop moved to the new crop.

The 2025 planted area is expected to be in line with 2024 and despite the dry weather, early yield reports are that irrigated crops have performed well, assisted by the warm sunny summer. At the time of writing, harvesting is progressing well, and aside from quality issues arising from the hot dry conditions, crops should have gone into store in good condition. Quality however is expected to be a serious challenge for both irrigated and un-irrigated crops.

Continuing the theme of water, in Outlook 2019 we wrote about the summer of 2018; 'One would hope this is an extreme year, with water shortages reinforcing the benefit of winter storage... With water tables low, and many irrigation reservoirs empty, it remains to be seen what impact the dry summer will have on winter fill.' In Outlook 2023 we referred to the unrelenting drought which impacted the 2022 season. 2022 and 2025 suggests 2018 was not an extreme year, and the need for winter storage becomes ever-more necessary. The seeming increased frequency of droughts will strengthen the return on capital of such investment. The review of licences is now approaching fast and will require growers to be well prepared and in good time to argue their case.

As will have been written elsewhere in Outlook, UK agriculture is under severe pressure with the withdrawal of subsidy, delays to environmental scheme renewal and low commodity prices. This tends to increase the focus on potato production, as growers seek stability, and profitable enterprises. The appetite for risk is significantly reduced when other parts of the business are almost guaranteed to lose money, particularly among the providers of finance.

Since the 2024 Autumn Budget potato growers (and of course other businesses too) are also required to consider the impact of the proposed Inheritance Tax on their own businesses. The underlying feeling is that for many growers, the reward of passing a successful business down to the next generation, has been replaced by the potential of significant cost. There are obviously ways to mitigate this cost, but for some this is not an option, and there is a critical need to consider their strategy.

The underlying message for the sector (which could of course apply to other fresh produce production) is that it is vital for growers to revisit their long-term plans and consider their attitude to risk. Some may ask themselves what justification is there for carrying on with significant capital employed, making little profit, with the new consequences for tax on their death, with one alternative being to release capital now and grow lower risk crops instead.

Looking forward, contract prices for the 2026 harvest are expected to be under pressure from retailers trying to fight inflation. Given the impact of all of the issues covered above, sentiment is that a price increase is necessary to avoid emerging problems although, as has been said many times before, perhaps a further drop in area would focus minds. All of this leads to the need for the packers and processors to appraise their supplier base in the light of concern on continuity of supply and the approach to rewarding growers.

Figure 12 Summer* Rainfall (East Anglia) - 2005 to 2025

*Source: Met Office / Andersons *June, July, Aug.*

Horticulture

JOHN PELHAM

Prior to leaving the European Union on 31st January 2020 nearly 85% of the food consumed in the UK was produced in the Single Market. At that time, UK self-sufficiency in food was no more relevant a measure than it would be for an English county today; our departure from the EU changed this.

The most recent Defra statistics indicate that 58% of the food currently consumed in the UK is home-produced, a figure that increases to 62% self-sufficiency when food exports are taken into account.

These aggregate figures hide significant differences between categories. For instance, our self-sufficiency in milk is over 100% whilst the figure for fresh fruit is only 17%, mainly because of non-indigenous crops such as bananas, grapes and melons.

Horticultural enterprises occupy less than 1% of the farmed area but collectively contribute some 15% of the financial output of UK farming. There are three main categories:

- Vegetables
- Fruit
- Ornamentals

Whilst ornamentals (principally flowers, nursery stock, pot plants) are not part of UK food supply, they are significant economically, with a 2024 output of some £1.7 billion - compared to £2 billion for vegetables and £1 billion for fruit production. Focusing on food crops, which vegetables are now the most widely consumed and what proportion of those crops is grown in the UK? The top five vegetable categories, by volume, in 2024 were as shown in Figure 13.

As noted in Outlook 2024, since 1990 there have been significant changes in vegetable purchases. The most notable decline has been for cabbages (-69%), with the greatest increases in vining peas (+202%), broccoli (+143%), carrots (+41%) and tomatoes (+35%).

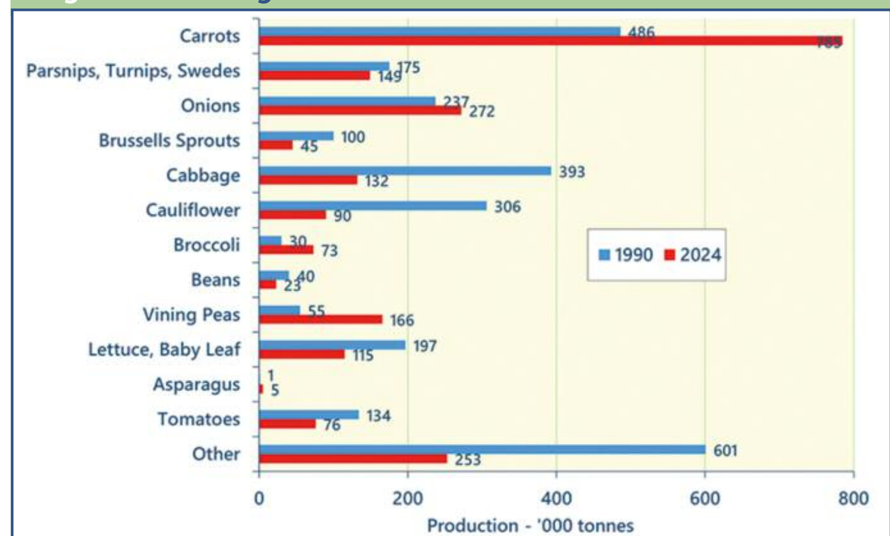
Inevitably there have been significant changes in UK vegetable production over that period, as Figure 14 illustrates:

Figure 13 UK Vegetable Consumption - 2024

Category	Consumption Tonnes '000	Self-Sufficiency %
1. Carrots, Turnips, Swede	909	95
2. Tomatoes	471	16
3. Cauliflowers, Broccoli	300	55
4. Lettuce	231	47
5. Mushrooms	171	45

Source: Defra

Figure 14 UK Vegetable Production - 1990 versus 2024



Source: Defra / Andersons

The top five fruit categories in 2024, by volume, were as in Figure 15.

Again, there have been significant changes since 1990, with apple consumption declining by 35% but increases in melons (+169%), table grapes (+120%) and bananas (+56%).

Our indigenous fruit production has also changed considerably.

In this period, yields per hectare have increased significantly for dessert apples, strawberries and raspberries; typically by some 150-200%. The increased 2024 dessert apple production is achieved from half of the 1990 orchard area.

Increasing strawberry output has been referred to in previous Outlooks. The apparent decline in raspberry production reflects the disappearance of fruit grown for processing (principally jam); sales in 2024 are mainly for the fresh market.

The increase in cider apple production is eye-catching. The crop area almost doubled in the late 1990's in response to increasing consumer demand but, by the time these new orchards reached full production (typically after 10 years), the market had declined, with processors eventually having to buy out some grower contracts. With the current surge in UK vineyard plantings (now some 4,400 hectares) one hopes that this crop does not suffer a similar fate.

In conclusion, whilst self-sufficiency figures are useful, care should be taken when using them to make observations about agricultural policy. A high proportion of our imported food comes from neighbours, most importantly the Republic of Ireland, a major supplier to the UK market of beef, pigs, poultry, dairy and mushrooms.

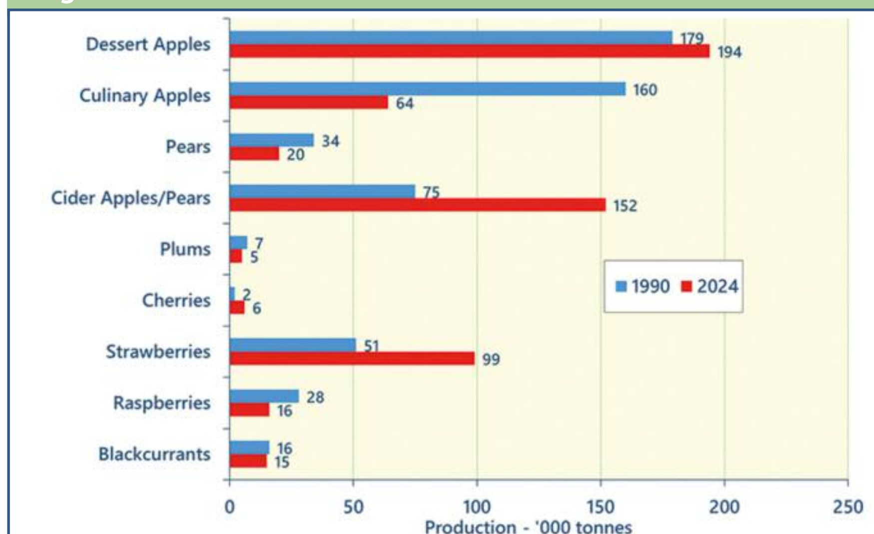
By way of illustration, it might be tempting to conclude that with UK self-sufficiency in mushrooms at 45% there are opportunities to increase domestic production. However, a short perusal of the map of Ireland reveals that if you add the mushroom production of County Monaghan - sandwiched between two counties of Northern Ireland but actually in the Republic - this 'home supply' would increase to nearly 80%. Beware headline statistics!

Figure 15 UK Fruit Consumption - 2024

Category	Consumption Tonnes '000	Self-Sufficiency %
1. Bananas	848	0
2. Dessert Apples	511	38
3. Citrus	482	0
4. Melons	320	0
5. Table Grapes	273	0

Source: Defra

Figure 16 UK Fruit Production - 1990 versus 2024



Source: Defra / Andersons

Dairy

TOM CRATCHLEY, OLIVER HALL AND MIKE HOUGHTON

As we enter 2026, the UK dairy sector reflects on a year of contrasts, with localised forage shortages, a once-again volatile milk price, and a widening gap between milk contracts in terms of prices paid.

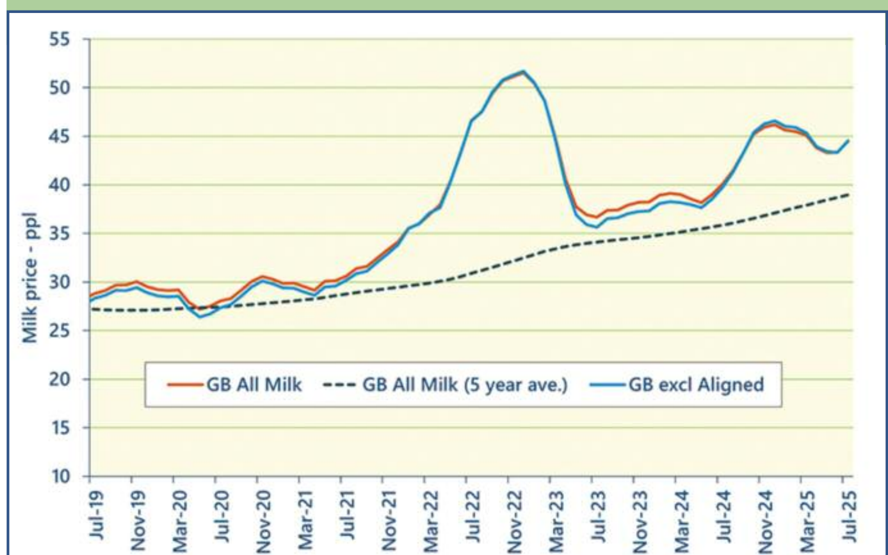
Things started promisingly in 2025 with a strong average farmgate milk price of 45.6ppl in January 2025, up from 38.92 ppl in January 2024. Buoyed by a favourable milk-price-to-feed ratio of 1.5, a figure not seen since 2007, dairy farmers in the UK turned on the taps. Production surged with 39.02 million litres sent on the 4th May 2025, a UK record. Processors struggled to cope with the spring flush, with some milk being dumped due to factory breakdowns, haulage issues, and general oversupply. Miraculously, prices stayed stable throughout the flush. Concerns among processors about the declining UK dairy herd, as well as stable-to-poor European production due to Bluetongue and drought on the continent, helped keep prices at a strong level.

However, it wasn't just dairy farmers across the UK who were increasing production at a rapid rate. Worldwide dairy production grew with the US, New Zealand and Argentina all showing considerable growth. This soon eclipsed worldwide demand for milk and milk products. Combining this with a stabilisation in EU production and it takes us to the point where a milk price 're-alignment' becomes inevitable. Butter, cream and cheddar prices have collapsed, and UK dairy farmers have already seen sharp price cuts from October.

> **"Buoyed by a favourable milk price to feed ratio... dairy farmers in the UK turned on the taps of margin"**

What has been increasingly apparent is the widening gulf between the 'have' and 'have-nots' in the UK dairy industry. The Southern counties of England again looked like the Sahara Desert for much of summer 2025, with forage stocks being particularly low in many parts. Many dairy farmers in England and Wales will be praying for a short winter; proactive sourcing of alternative forages or feedstocks will have been crucial. These dry spells, interspersed with prolonged wet spells, are

Figure 17 GB Milk Prices - 2019 to 2025



Source: AHDB

Caroline Ingamells

occurring with increasing regularity. Farmers in these areas will start looking at alternative forages with renewed gusto. Contrast this with farmers in North-West England and Scotland who have had an exceptional forage year in terms of both quality and quantity.

It is not all rosy 'up North' for dairy farmers, however. Spare a thought for long-suffering Scottish dairy farmers suppling Yew Tree and now Muller. In early 2025 there was up to a 16ppl difference between the milk price paid compared to an English dairy farmer in Southern England supplying Arla. This milk contract lottery is likely to continue into 2026 with potentially a greater premium opening for aligned supermarket suppliers. Again, the 'haves' and the 'have-nots'. What remains to be seen is whether UK milk processors will increase investment in the more 'climate-safe' dairy areas of the UK going forward.

> UK dairy farmers have already seen sharp price cuts from October

Looking to 2026, what lies ahead? Barring a sharp reduction in worldwide milk supply, the milk price looks set to weaken further. Rabobank are forecasting a growth of 0.4% in worldwide milk output in 2026, a reduction from the 2% growth seen in 2025. Closer to home, UK processors will be worried about whether they can cope with the spring flush in 2026. Neither farmer nor processor wants to see distressed milk trading at low spot prices. It is imperative going forward to engage your milk processors to try and provide accurate forecasting. This forecasting of milk production might be one of the most important tasks in the future, with many processors likely to penalise quite heavily for over or under supply.

With the recent favourable milk price-to-feed ratio and strong demand for milk, farmers have responded to market signals and

> Barring a sharp reduction in worldwide milk supply, the milk price looks set to weaken further

have understandably increased production. The market is now desperately looking for a reduction in milk supply from farmers. Now is the time to be proactive with culling, with dairy cull prices still at a high level. Look at marginal litres; are there cows you shouldn't be milking and are there expensive parts of the diet which could be stripped out? Whilst it is difficult to turn the taps off immediately, the industry needs co-operation and fewer litres not more, especially in the run up to the spring flush. The sooner the industry re-balances, the quicker the recovery will be.

Beef

CHARLOTTE DUN

After several years of volatility, the UK beef sector enters the back end of 2025 with prices holding firmer than many expected. GB deadweight cattle prices peaked at over 700ppkg in May 2025 and, although they have since eased, values appear to have stabilised in the 630-650ppkg range. This represents a level 30-40% above 2024 averages, providing a significant boost to returns and underpinning cautious optimism, particularly against the backdrop of easing feed costs and steady domestic demand. Yet, whilst the headlines look respectable, the industry must take a longer view. The next decade will test how well the beef sector can adapt not just to markets, but to labour, land use, and climate pressures that will redefine profitability. The past two years have shown that the future of the beef sector will be governed less by cyclical highs and lows and more by structural shifts.

> The future of the beef sector will be governed less by cyclical highs and lows and more by structural shifts

Over the past five years the UK suckler herd has contracted by around 12%, underlining the structural pressures faced by the sector. The drivers are well known; ageing producers, tight margins paired with increasing overheads, tightening environmental rules, and competition for land from forestry and environmental schemes. Net margin budgeting data for 2026 points to a more positive outlook, raising hopes that the rate of decline may slow, or even that some rebuilding of the herd could occur if confidence is sustained. However, in the meantime, beef supply will remain tight.

At the same time, consumer behaviour is evolving. Retail beef demand has stabilised post-Covid, but volumes are down around 5-7% from pre-Covid levels. Shoppers are seeking better provenance and welfare standards, which is good news for British beef. However, they are also buying smaller portions less often. Whilst Europe remains the UK beef sector's largest export market, opportunities further afield are gradually emerging. Markets in Asia, the Middle East, and North America show growing demand for high-

Figure 18 UK and Ireland Beef Supply – 2010 to 2026

Source: AHDB / Bord Bia / Andersons

> **Over the long term, the sector's resilience depends on distinguishing British beef on sustainability, welfare, and traceability, not simply on price**

quality, sustainably produced beef. But success in these markets will require investment in logistics, certification, and marketing, as UK product competes against both established exporters and lower cost suppliers. Over the long term, the sector's resilience depends on distinguishing British beef on sustainability, welfare, and traceability, not simply on price.

For many family units, the real challenge remains on farm. Labour availability is becoming critical. Skilled cattle men/women are harder to find and come at a greater cost. The next generation are hesitant to commit to systems that demand long hours and offer modest returns, and whilst on-farm technology is improving in the form of better crushes, weigh scales, herd management etc, suckler, store and beef finishing units are still heavily reliant on manual labour throughout the year. Those managing suckler herds are having to think about the efficiency of the enterprise; tighter calving periods, tougher culling parameters, condition scoring, EBV's (estimated breeding values), feed rations, etc. to ensure they are meeting legislative requirements, carbon reduction goals, and improved margins.

At farm level, there is growing interest in dairy-beef supply chain schemes developed by the major processors. These can be less capital-intensive than traditional suckler or finishing systems, provide a valuable source of organic manure, and perhaps offer arable farmers a grass-based enterprise option. Achieving good returns requires a consistent supply of healthy calves along with good stockmanship and technical performance. For processors, the attraction of such schemes is a secure supply of what is often a more consistent product with a lower carbon footprint.

In brief, the outlook for UK beef is stable but demanding. Prices may remain relatively buoyant, but the real winners will be those who view the current high prices as a platform for structural change. The challenge for the next five to ten years is not merely to survive market fluctuations, but to build businesses and partnerships fit for a lower carbon, higher value food economy. That requires vision, not nostalgia.

> **Prices may remain relatively buoyant, but the real winners will be those who view the current high prices as a platform for structural change**

Sheep

DAVID SIDDLE

The December 2024 survey reported a 5% fall in the UK breeding flock, now standing at 13.1 million ewes. Despite strong prices and margins, expansion appears unlikely in the near term as producers adjust to policy change, ongoing drought in many regions, and renewed concerns around disease, particularly Bluetongue.

Tight supplies have kept both lamb and cull ewe prices at historically high levels. Export demand, particularly from Europe where the breeding flock is contracting, is providing strong support as domestic consumption weakens. Cull ewe demand remains particularly robust from the Halal and food service sectors, with heavy cull ewes in many cases achieving values above prime lambs.

In 2025 old season lambs failed to match the exceptional peaks of 2024, constrained by reduced domestic demand as shoppers traded down to cheaper meats. However, new season lambs commanded good prices through much of summer 2025, as drought slowed grass growth and lambs were slow to finish. As supplies increased later in the season, prices eased back.

Despite strong prices and margins, expansion appears unlikely in the near term

Figure 19 Lamb Prices - 2019 to 2025

Source: AHDB / Andersons

Free Trade Agreements with New Zealand and Australia has improved their market access, but to date tighter supplies due to drought and continued strong Chinese demand have prevented significantly higher volumes heading to the UK.

Looking to 2026, English June 2025 census data points to a continued decline in the flock. Producers look to be taking advantage of the exceptionally strong cull ewe trade and perhaps choosing not to retain as many replacements but rather to cash them in whilst the prime lamb market is strong. The number of ewes going to the tup in autumn 2026 appears set to reduce, limiting the size of the 2026 lamb crop.

Home consumption is forecast to remain under pressure and exports, in particular to Europe, are likely to be a key determinant of price in the year ahead.

Sheep enterprises are generally less reliant on concentrate feeds than other grazing livestock enterprises. Where concentrate feeds are required, costs per tonne should be £10 to £15 per tonne lower in the year

Caroline Ingamells

ahead. However, many farms will go into 2026 with depleted forage stocks and ewes in a less-than-ideal condition following the drought, hence more concentrates may in fact be fed. Lambing percentages are also often affected following a drought year and this may have an effect on the size of the 2026 lamb crop.

The majority of the labour input to most sheep flocks tends to come from family members rather than employees. This offers some protection from the difficulties other sectors are experiencing with recruitment and rising paid labour costs. Living costs for everyone are however increasing and this will put pressure on the level of drawings family members may require from their businesses going forward.

In summary we remain positive about sheep prices and margins for the year ahead. With the demise of the Basic Payment Scheme in England at least, these better returns could not have come at a better time.

"Living costs for everyone are increasing however and this will put pressure on the level of drawings family members may require from their businesses"

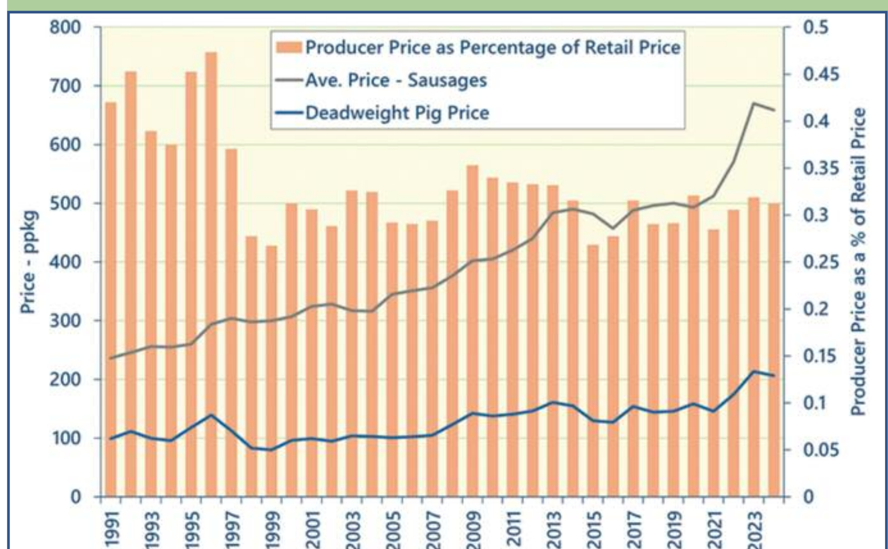
Pigs

HARRY BATT

Are integrated supply chains good for the industry? And who actually controls the UK's pig supply chain?

The National Pig Association identifies a consolidated group of producers (600-700 businesses) supplying over 95% of the UK's production, with the majority of these businesses operating across multiple holdings. In addition, Defra data suggests that over 87% of UK registered pig holdings have less than 300 pig movements over a two-year period. This would categorise these businesses as small holdings or 'hobby farmers'.

Figure 20 Pig Producer Margins – 1991 to 2024



SSource: AHDB / Andersons

Abattoir numbers have continued to decline, with approximately 200 abattoirs still operational; this is a 92% reduction from the 1970's when there were more than 2,500 operational sites. It is estimated that 81 (41%) of these current abattoirs take pigs, however the majority of production (>90%) is consolidated to just eight specialist facilities.

The ongoing consolidation of producers and processing facilities should be leading to greater economies of scale and efficiencies of production. Arguably that is being seen with the improvements in technical performance. Average slaughter weight has increased by c.10 kilograms (or 12%) over the past decade. Likewise, litter sizes, mortality rates and feed conversion all show positive trends, as would be expected with fewer, but more specialised, operators.

Is this model actually, delivering for producers and processors financially? It would be assumed that with three/four key processors, a much tighter grip of supply could be achieved, which in turn improves margins. The theory does not appear to be the case in practice, with the processors converting less than 6% of turnover into profit. For context the target for a good farm business might be a profit conversion rate in excess of 15%.

> **"A consolidated group of producers (600-700 businesses) supplies over 95% of the UK's [pigmeat] production"**

To highlight this further, Figure 20 illustrates the average retail price of pork sausages (a low value cut) against the average producer price. The data shows a downwards trend in the producer price as a percentage of the retail price. In the early 1990's the producer was receiving 40%-45% of the retail price which today this has fallen to below 32%. Furthermore,

> **The data shows a downwards trend in the producer price as a percentage of the retail price**

inflation over this 35-year period would give a current producer price of 232ppkg, some 30ppkg above prices at the time of writing this article. Has this integrated supply chain just increased the race to the bottom? Are the efficiencies achieved just keeping enough air in the lifejackets for producers and processors alike? This ongoing trend will continue to benefit consumers at the detriment of large, established and once profitable businesses.

The more consolidated supply chains also open the door for greater risk. Biosecurity is a constant threat on-farm with producers largely responsible for managing these risks. A study by the National Audit Office warned that the UK isn't ready for a serious animal disease outbreak. Despite producers' best biosecurity efforts, the sector is highly exposed by more vertical integration. Less abattoirs, less hauliers, less producers - with any outbreak posing a bigger risk to the supply chain.

It is unlikely that the industry will ever move away from this model, nor should it. However, the integrated chain must take more responsibility for its own destiny. With three companies controlling the breeding lines; do we not need to be aware of the impact of reducing gene pools? Efficiencies and financial demands have resulted in tighter gene pools, does this not inadvertently make the system more fragile?

Although this will fall on deaf ears, the Government must take notice of their role in the food security debate. Defra estimates that only 5% of live animal imports are physically checked against a target of 100%. This greatly increases the chance of a disease outbreak.

Processors, most of whom own the farms and the pigs, need to be more astute with controlling and managing supply. The answer to long term financial stability is sometimes the ability to say 'no'.

Poultry

EDWARD CALCOTT AND
VICTORIA MOXHAM

The last 12 months has seen a significant turnaround for the UK poultry sector - for both meat and eggs.

The majority of poultry businesses are now creating some form of quantifiable profit and generating surplus funds; something which has been difficult to achieve in the recent past. Sensible management of this is required if the proprietors of the business are to focus on their long-term strategy, rather than making impulsive short-term decisions which may not be beneficial for the longer term.

Spend some time tax planning with your accountant and relevant professionals. Avoid the easy route of buying a tractor for the capital allowance off-set. Do you really need it?

Take a good look around your farm. Physically, financially, environmentally, and technically. Where are the weaknesses and how can you improve them? Is there any investment you have neglected in the last five years which you should look at. Does the wheel wash really work every time? Should you expand your solar whilst energy prices are low and panel prices are cheaper than they were three years ago? Have you assessed the option for battery

“The last 12 months has seen a significant turnaround for the UK poultry sector - for both meat and eggs”

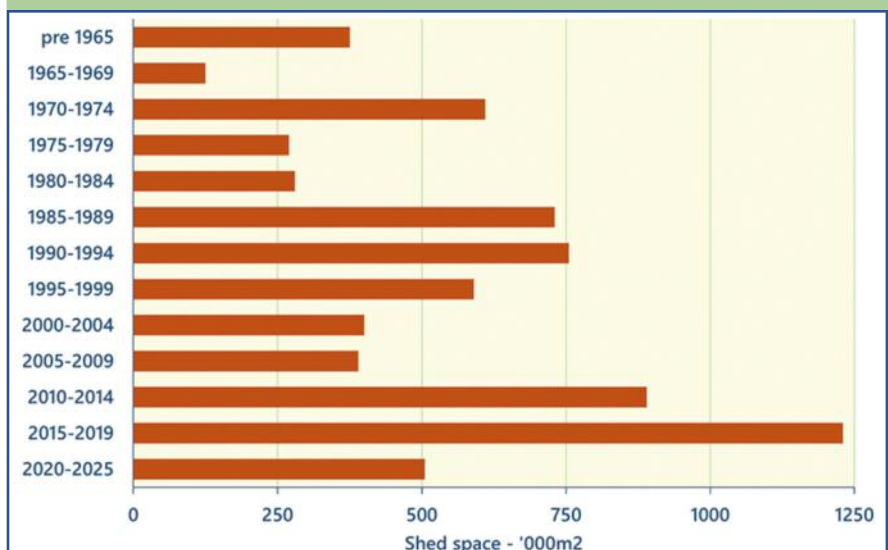
storage? Are there any ways you can improve heat efficiency? Can you improve the visual aesthetics of the farm? What costs have increased and what can you do about them? What can you do to improve the working conditions on the farm for staff and contractors?

Speak to your bank manager; what options are there to repay debt early if possible? Or could you put some money away in a business savings account, or explore pension options for the future.

It can be easy to get blinker vision on your own business when you are involved with it every day. Invite an independent third party to look around to give you a second opinion. This could be a consultant, an industry stakeholder or a farmer friend to whom you can offer to return the favour.

Use the current buoyancy of the sector to reinvest for the long-term of

Figure 21 Age of UK Broiler Sheds



Source: NFU

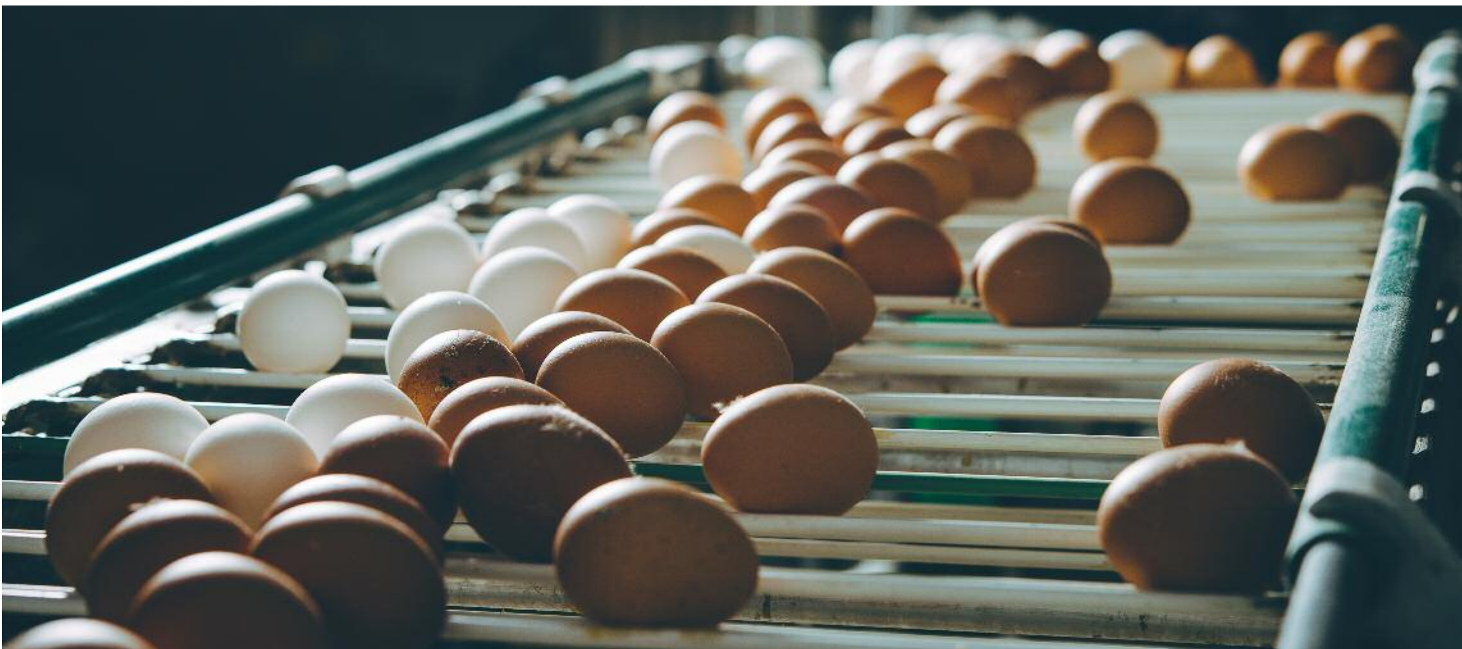
your business, but do not forget the pain of the past.

Some businesses are looking to expand whilst the sector is strong. Those who are in this process may be in for a shock when receiving build and install quotes. Agriculture is not alone with cost inflation. Ensure you thoroughly read quotes, and compare them on an equal standing. Invite yourself to see other projects, and speak to the business owner(s). Gain insight from their experience with contractors rather than relying on a sales representative to influence you.

Spend as much time as possible

> **“Use the current buoyancy of the sector to reinvest for the long-term of your business”**

assessing the numbers, the payback, the returns, the depreciation.
A sensitivity analysis is the most important thing you can do when carrying out an investment appraisal. It was not that long ago when electricity was 70ppKWh, feed was nearing £500 per tonne and the free-range egg price was under £1.20 per dozen. It is good to be away from these days, but the world is a volatile place, and with the UK being a small player in global terms, things can change quickly. The poultry sector is renowned for being self-sufficient and not reliant on subsidy. Those who fail to look forwards proactively may risk being left behind.



Scotland

BEN KELLAGHER

What a difference a year makes, with weather conditions in 2025 being in complete contrast to those experienced in 2024.

The spring of 2025 was the driest for many years, very much enjoyed by our sheep farmers but not so by those growing combinable crops; yield forecasts and cashflows were reviewed as most farmers were expecting a reduction in output. The good weather continued into the summer and the 2025 harvest was one of the earliest and easiest most farmers will have experienced. Surprisingly, crop yields have been good and the expectation is that Scottish cereal production could reach a high of 3.2 million tonnes; well above the 5-year average. Winter crops appear to have performed well, but results for spring crops are mixed as they were impacted more by the spring drought. Spring barley is Scotland's largest cereal crop and, this year, malting premiums are in short supply, due to high levels of screenings and nitrogen levels and a lack of demand from maltsters. There is much feed barley in store, not so good for our arable farmers but good news for our livestock rearer/finishers. Autumn establishment has been excellent and crops are heading into the winter in good condition. All bodes well for the 2026 harvest, if only prices will improve!

> **“The 2025 harvest was one of the earliest and easiest most farmers will have experienced”**

Returns in our beef and sheep sectors continue their upward trajectory, with current prices again in excess of previous years highs.

Reports from our autumn sheep breeding sales have been of strong demand and pricing, as livestock farmers continue to be optimistic about their future. The release of the 2025 June Agricultural Census is overdue but, again, the expectation is a continued downward trend in breeding cattle and sheep numbers. This illustrates that short-term buoyancy in markets is struggling to overcome long-term structural trends.

Dairy farming in Scotland has had a steady year to date and cow numbers are expected to remain stable, albeit farm exits continue quietly in more marginal areas of the country. Forage quality and availability have been good, particularly in the West and South-West. Milk contract uncertainty is still a factor in the sector.

Figure 22 Scottish Steer Prices - 2022 to 2025

Source: QMS / AHDB

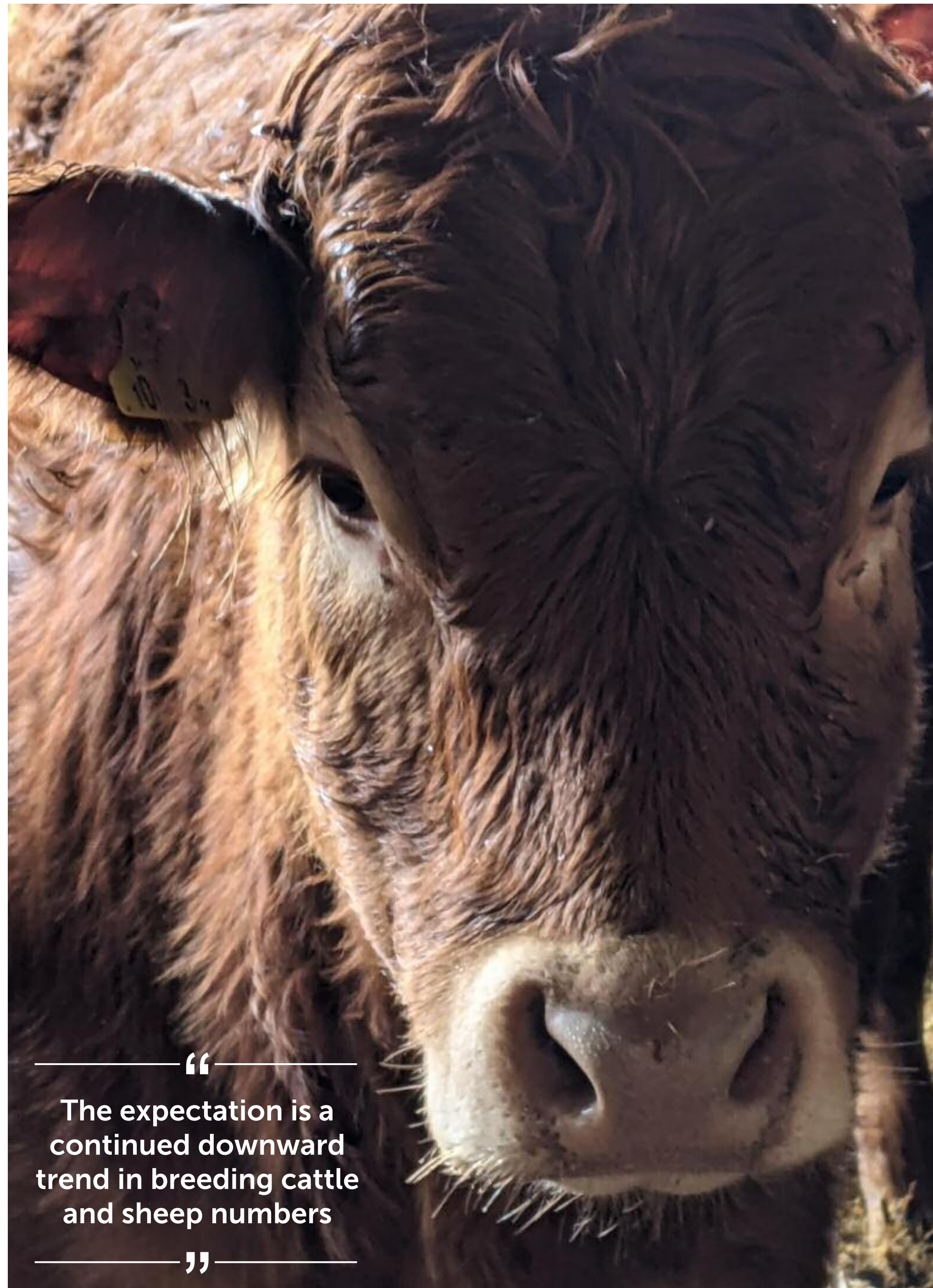
The acquisition of Yew Tree by Muller will be of concern to some of our dairy farmers as it was Yew Tree who stepped in a number of years ago to recruit those who Muller no longer wanted to collect milk from. The worry is that history will repeat itself.

How lucky we are that BPS subsidy receipts continue at existing levels, which looks set to continue into 2026. The new Four Tier farm support system has been much simplified when compared to the one originally proposed and will be operated through the Scottish Government's existing IT software. It is difficult to introduce anything very radical without suitable administrative/IT systems to run it.

2025 saw the introduction of the Whole Farm Plan and enforcement will be applied from 2026 onwards.

The other main change for 2026 will be the introduction of Enhanced Greening, which due to rule changes, will mean an increased number of farming businesses will need to engage with Ecological Focus Areas (EFA). Four new options have been added to EFA and although the rate is to remain at 5% of arable land for 2026, this is set to increase to 7% by 2027. We have also had confirmation that the Agri Environment Climate Scheme (AECS) will open again for applications in 2026 and this early announcement is to be welcomed. Longer-term, the Scottish Government has stated that AECS will be extended until at least 2030. This provides more evidence that the transition to the new Four-Tier policy framework in 2026 will not see a raft of new schemes. Instead familiar schemes, with some revisions, will simply be 'slotted' into the Tiers.

The likelihood of no change in the level of farm support in Scotland for 2026 is good news but what our industry needs from the Scottish Government is a commitment on future levels of funding. If nothing else, it will help farmers with longer term strategic and investment decisions for their businesses. As an example, the recently launched Future Farm Investment Scheme (FFIS) shows there is an appetite for capital investment in Scottish agriculture. Awards have been delayed as the scheme received a significant number of applications (7,584 in total) and although funding has been increased from £14m to £21m, it is likely these funds will be prioritised to new entrants, young farmers, tenants and small farms. Many farming businesses look set to miss out on an award of grant and are therefore not likely to proceed with their proposed investment. If the Scottish Government's ambition is to make Scotland a global leader in sustainable and regenerative agriculture, then their ambition really needs to be matched with financial backing.



“The expectation is a continued downward trend in breeding cattle and sheep numbers”

Wales

KERRY JERMAN AND
ANNA BOWEN

Although our confirmed cases have been minimal, Bluetongue has had quite an impact on livestock farmers in Wales. Logistically, border markets have introduced additional sales to accommodate both England and Wales suppliers and buyers to allow livestock to continue to move within their nations with minimal fuss. This has, to some effect, artificially increased the price of both store cattle and store lambs further as the uptake of Bluetongue vaccination is still relatively low. This is mainly due to the cost, but also illustrates the slightly 'laissez-faire' attitude to the disease.

> **"The uptake of Bluetongue vaccination is still relatively low. This is mainly due to the cost, but also illustrates the slightly 'laissez-faire' attitude to the disease"**

As we move into 2026, preparation for the Sustainable Farming Scheme (SFS) is well underway, even with Final Guidance for the scheme yet to be published at the time of writing. Farmers have the choice of entering the scheme, beginning on 1st January 2026, or to continue to participate in the Basic Payment Scheme (reduced to 60% in 2026 compared to 2025 payment). The SFS requires a lot of additional commitment from farms and will be very individualised in terms of the payments received by different businesses.

Unlike the Basic Payment Scheme (BPS), whereby only 'grassland' and 'crops' were allocated entitlements, the eligible land to receive SFS payments includes all habitat land such as woodland, scrub, dense bracken and ponds up to 0.1 hectares. For farms particularly in upland areas, this will dramatically increase eligible land area, leading to estimated SFS payments to be similar (or in some cases higher) than the BPS.

Conversely, for farms that have mainly productive land, achieving the required 10% habitat area per business

Figure 23 Sustainable Farming Scheme

Payment Type	Rate	Eligibility / Notes
Whole Farm payment	£70 per hectare for the first 70 hectares of eligible land £2 per hectare for remaining eligible land	Includes common land if you have legal grazing rights; apportioned similarly to the current BPS.
Social Value Payment	£107 per hectare	Applies to all eligible land.
Habitat Maintenance Payment	£69 per hectare	For habitat maintained or created to meet the 10% habitat requirement.
Woodland Maintenance Payment	£62 per hectare	For woodland maintained. Not available to tenants without full management control of woodland.

Source: Welsh Government

Amy Barnacle

requires temporary habitat to be created. This is through different options such as retained winter stubbles, winter cover crops, herbal leys, or extending cutting dates to allow grass to set seed before it is harvested. All of this is possible, but does require additional planning and time to implement by farmers. There is also usually a cost involved.

Of the 12 Universal Actions that must be carried out by farms participating in the scheme, aside from the 10% habitat requirement, the requirement to create a 'Tree and Hedgerow Planting Opportunity Plan', resulting in at least an additional 0.1 Ha (approximately 250 trees) to be planted by 2028, is likely to cause the largest headache for the most productive farms.

> **As we move into 2026, preparation for the Sustainable Farming Scheme (SFS) is well underway**

Optional and Collaborative Actions can be used to supplement the Universal Payments, with payment rates differing by option (payment rates on these are still to be finalised at the time of writing). Optional Actions are mainly based on expanding/introducing new habitat areas, as well as providing support for organic farmers and some capital funding (e.g. for grazing infrastructure). The majority of these Actions come from the grants previously available such as the Small Grants-Environment, Small Grants Efficiency, Growing For the Environment etc. The Collaborative Actions are split into three layers and require groups of farmers to come together in order to apply:

- Innovation, research and development
- Collaborative market and supply chain
- Collaborative landscape scale activity

There is no doubt that the Sustainable Farming Scheme brings the wind of change to the Welsh agriculture sectors for 2026. The Universal Action requirements for Continual Professional Development (CPD) and Benchmarking is pushing some older farmers to hand over the baton of primary management to tech-savvy younger generations. It will require additional administration and time from all participants and is likely to make the most profitable farm businesses unlikely to participate. However, the reality of beef and sheep farming businesses in particular, is that they cannot be viable without some form of support.

Amy Barnacle

Topical Issue: Inheritance Tax

SEBASTIAN GRAFF-BAKER

There continues to be a considerable amount of controversy and debate around the changes to Inheritance Tax (IHT) announced by the Chancellor in her October 2024 Budget. From April 2026 this will see Agricultural and Business Property Relief reduced from 100% to 50% for qualifying property above a £1,000,000 threshold.

Some of the debate has centred around the number of businesses that will be affected and the extent of the effect. In August 2025, The Centre for the Analysis of Taxation (a politically impartial and independent organisation) published 'The Impact of Changes to Inheritance Tax on Farm Estates'. The organisation aims to conduct research that can be used by both Government and those seeking to hold Government to account. The information used in the analysis has been taken from HM Revenue and Customs. It uses the average of the five-year period 2018 to 2022 and then adjustments (using OBR projections for asset price inflation and deaths) have been made to estimate the situation in 2027.

The report estimates that, in 2027, between 480 and 600 farm estates would pay additional Inheritance Tax due to the change in relief, assuming no change in behaviour. The increase in tax liability for affected farms covers a considerable range (as shown in Figure 24).

Figure 24 Percentage of Affected Farm Estates - Additional Inheritance Tax

Percentage of Affected Farm Estates	Additional Inheritance Tax
24%	£0 to £50,000
53%	£50,000 to £500,000
11%	£500,000 to £1,000,000
12%	> £1,000,000

Source: Centre for the Analysis of Taxation

The analysis also identifies that 89% of the affected farm estates include assets that do not qualify for either APR or BPR. The average value of these assets is greater than the additional Inheritance Tax and therefore, in theory, the potential sale proceeds of these non-qualifying assets could be sufficient to meet any additional tax. There is therefore the suggestion that there are some farming businesses that might be able to continue without having to sell agricultural or business property and would not have to generate extra profits to cover additional Inheritance Tax. However, the assumption that the Executors will choose to sell non-qualifying assets may be unrealistic.

> **"Farmers need to get good professional advice as to the potential scale of their liability and plan accordingly"**

The Chancellor indicated that the additional Inheritance Tax resulting from the reduction in relief can be paid by ten interest-free annual instalments. How many of the affected 480 to 600 farm estates in 2027 will be able to afford the additional Inheritance Tax out of profit over the following decade depends on a multitude of factors. Defra's latest forecast of average annual farm business income in England ranges between £30,000 and £176,000 depending on the type of farm. The Centre for the Analysis of Taxation report identifies that a little over half the affected farm estates will have to find somewhere between £5,000 and £50,000 per year in each of the next ten years.

It should be noted that other organisations have estimated that the number of affected family farms could be much higher, not least because the value of the farm's business assets such as livestock, machinery and stores will now become important for assessing IHT liability. Up to now, little attention was paid to the 'true' value of these assets as they all got full relief. Thus, there is a gap in the data on which the analysis is undertaken.

Whilst knowing the number of affected businesses is important in assessing the policy as a whole, it actually makes little difference for individual farming families - the key point is whether you are likely to be hit by a large tax bill. Farmers need to get good professional advice as to the potential scale of their liability and plan accordingly.

> **Whether the reduction in relief from 100% to 50% will bring about a fundamental change to the structure of UK agriculture remains to be seen**

Whether the reduction in relief from 100% to 50% will bring about a fundamental change to the structure of UK agriculture remains to be seen. Many businesses have already taken advice to put in place arrangements to try and minimise any additional tax liability, some of which will result in assets being passed to the next generation sooner than previously planned. If there is any sliver-lining to the introduction of this policy, it will be that it has forced multi-generational businesses to have, often long-postponed, conversations about the future of the business.

Farm consultants can play a key role in facilitating such conversations and also bringing other professional advisors together in a team to deliver the best practical outcomes.

Topical Issue: Land Use - Sparing Versus Sharing

AMY BARNACLE

Amy Barnacle

The balance between efficient agricultural land use and conservation is a significant challenge; we may be required to rethink the way we farm and produce food. Land use change can profoundly affect ecosystem services such as climate regulation, habitat provisioning, cultural services, and biodiversity. A growing UK population and increasing demands of alternative uses of land creates significant pressure on how we balance food production with the need to preserve and enhance nature. This raises the question, which option is better to address this balance, land sharing or land sparing?

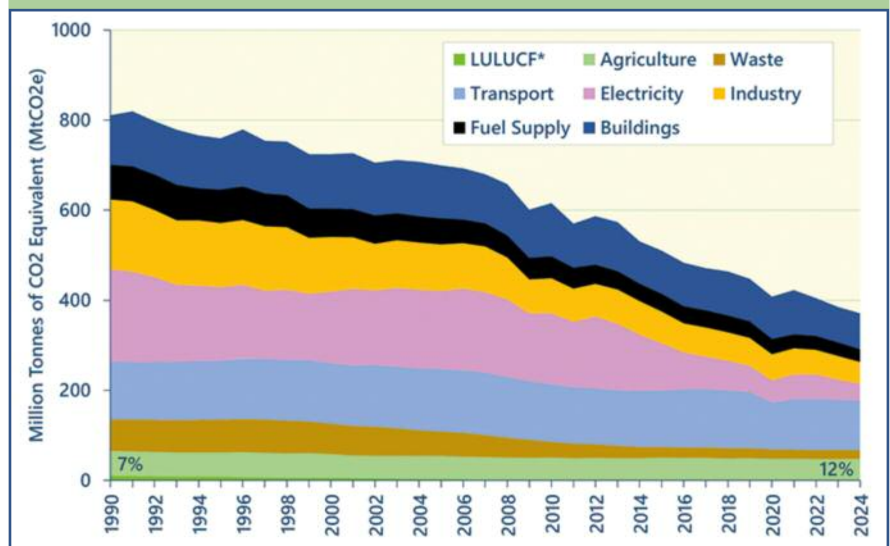
Land sharing favours a diversified approach by incorporating nature enhancements within the majority of farming systems. This has the potential to make farming, on average, less productive. With land sparing, the idea is to have areas of intensively farmed land in order to conserve more natural areas, which are highly biodiverse.

One of the biggest arguments for land sharing is that the separation of biodiversity can lead to impacts on ecosystems that may not be seen for tens or even hundreds of years. The practice of focusing on monoculture crops has led to 75% of all food being produced by 12 plant species. This reduction in species diversity, whilst productive, is now threatened by disease resistance, lower environmental resilience, and declining soil health. One pathogen can wipe out entire crops, current plant breeds cannot adapt to extreme weather, and poorer soil health is reducing diverse root structures, all of which could dramatically impact food production.

Land sparing can cause livestock systems to intensify into smaller areas. This may be highly productive but often requires high levels of feed imports, for example soya, the production of which has consequences for global emissions and biodiversity. The intensification of production that can accompany land

> "A growing UK population and increasing demands of alternative uses of land creates significant pressure on how we balance food production with the need to preserve and enhance nature"

Figure 25 UK Emissions of Greenhouse Gases By Sector - 1990 to 2024



*Source: DESNZ / Andersons * Land Use, Land Use Change and Forestry*

sparing may also cause negative effects on energy use and animal wellbeing.

Land sharing has recently received a boost through the growth in popularity of regenerative farming. The practices adopted such as no/minimum tillage, crop rotation, buffers and strips, mixed leys, and agroforestry would all be consistent with a land-sharing approach. Most 'regen' systems also have a lower level of output - returning us to the issue of food production. Importantly, from an environmental perspective, land sharing models have also shown that they often fail to deliver a step-change in biodiversity.

So which method should be the 'winner'? The answer is neither.

Instead, farming systems need to contain a mix of both to halt and reverse the biodiversity decline and increase the efficiency of production. This requires a holistic approach to understanding the current practices and the potential of the farmland. The best and most versatile land should be focused on the production of food. Some areas that are currently farmed would be better suited to producing environmental goods. Whilst this may sound like land sparing, between these two extremes would be a vast amount of UK farmland that can 'do a bit of both' – hence land sharing. Knowing which is the best option will require both environmental and commercial skills. Now is the time to fully understand the efficiency of the land and the farming (and other) options available.

> **Knowing which is the best option will require both environmental and commercial skills**

Whilst food has a market value, environmental outcomes usually do not. It is therefore difficult for farmers to 'price' these into their decisions on land use. It usually requires some additional income to rebalance the scales in favour of nature. In the past this has almost always been from the Government through agri-environment schemes. Growing financial incentives, such as carbon and nature markets, could be the answer to bridging the financial gap that the fall in Government budgets for farming has left. But this requires farmers, landowners, and advisors to understand the options available and what effect this can have on the business, whether it is land value, tax implications or the economic feasibility of incorporating either land sharing and sparing practices.

Whilst overall trends of Greenhouse Gas Emissions (GHG) are down in the farming sector, the more rapid decrease across other parts of the economy is causing agriculture to fall behind in relative terms. This will inevitably increase the pressure on farming to decrease emissions. The drive to improve biodiversity is also going to continue. Therefore, the call to sustainably manage land and farming systems is going to get louder. Farmers and landowners need to be preparing sooner rather than later to get ahead of any mandatory biodiversity, conservation, and soil protection targets that could be introduced in the longer-term.

Topical Issue: Japanese Agriculture

ANNA BOWEN

One of our farm consultants, Anna Bowen, led a farmer study tour to Japan in September this year. Although not, perhaps, 'topical', it is always interesting to see how agriculture operates in other countries - especially one so different from the UK.

The changing demographics of Japan's population bring both challenges and opportunities for the agricultural sector. A combination of high life expectancy (Japan has nearly 100,000 centenarians) and low birth rate (1.15 births per woman in 2024) mean that the country has an ageing population. Over 10% of Japanese people are over 80 and by 2040 it is predicted that 40% of the population will be over 65. Low levels of immigration mean there is little scope to import youth; as it stands today Japan will have to adapt to the societal and economic impact of an increasingly elderly population.

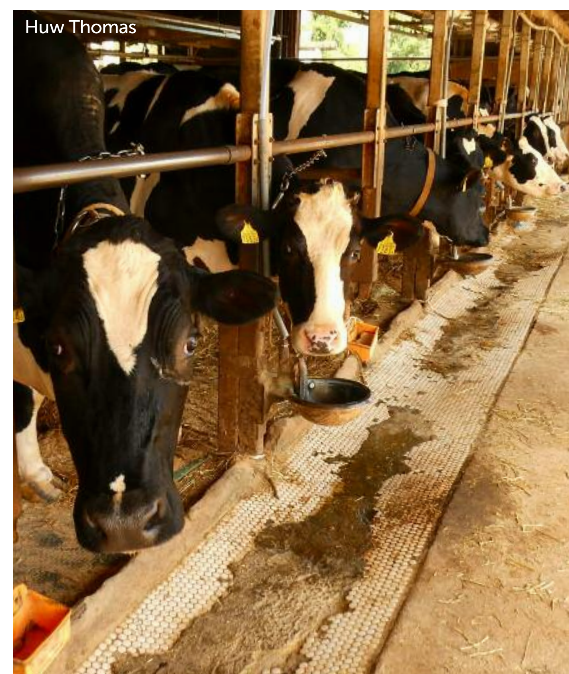
One consequence for agriculture has been the phenomenon of 'abandoned farmland'. Many of Japan's farms are small plots owned by individuals. As owners age they stop farming, and upon death these plots are inherited by a next generation who are often living and working in larger towns and cities. Today around 10% of Japanese farmland is abandoned.

Japan's Ministry of Agriculture, Forestry, and Fisheries predict that nearly 30% of Japanese farmland will be abandoned in the next ten years with some areas seeing rates as high as 80% (others as low as 10%). In a country where food self-sufficiency stands at just 38% this brings issues with food security, whilst the decline in local food and the culture associated with it creates a negative impact on food sovereignty.

Some businesses have taken this as an opportunity to upscale, albeit with significant challenges. Asai Nursery in the Mie Prefecture grows and sells fresh produce and 80% of their land was formerly abandoned. A recent investment in growing kiwi fruit saw the establishment of a 6ha orchard. They state that the orchard has between 30 and 50 individual landowners, all of whom had to be located and negotiated with to agree to long-term leases to enable the investment. Where businesses have the skills and contacts to bring together small plots there are opportunities to grow. They noted that the whole plan would have collapsed had a single landowner in the middle of the proposed orchard chosen not to lease their land or swap with someone on the edge.

The challenge of abandoned farmland is further compounded in Japan by the small area of farmable land. Sources vary, but just 12-13% of the land area is farmed. This brings particular issues for livestock farming.

Japan is famous for its Wagyu beef and the system of rearing these animals is intensive. Many of the farms visited had no forage land; not only did the cows not graze but the forage they consumed wasn't home produced - most of it was imported from North and South America. On one farm 38% of turnover was spent


Huw Thomas

Huw Thomas

on feed while a dairy farmer stated that on an average Japanese dairy farm feed accounts for 75% of all costs.

Land availability had further implications; a lack of space restricted the ability to build handling areas. Staff were seen loading 700kg cows into trailers using headcollars and wearing construction helmets as protection. Whilst labour is cheap - minimum wage varies regionally but is around £6 per hour - a lack of mechanisation or investment means that livestock farming is labour intensive. Labour costs were equivalent to 40% of turnover on one beef farm.

> **A lack of mechanisation or investment means that livestock farming is labour intensive**

As the population ages and urbanises this level of labour will become unsustainable, which will force the industry to develop more efficient systems and invest in handling, technology, and machinery. Currently 98% of Japan's dairy farms are fully housed. The long-term sustainability of this must be questioned - in most of the Global North consumers want cows to graze- but it will require enormous changes to how the dairy industry is structured and co-operation for farmers to access land for turnout.

Huw Thomas

Over the next decade or so Japanese agriculture will undoubtedly change. For those able to bring together parcels of abandoned farmland there are massive opportunities to upscale existing businesses or build new ones, and for the livestock sectors gains to be made in economic and environmental sustainability and social licence through accessing grazing.

Contributed Article: UK Grocery Retail; is the Tide Turning for Fresh Produce?

GED FUTTER

Since 2019 the UK has been in a constant period of uncertainty, first we had Brexit, followed by Covid, then the war in Ukraine and more recently the impact of climate across global food markets. The UK produce industry has shown its resilience in dealing with each one of these crises and at times has been close to breaking, but there is now optimism that the tide is turning.

Over the past twenty years, as the UK Grocery retailers have battled for customers and market share, winners and losers have emerged. In 2006 the combined share for Aldi and Lidl was under 5%, today their combined share is approaching 20%. Over the same period the 'Big 4' have lost 11.5% of share. The market has shifted and the old guard is no longer the determinant of success. This has brought risk and opportunity for the produce sector. Aldi's sales have grown from £1.1bn to over £18bn, with a continued focus on British growers.

In 2023 I wrote a report for the Oxford Farming Conference called 'Is the UK Food Supply Chain Broken?' I concluded that it wasn't broken but hanging on by a thread, particularly in certain sectors. The uncertainty has placed considerable strain on all parts of the food supply chain. Retailers have typically worked with

agreements that are 12 months long. This makes if far more difficult for any manufacturer or grower to invest. At the same time costs have increased substantially, especially labour with the National Living Wage increasing by almost 40% in four years. Bank balances have not been healthy for quite some time, leading more farmers to question whether it is worth continuing to grow food or look at alternatives, such as solar panels or housing.

During all this uncertainty, British Grocery retailers have continued to fight over price. They have been locking horns in most categories but especially in the key battle ground of own label food. This price battle is invariably pushed down the supply chain and it is often said that the focus on price by supermarket buyers is relentless. This is quite literally their job. They are trained rigorously on how to negotiate, so to expect them to do anything else is pointless and naïve. To stand a chance against these behemoths businesses need to come together, train their teams and look at alternatives. Anyone whose business is based solely with UK grocery retailers is putting undue risk on themselves. We saw how effective a sector can be when it comes together when egg suppliers said 'no'. There were shortages on shelves which lasted months and caused retailers to limit purchases in-store. The result for the egg supply chain was better prices and longer contracts, bringing the ability to invest.

We are starting to see retailers wake up to the fact that if they want to secure availability of UK produce they need to be offering longer term contracts. The longest we have seen is the twenty-year agreement between Aldi and AC Goatham, a large-scale UK dessert apple grower. Other long-term agreements are now being offered by most of the retailers. Both Aldi and Lidl have publicly stated how much British food they intend to be buying over the next five years, giving confidence to producers.

"We are starting to see retailers wake up to the fact that if they want to secure availability of UK produce they need to be offering longer term contracts"

For too long in certain sectors it has been a case of Last Man Standing, with farmers and growers believing that if they wait long enough, they will run out of competitors. This is neither effective nor realistic. What it may do is to force UK retailers to look further afield, to producers outside of the UK. However, we know that the UK is a centre of excellence for growing standards and quality. The further away the retailers look, the more risk they are adding and they are also relying on overseas suppliers wanting to supply them. UK retailers have expensive and complicated procedures with demanding standards; not the most attractive market despite the significant volumes!

There has been a need for change for many years but to expect this to come solely from the UK retailers would be an expensive mistake.

Growers need to understand that they have more power than they believe but if they are not training their teams and developing alternative markets they will lose this power. There must be a shift in mindset and a willingness to say 'no'. This will result in businesses that are more financially stable and able to invest in all areas. UK grocery retailers need UK growers and this relationship needs to be long-term and sustainable. Opportunities will be there, but they shouldn't be at any cost!

Ged Futter is an independent consultant advising numerous suppliers in the UK food chain helping them understand how retailers really think (see www.theretailmind.com).

He has nearly 30 years' experience in retail at a senior level, from managing stores, working in supply chain and then working as a Senior Buying Manager for the world's largest retailer.

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