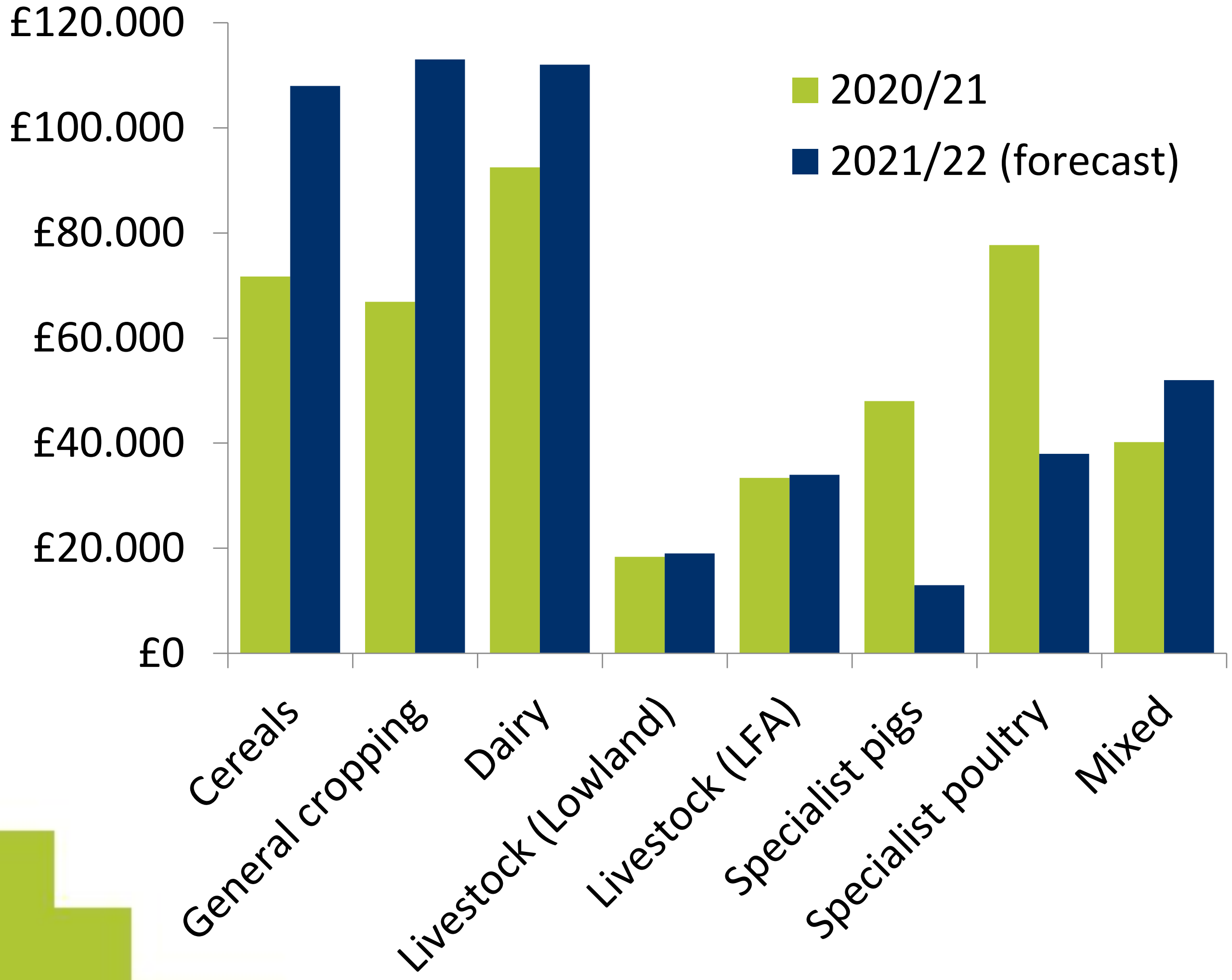
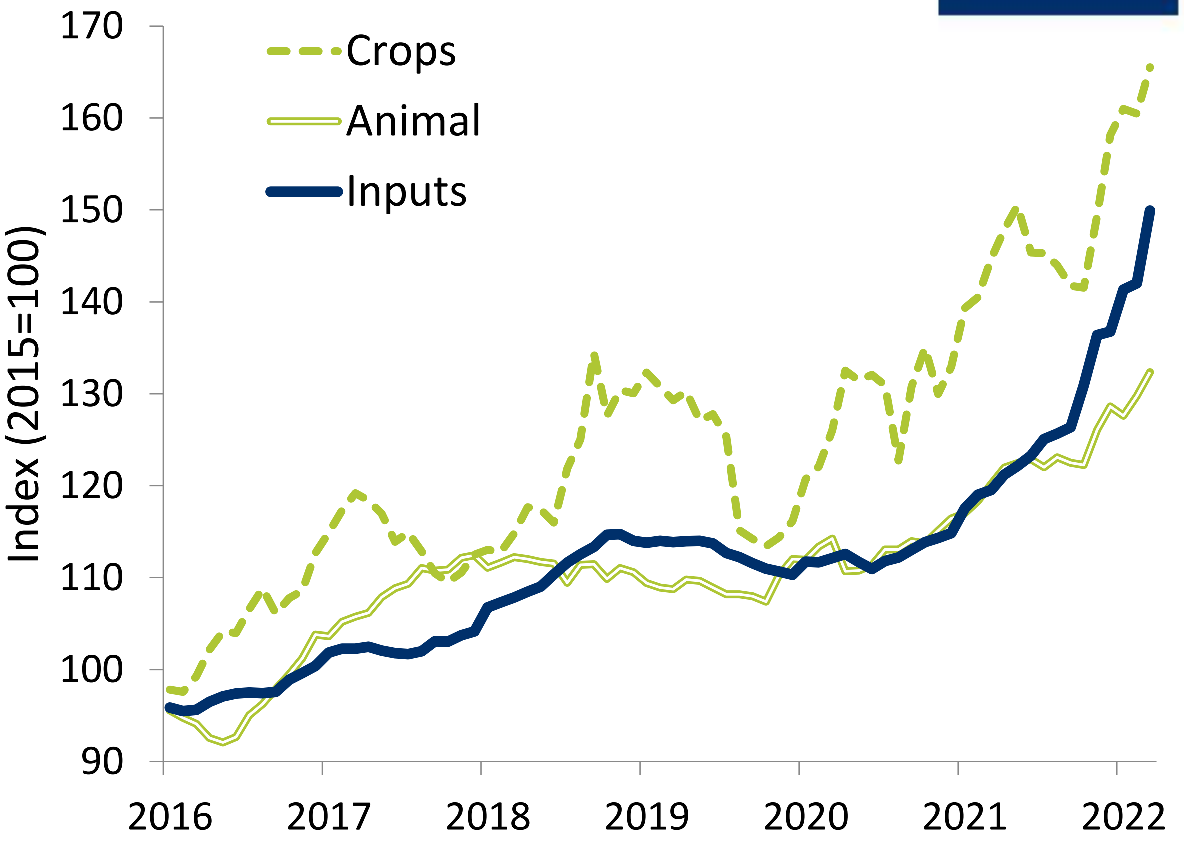
UK Country Report

Agrievolution Economic Committee

June 2022

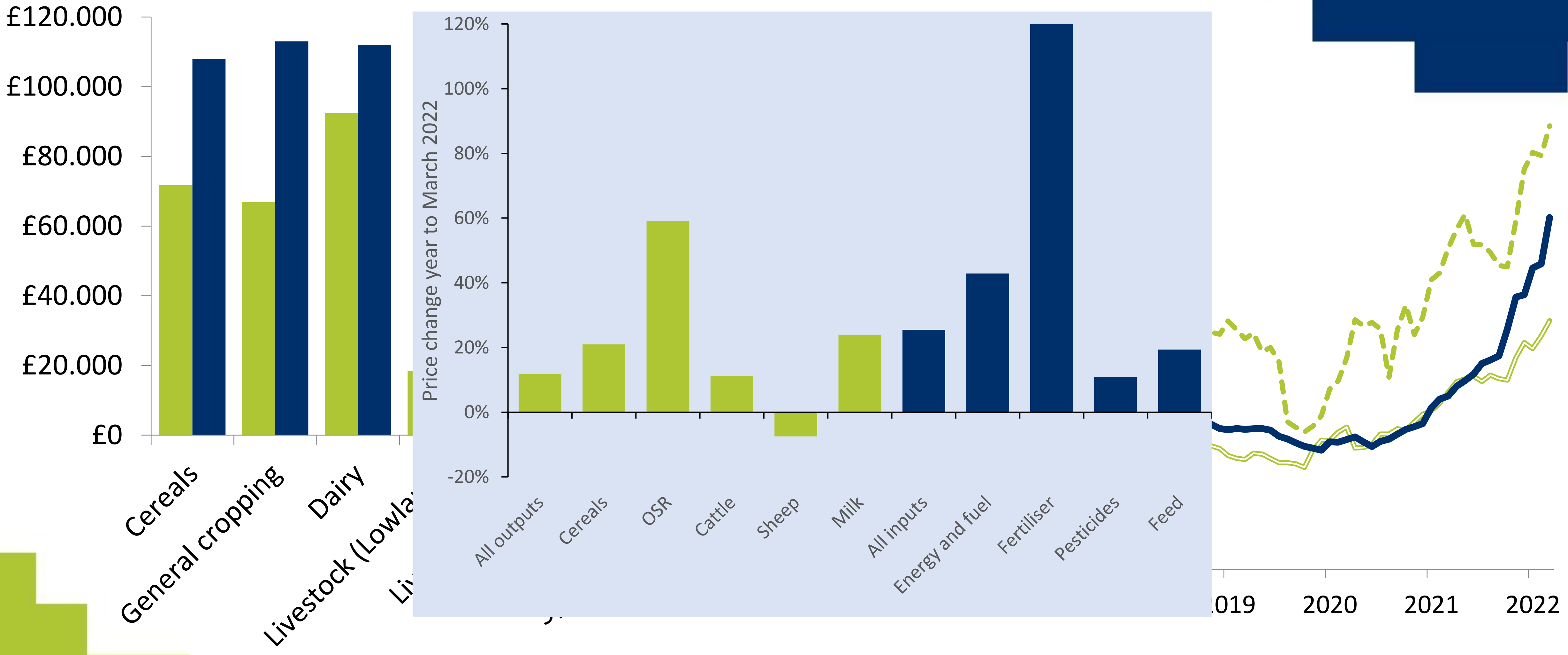
Arable and dairy farm incomes up but more challenging for livestock farms as input costs rise





Left Chart: Farm Business Income in England (i.e. average profit of English farms)
Source: DEFRA
Right Chart: Forecast change in value of outputs, inputs and value added in UK agriculture
Source: DEFRA

Arable and dairy farm incomes up but more challenging for livestock farms as input costs rise



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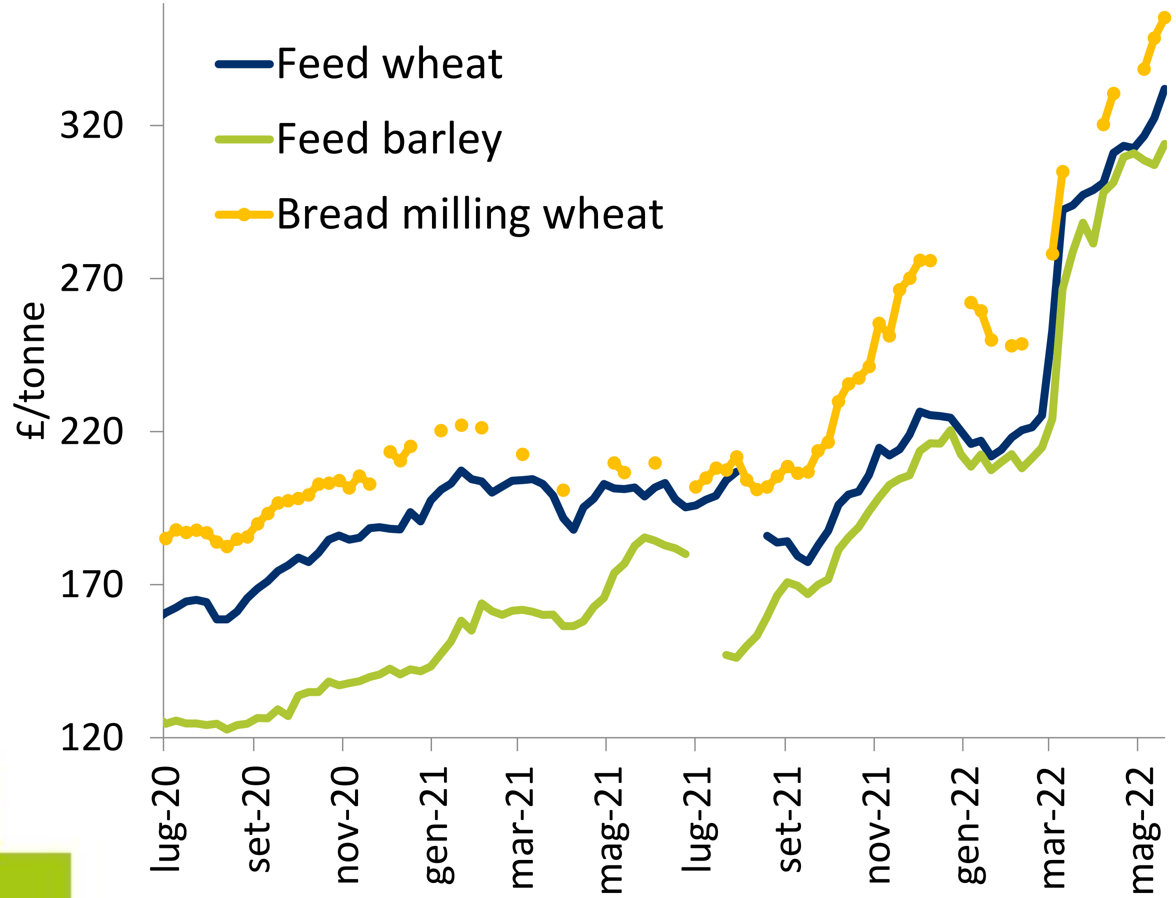
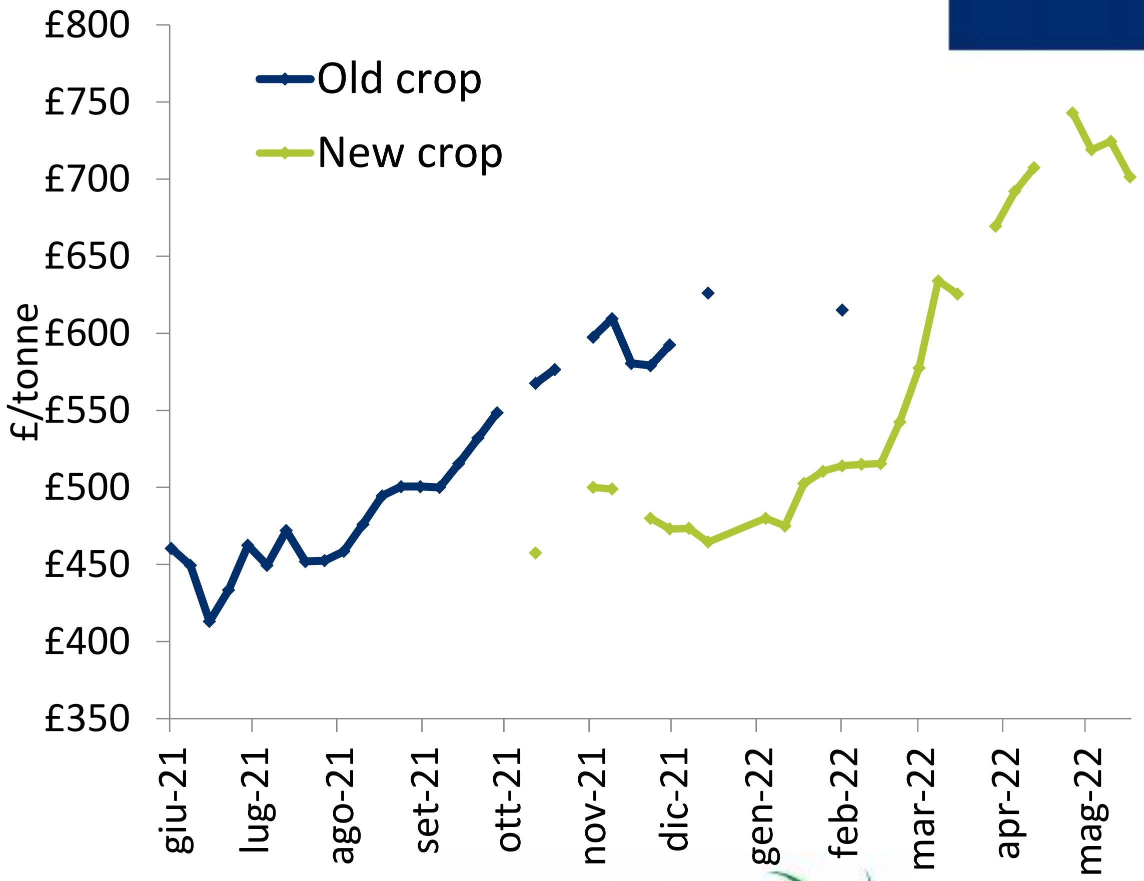
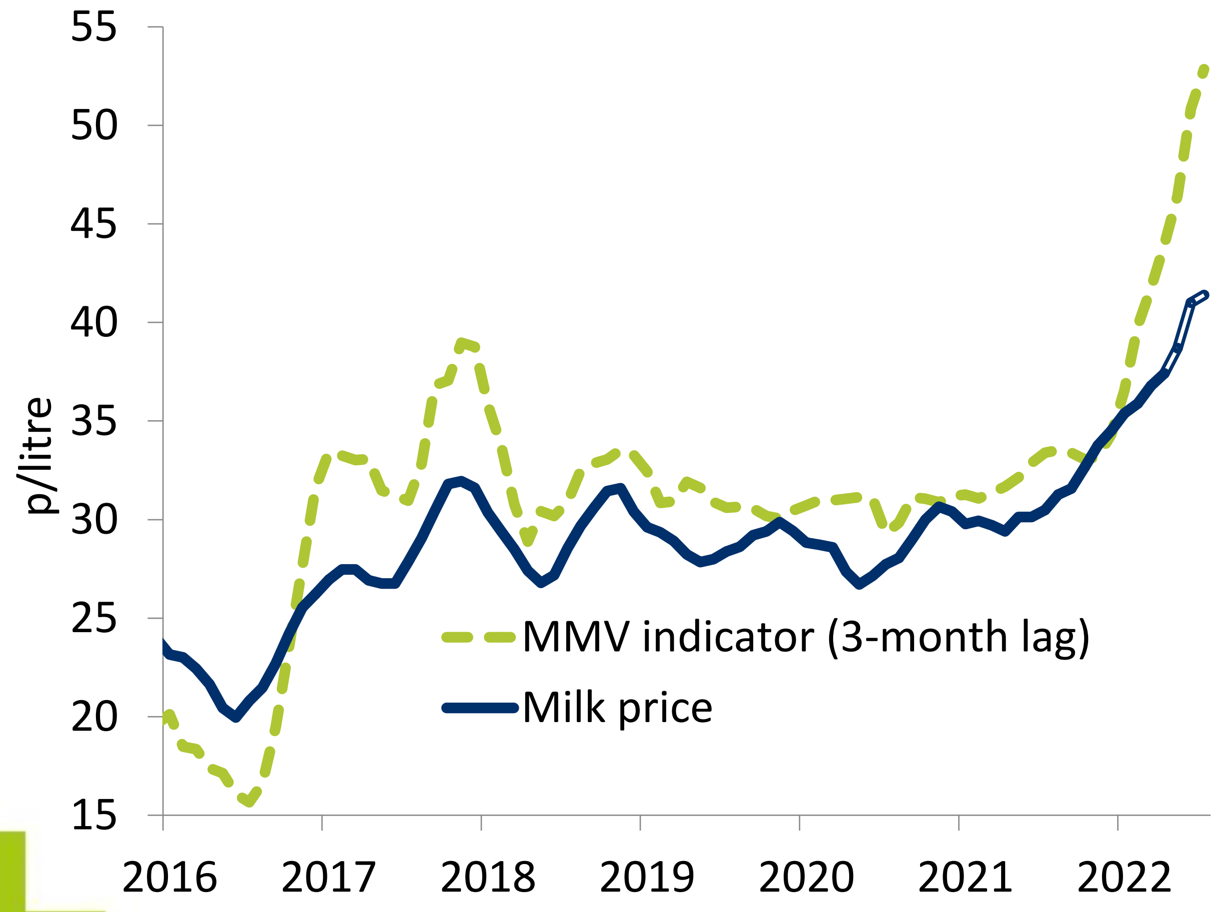
Domestic cereals prices have spiked since invasion of Ukraine & rapeseed has also got more expensive

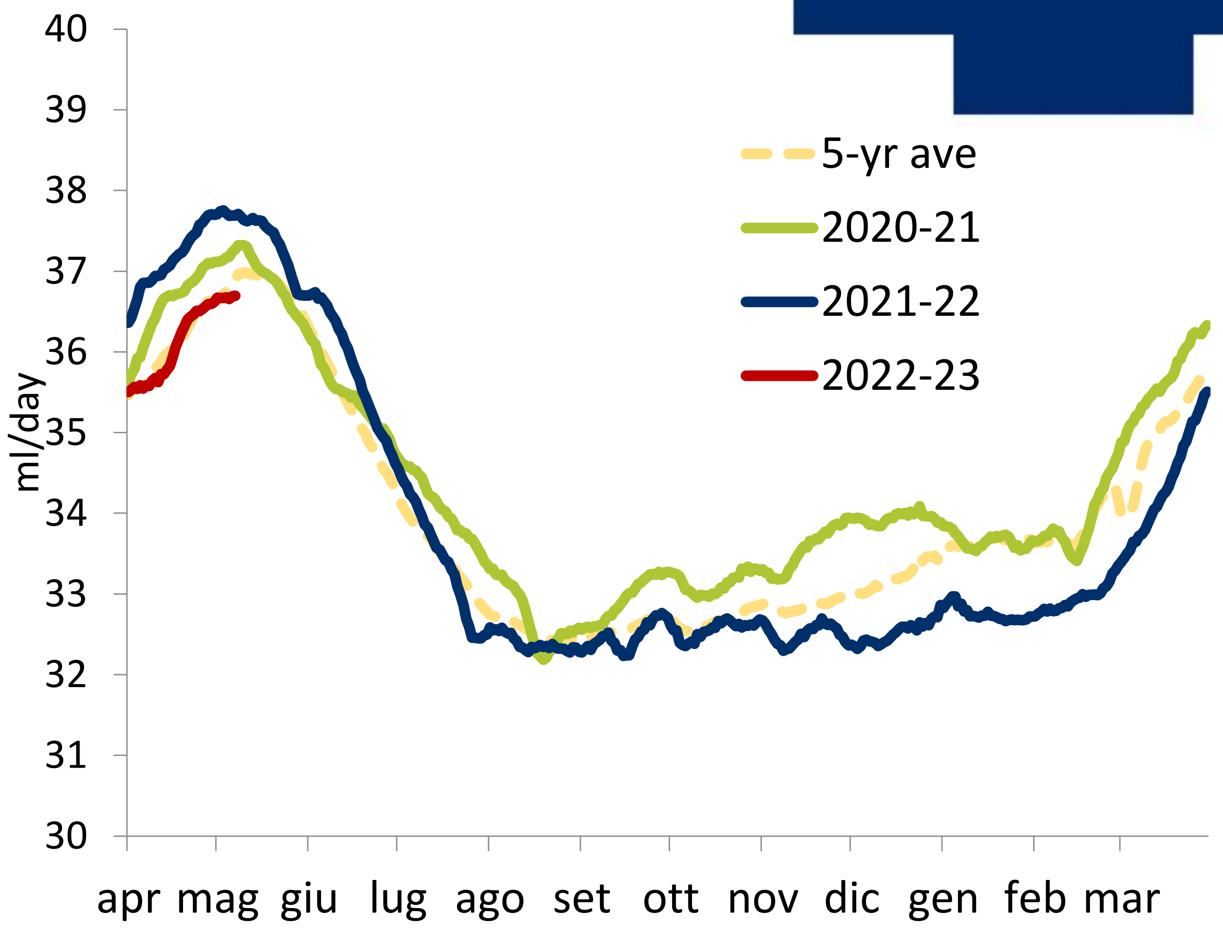




Left Chart: UK ex-farm prices for selected cereal products
Source: AHDB Cereals & Oilseeds (Corn Returns)
Right Chart: UK delivered rapeseed price (old (2021) and new (2022) crops)
Source: AHDB Cereals & Oilseeds

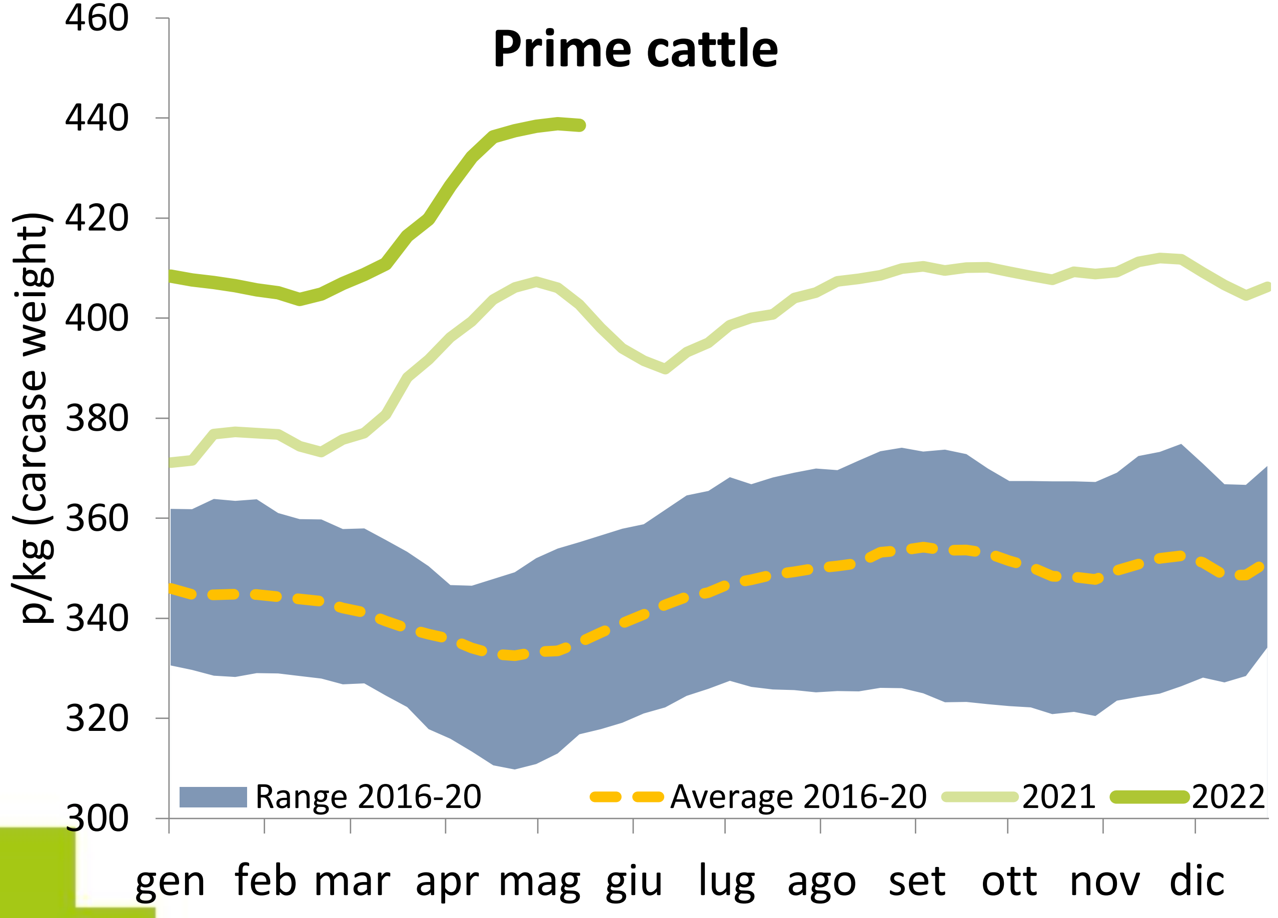
Milk prices already at record high, due to lower home production, and further rises expected

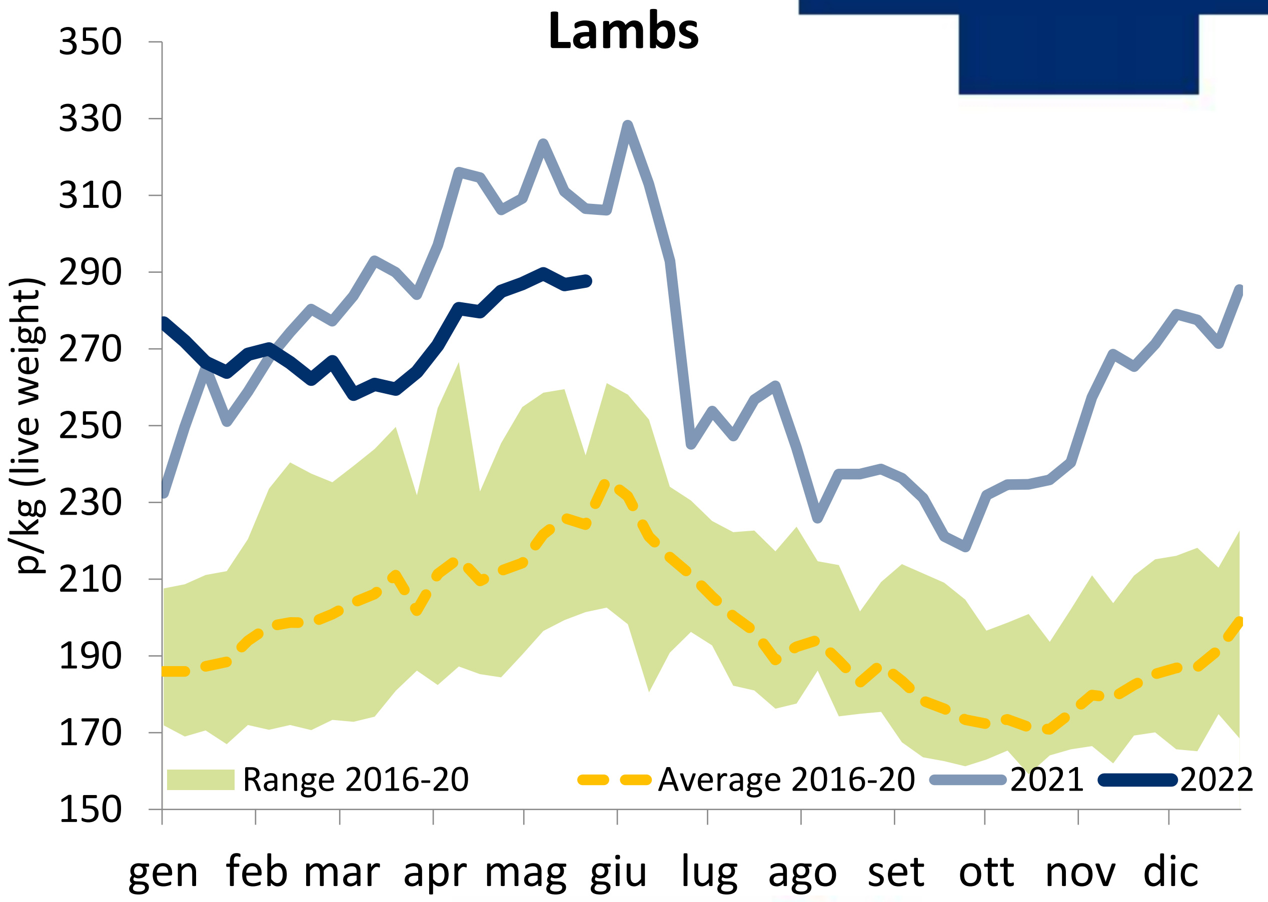




Left Chart: Average UK farmgate milk price (actual and projected) and Milk Market Value indicator
Source: DEFRA/AHDB Dairy
Right Chart: GB daily milk deliveries to dairies (rolling 7-day average)
Source: AHDB Dairy

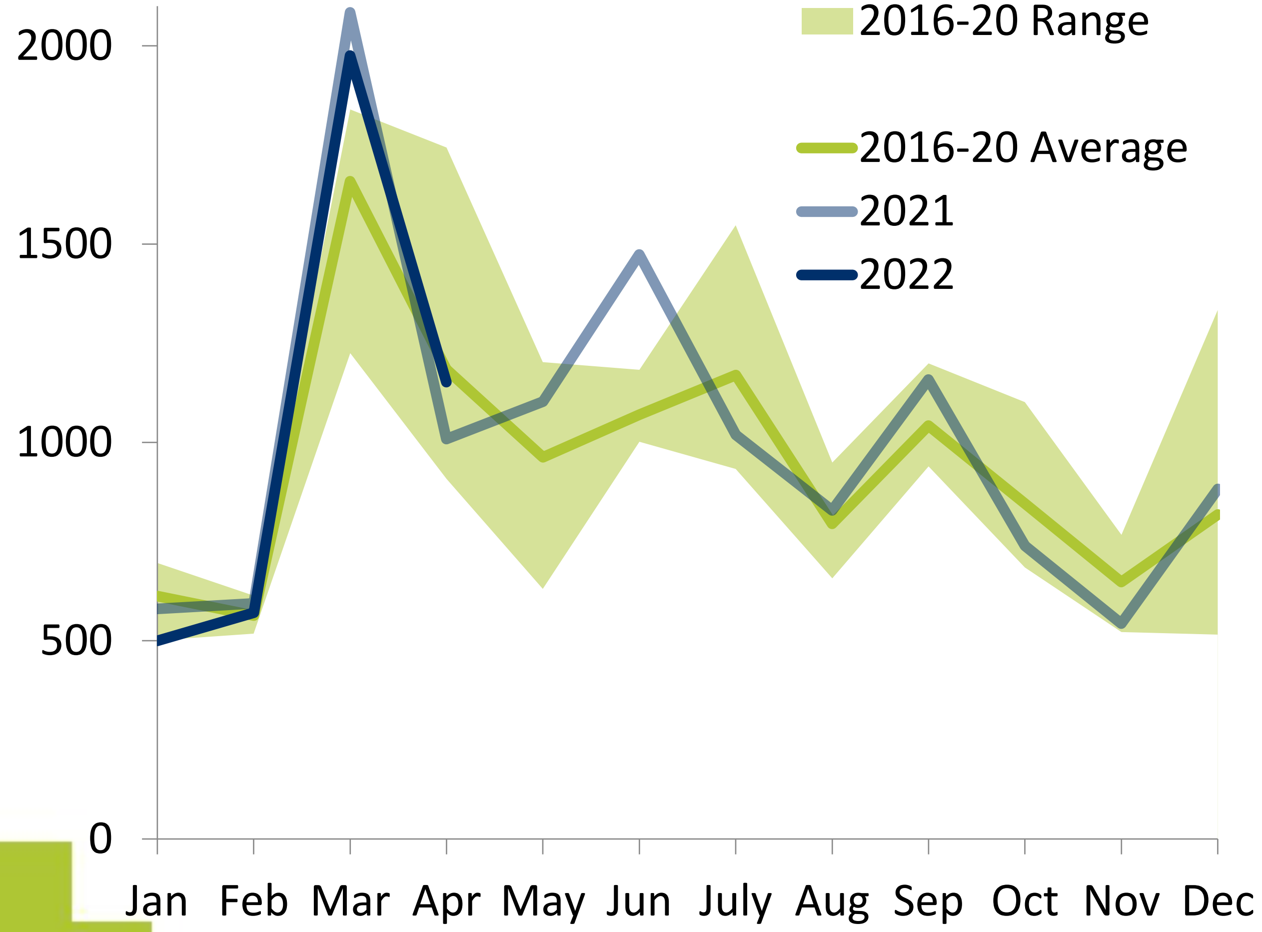
Cattle and sheep prices remain historically high, due to limited availability and reduced imports





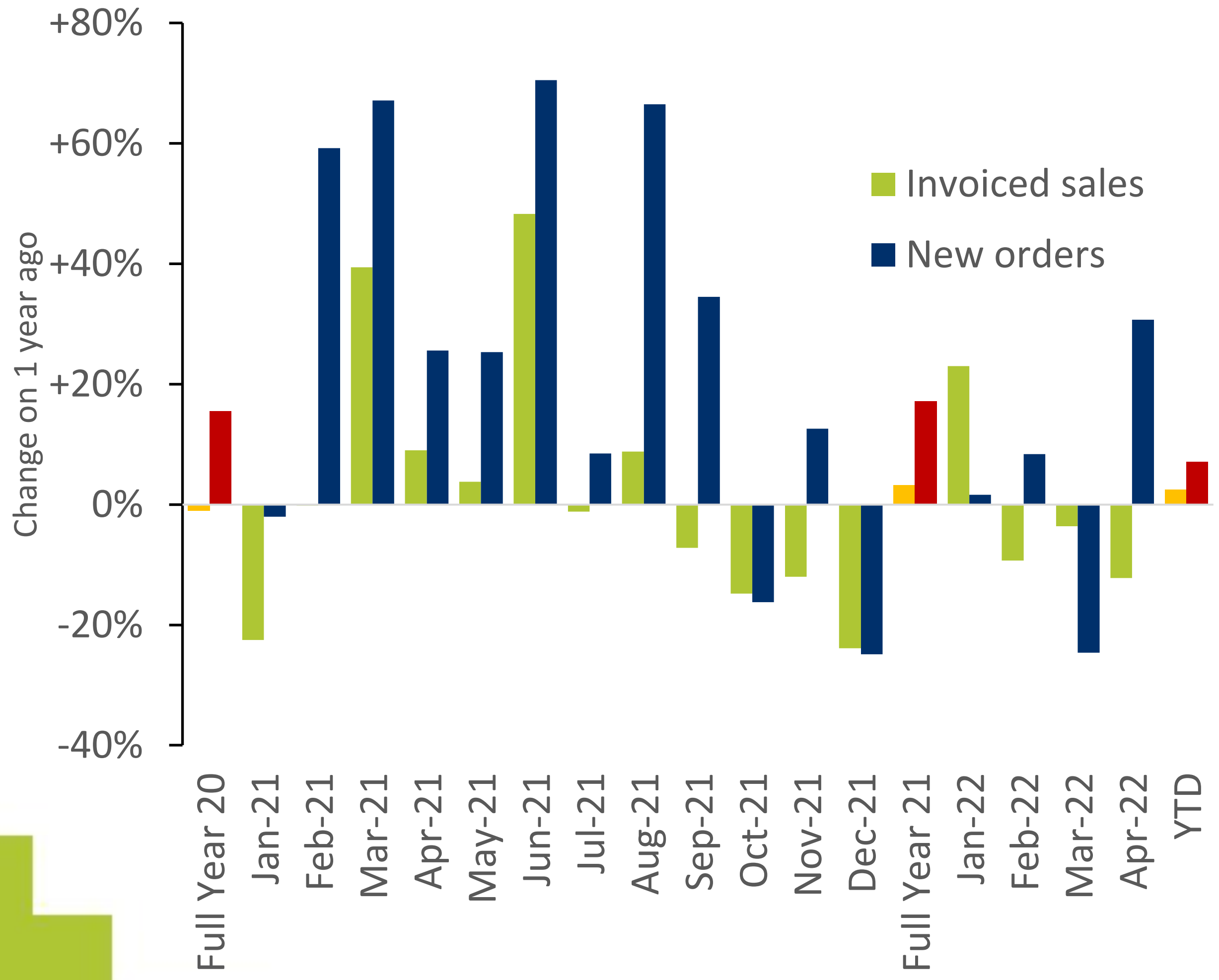
Left Chart: Average GB price for prime cattle (deadweight/carcase price)
Source: AHDB Beef & Lamb
Right Chart: Average GB price for cows (deadweight/carcase price)
Source: AHDB Beef & Lamb

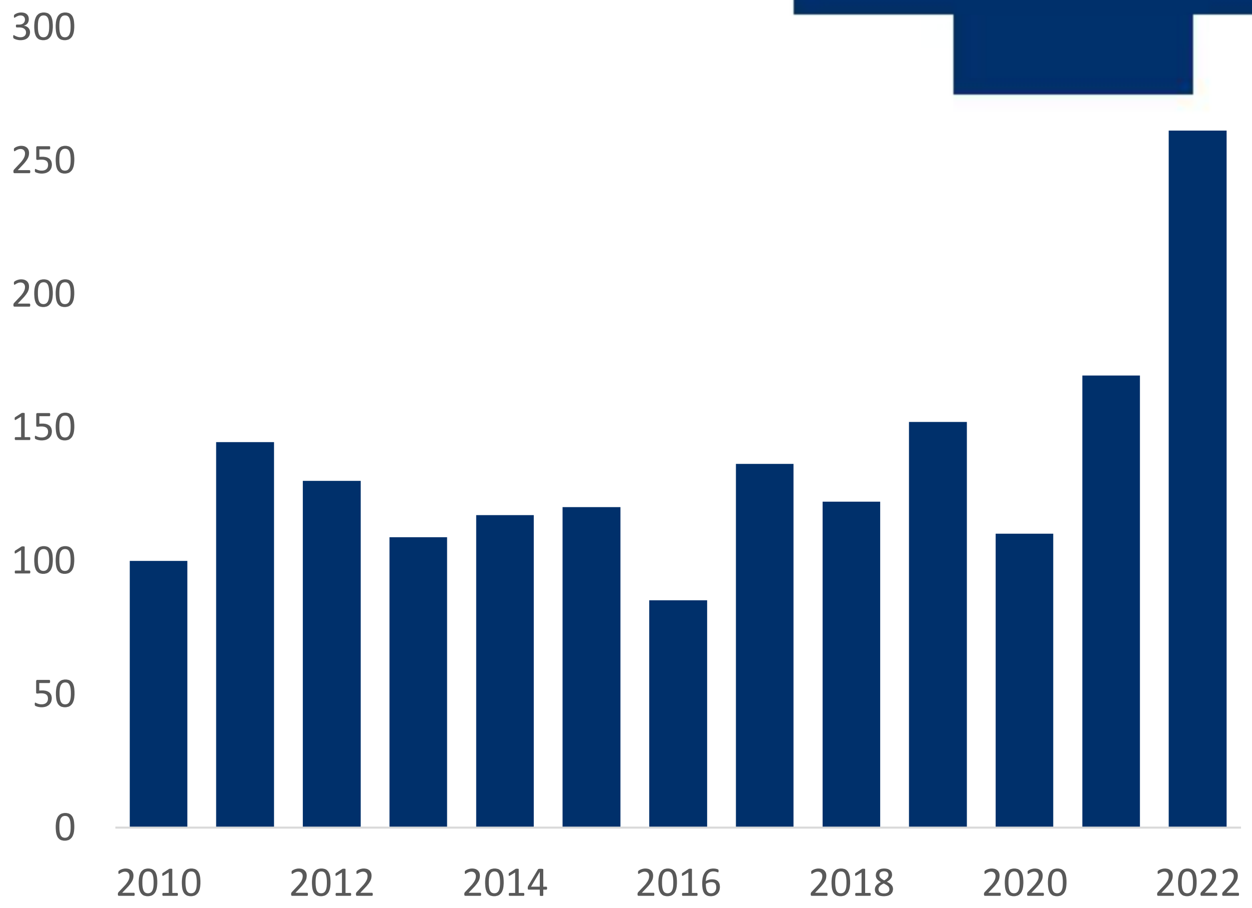
Tractor registrations in early 2022 similar to last year but would be higher but for supply chain issues



Left Chart: Monthly UK registrations of agricultural tractors (over 50hp)
Source: AEA/DVLA
Right Chart: Moving annual total of registrations and orders for tractors (Index)
Source: AEA/DVLA

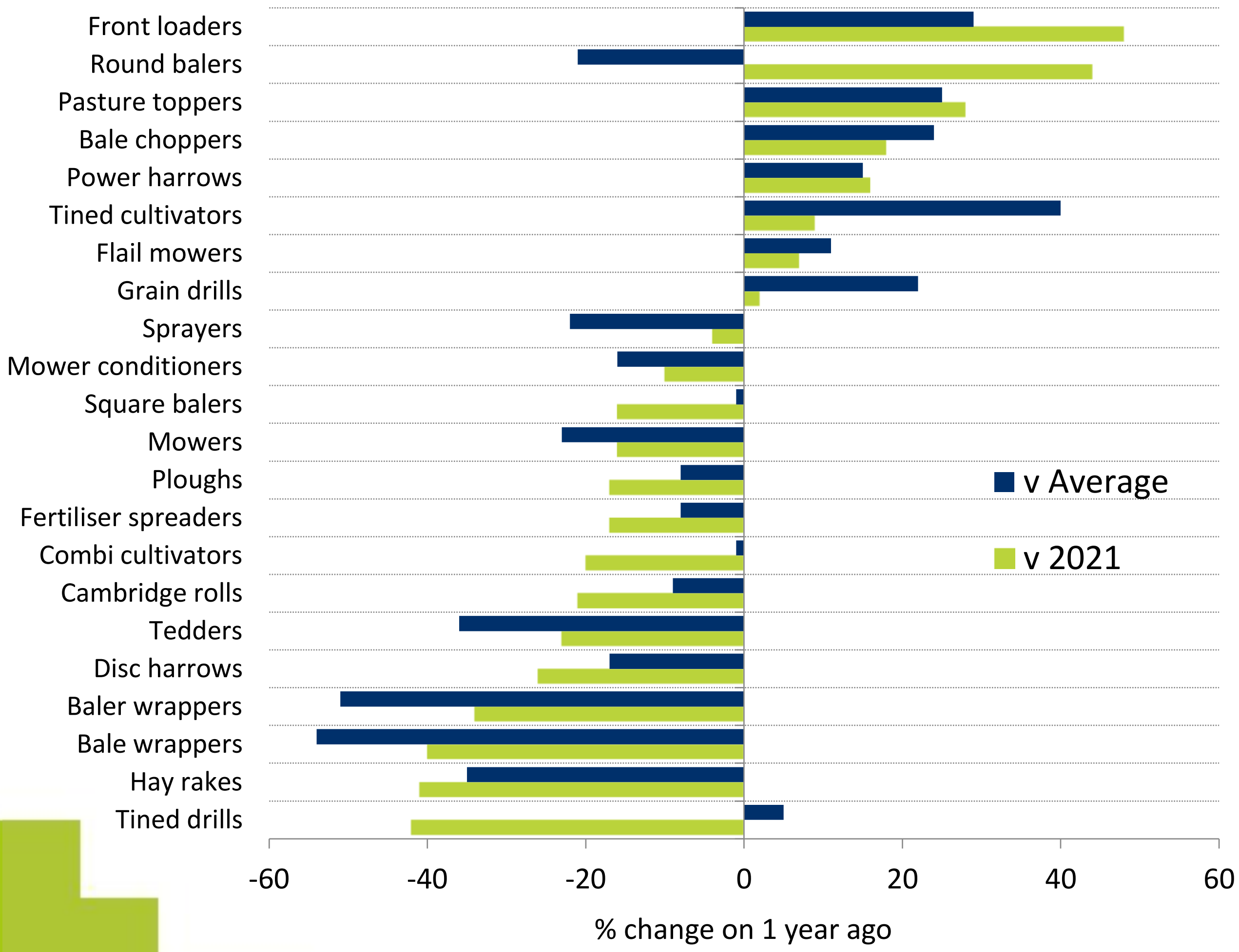
Machinery orders have outpaced completed sales for last two years and backlog building

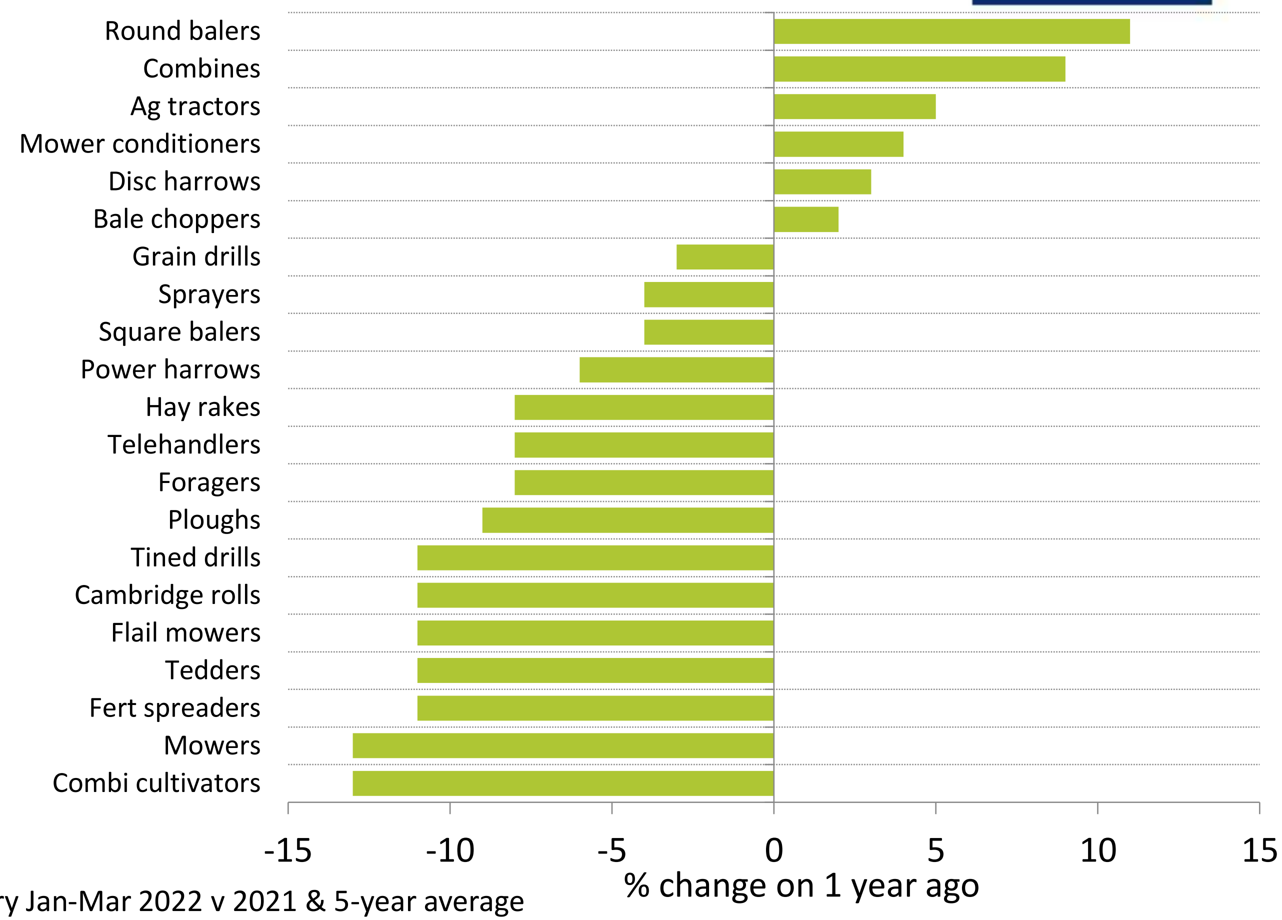




Left Chart: Change in average value of sales/orders of new machinery (excluding self-propelled)
Source: AEA
Right Chart: Value of backlog of outstanding orders at end of March each year (Index 2010=100)
Source: AEA

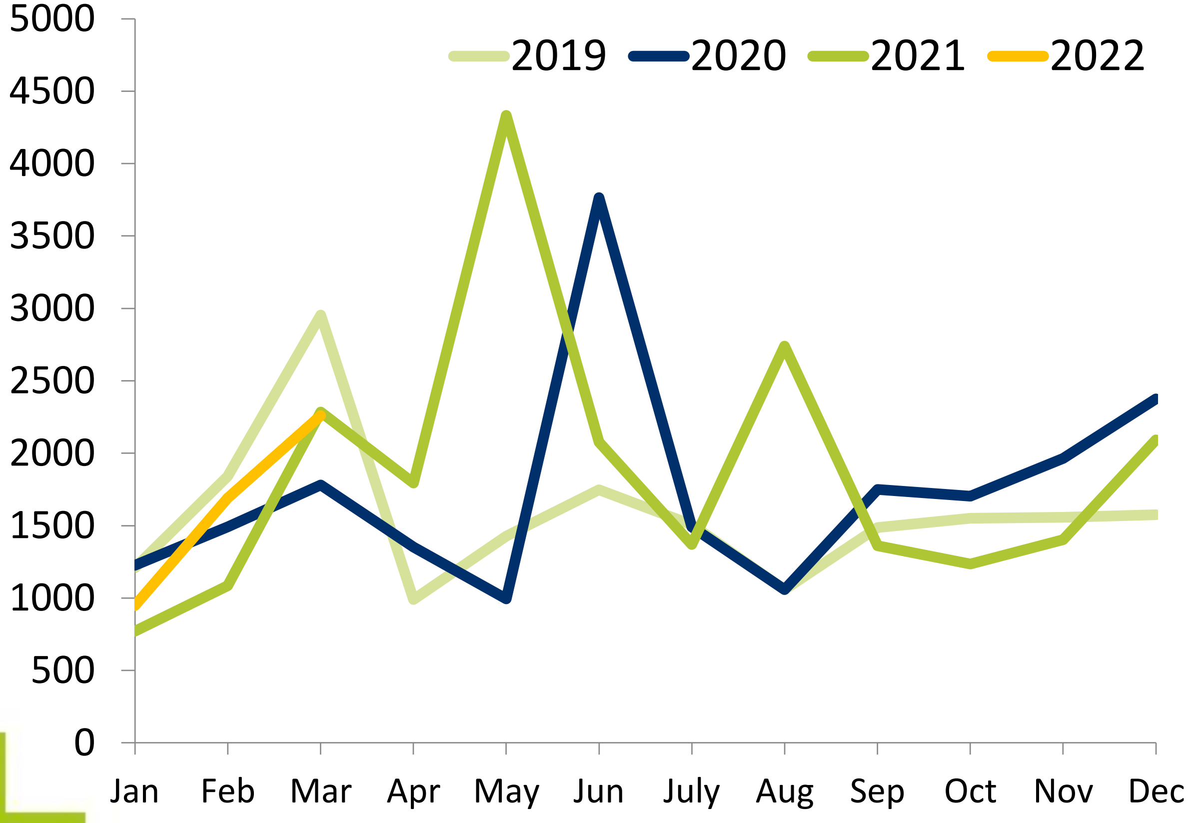
Mixed trends for deliveries so far this year but down overall and forecast to remain that way

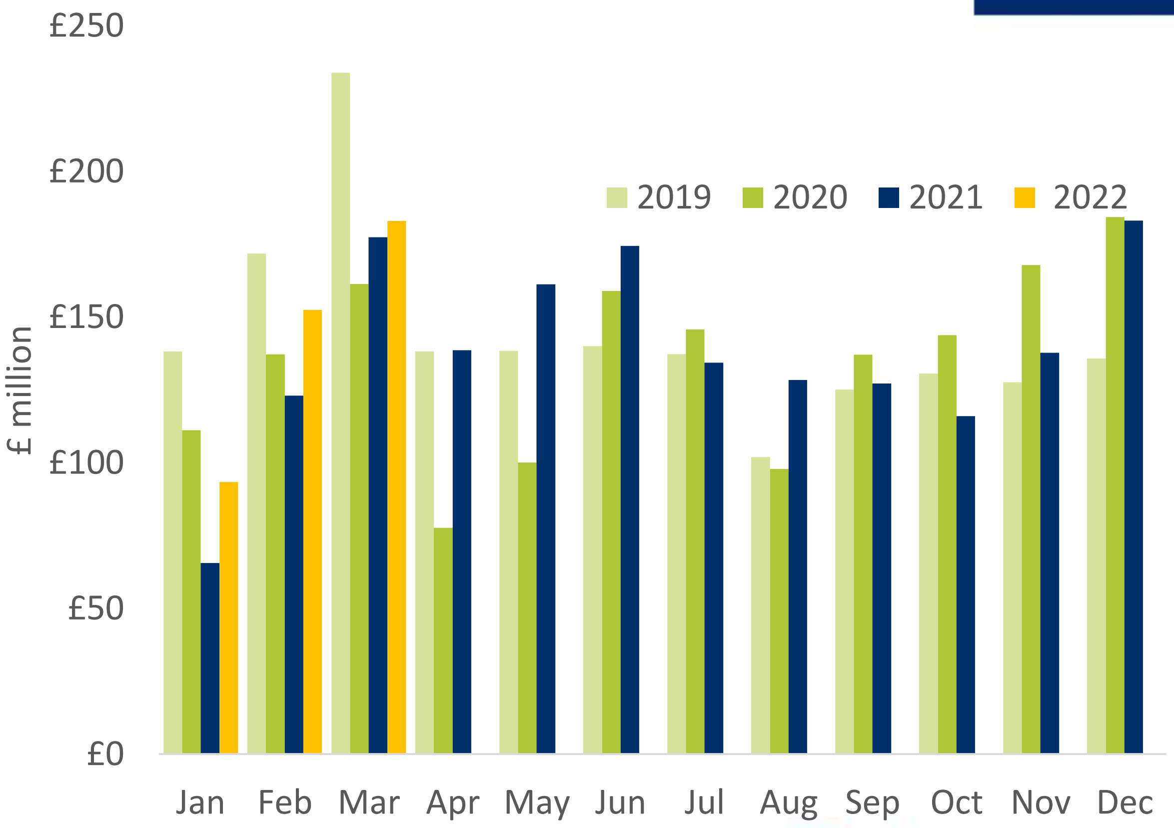




Left Chart: Annual change in deliveries of agricultural machinery Jan-Mar 2022 v 2021 & 5-year average
Source: AEA
Right Chart: Forecast annual change in deliveries of agricultural machinery, 2021-2022
Source: AEA

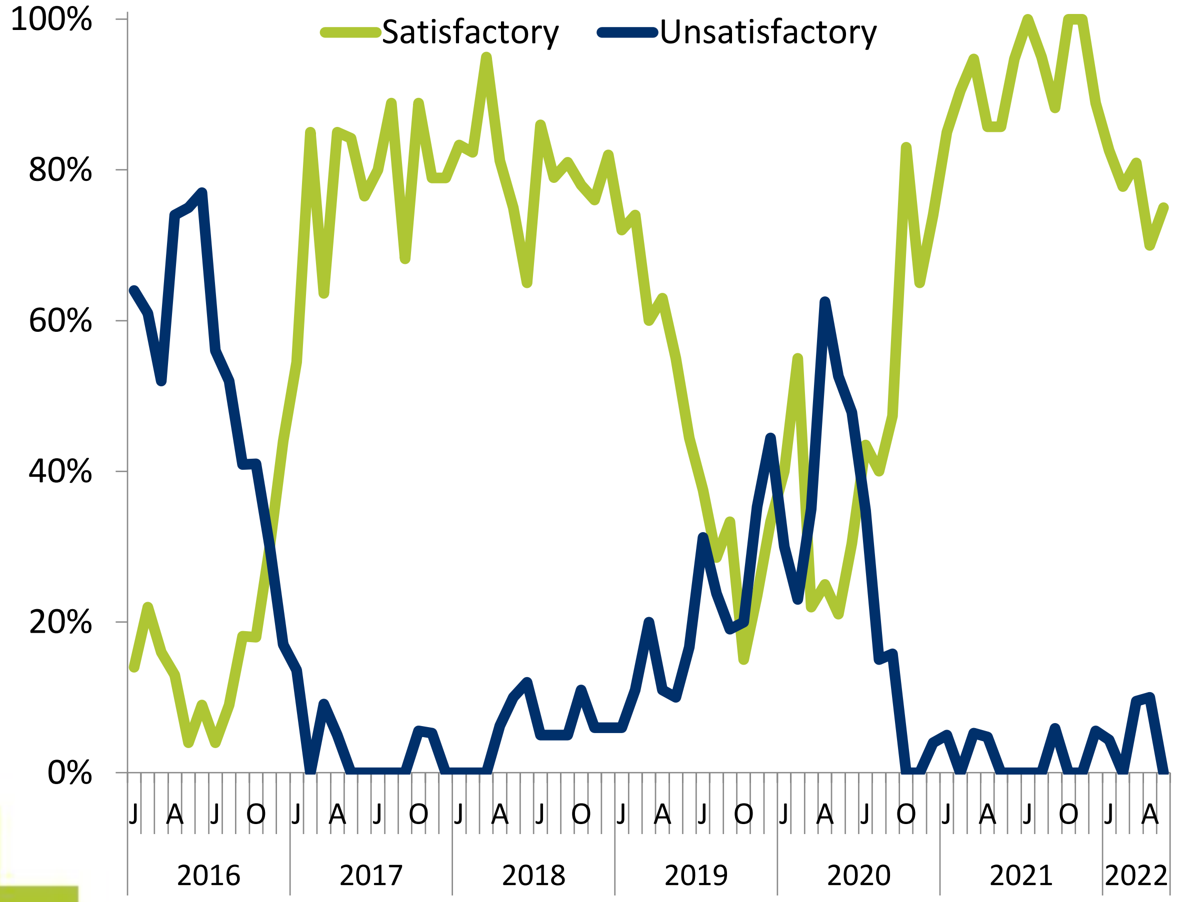
Tractor and machinery exports started 2021 low due to Covid, Brexit but were soon back to normal

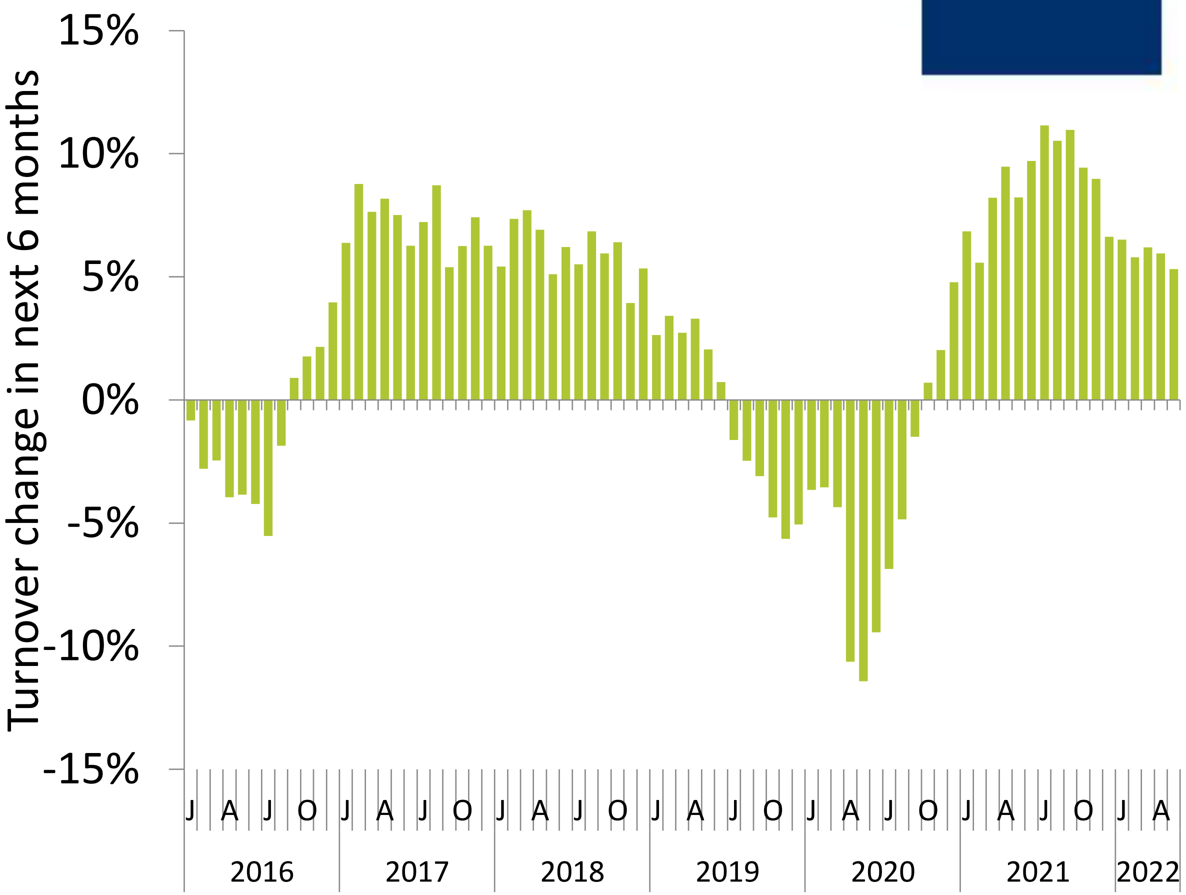




Left Chart: UK monthly agricultural tractor (over 37kw) exports (number of units)
Source: Her Majesty's Revenue & Customs
Right Chart: Value of monthly UK agricultural machinery exports
Source: Her Majesty's Revenue & Customs

Industry sentiment still very favourable despite supply chain challenges, inflation and Ukraine



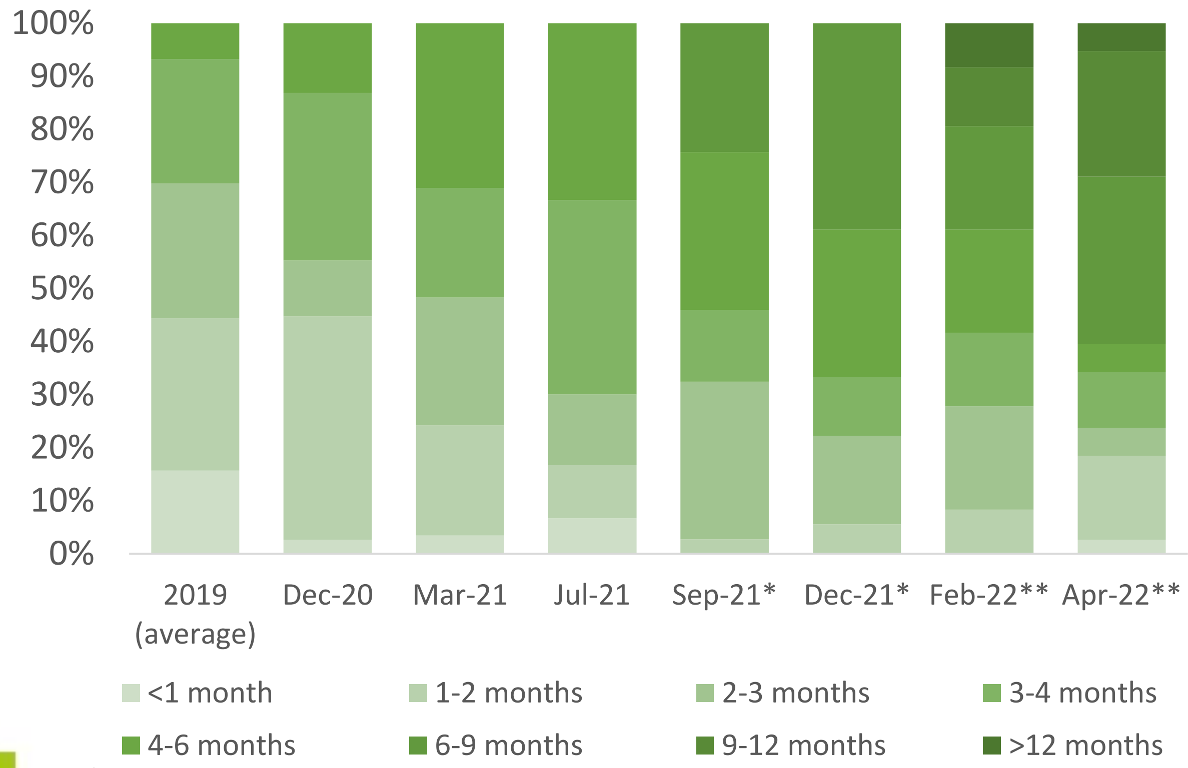


Left Chart: Assessment of current business environment
Source: AEA Farm Equipment Barometer
Right Chart: Average expectation for annual change in UK turnover in coming 6 months
Source: AEA Farm Equipment Barometer

Key influences on machinery sales in 2022

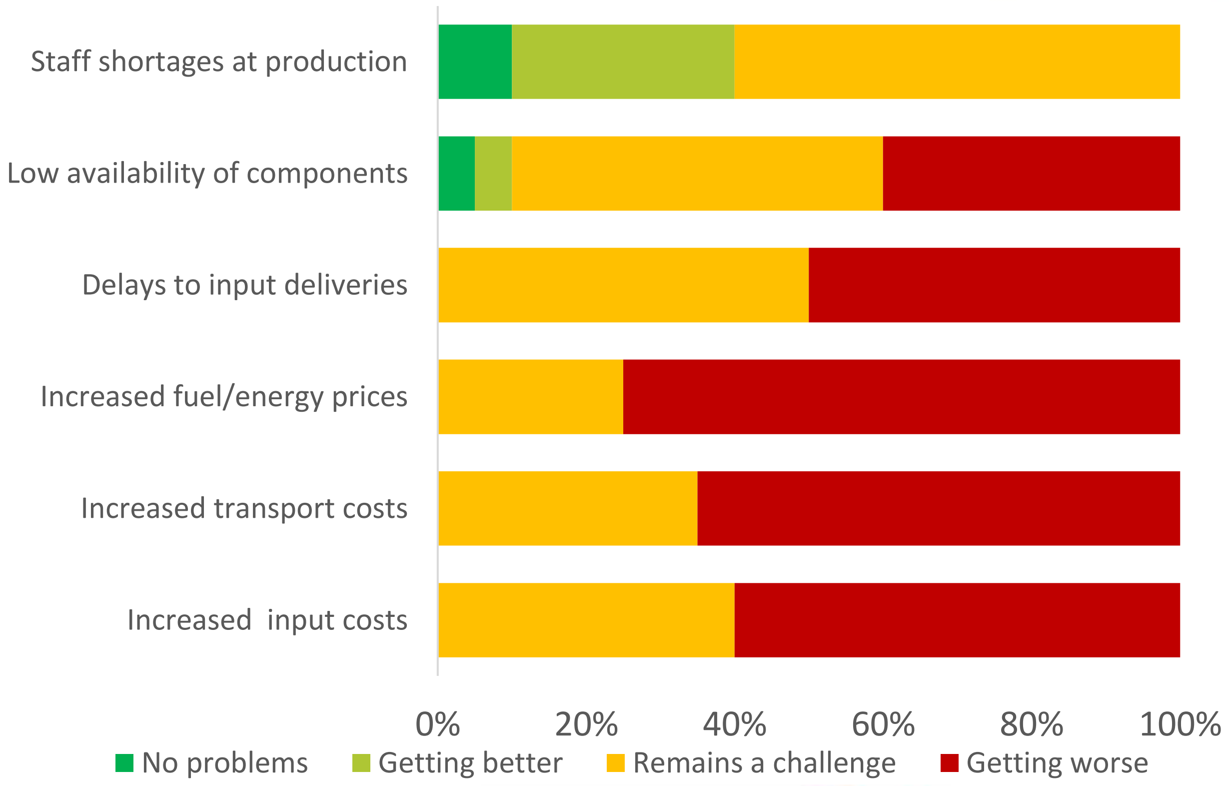
- High prices for most agricultural products but farm margins squeezed by rising input costs
- Uncertainty about future (prices and policy) could weigh on machinery demand
- Supply chain disruption still leading to longer lead times
- New UK agricultural policy starting to be introduced, which could reduce farm incomes

Lead times for machinery extending significantly and many challenges still getting worse



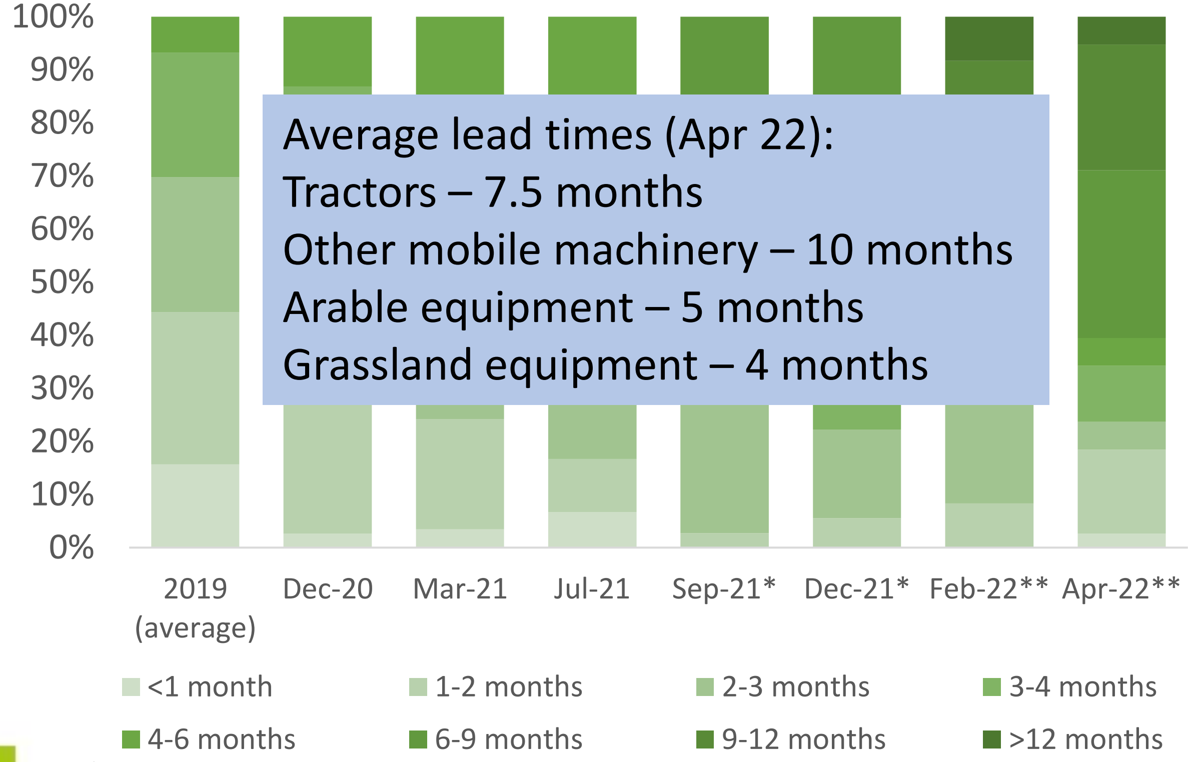
* Note: Over 4 month category split into 4-6 and over 6 months in September 2021

** Further split of over 6 month category in February 2022 only



Left Chart: Typical lead times for delivery of farm equipment
Source: AEA Farm Equipment Barometer
Right Chart: Recent experience of supply chain disruptions (April 2022 survey)
Source: AEA Farm Equipment Barometer

Lead times for machinery extending significantly and many challenges still getting worse



Average lead times (Apr 22):
Tractors – 7.5 months
Other mobile machinery – 10 months
Arable equipment – 5 months
Grassland equipment – 4 months

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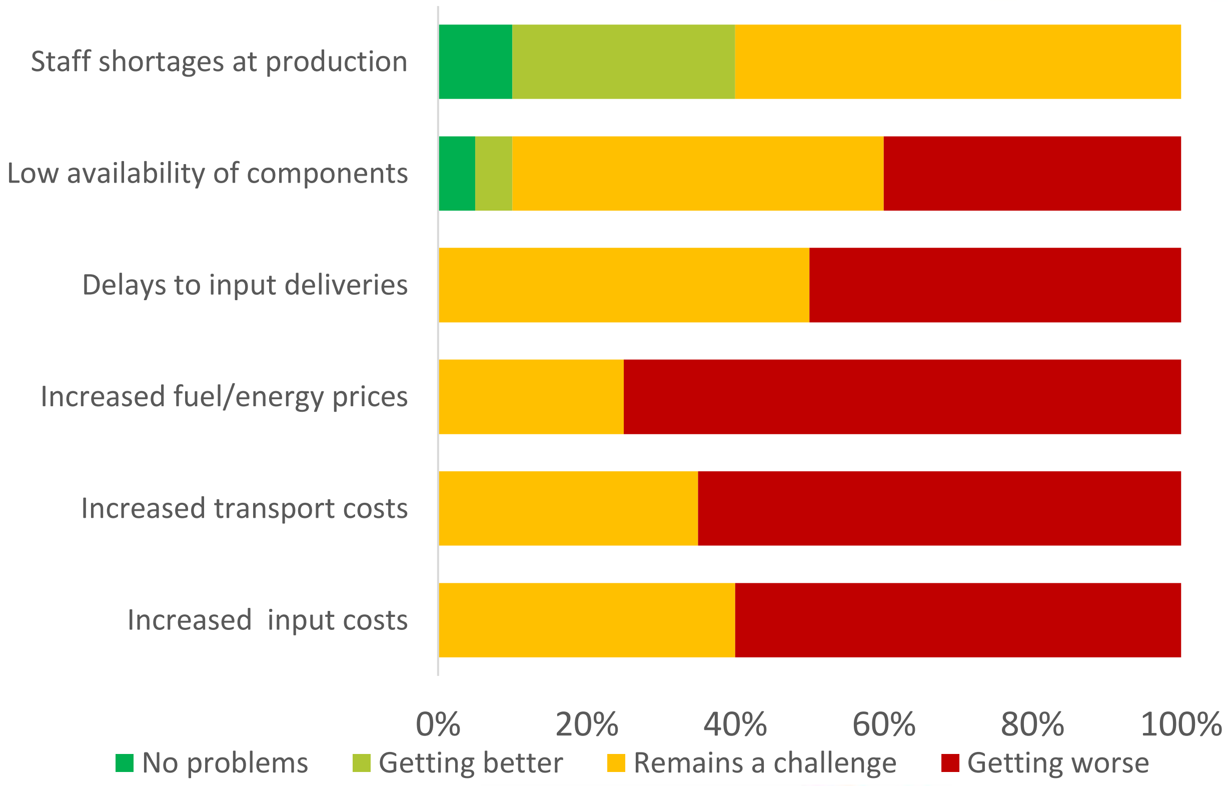

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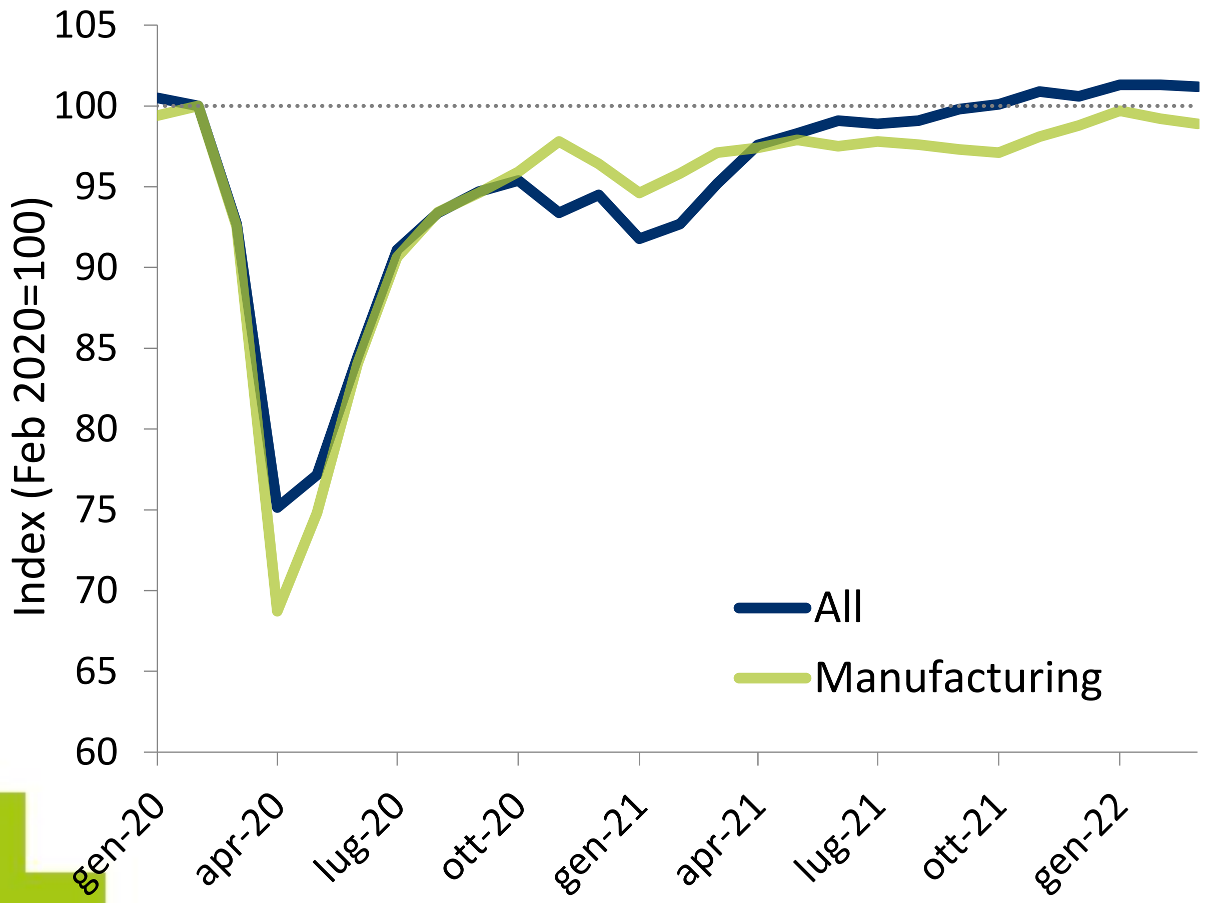
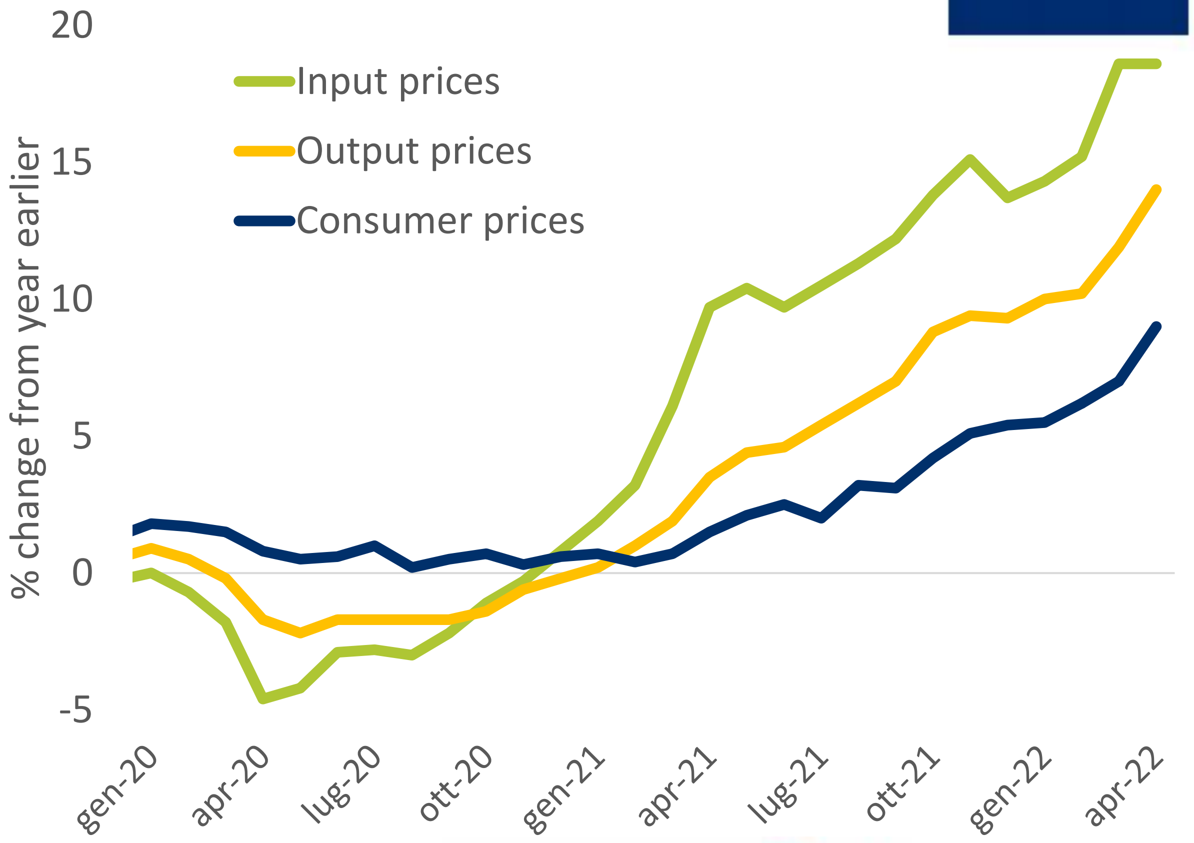
Economic output back to pre-Covid level but rising inflation threatens to hold back growth





Left Chart: UK monthly GDP – whole economy & manufacturing
Source: Office for National Statistics
Right Chart: UK monthly Consumer and Producer Price inflation rates
Source: Office for National Statistics

Overall conclusions

- Demand for agricultural machinery still strong but concerns about future due to growing uncertainty
- But manufacturers struggling to keep up with orders
- Farm incomes favourable due to high prices but expensive inputs create risks if commodity prices fall
- Skill shortages, environmental targets and new farm policy will be big drivers in the long-term