

UK Country Report

Agrievolution Economic Committee

18 October 2022

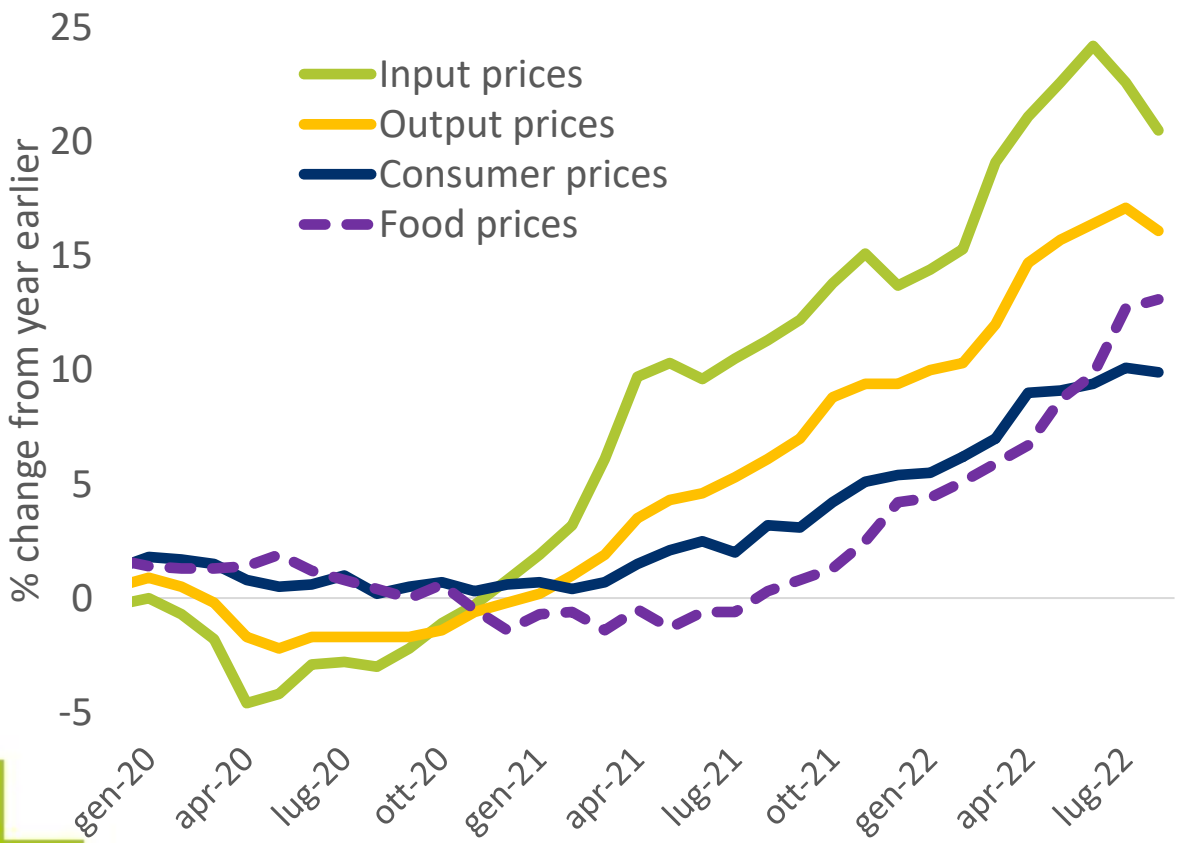


Inflation high and expected to rise further, meaning economy facing a prolonged recession



Left Chart: Projections for UK inflation based on expected interest rates
Source: Bank of England Monetary Policy Report
Right Chart: Projections for UK GDP growth based on expected interest rates
Source: Bank of England Monetary Policy Report

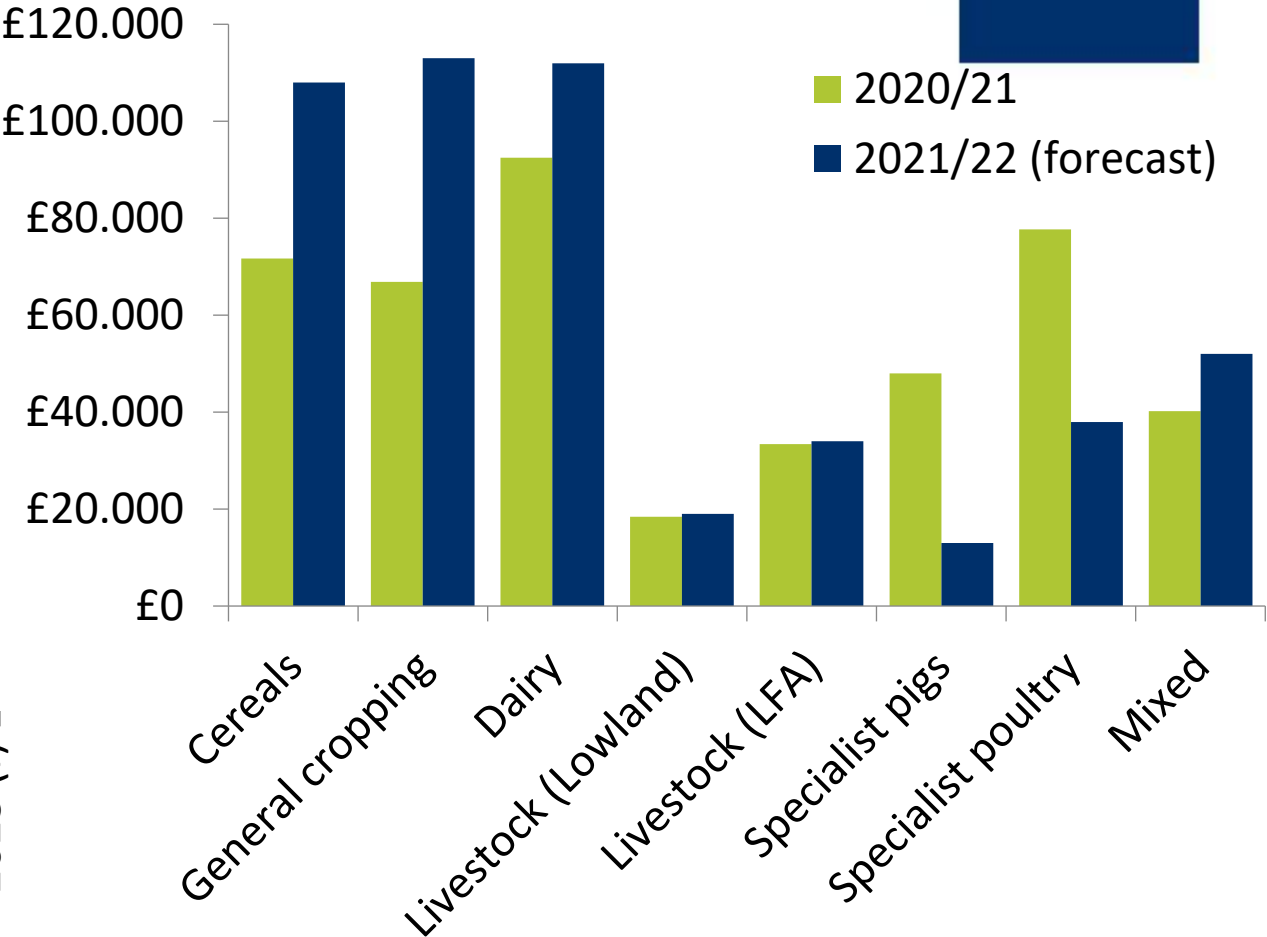
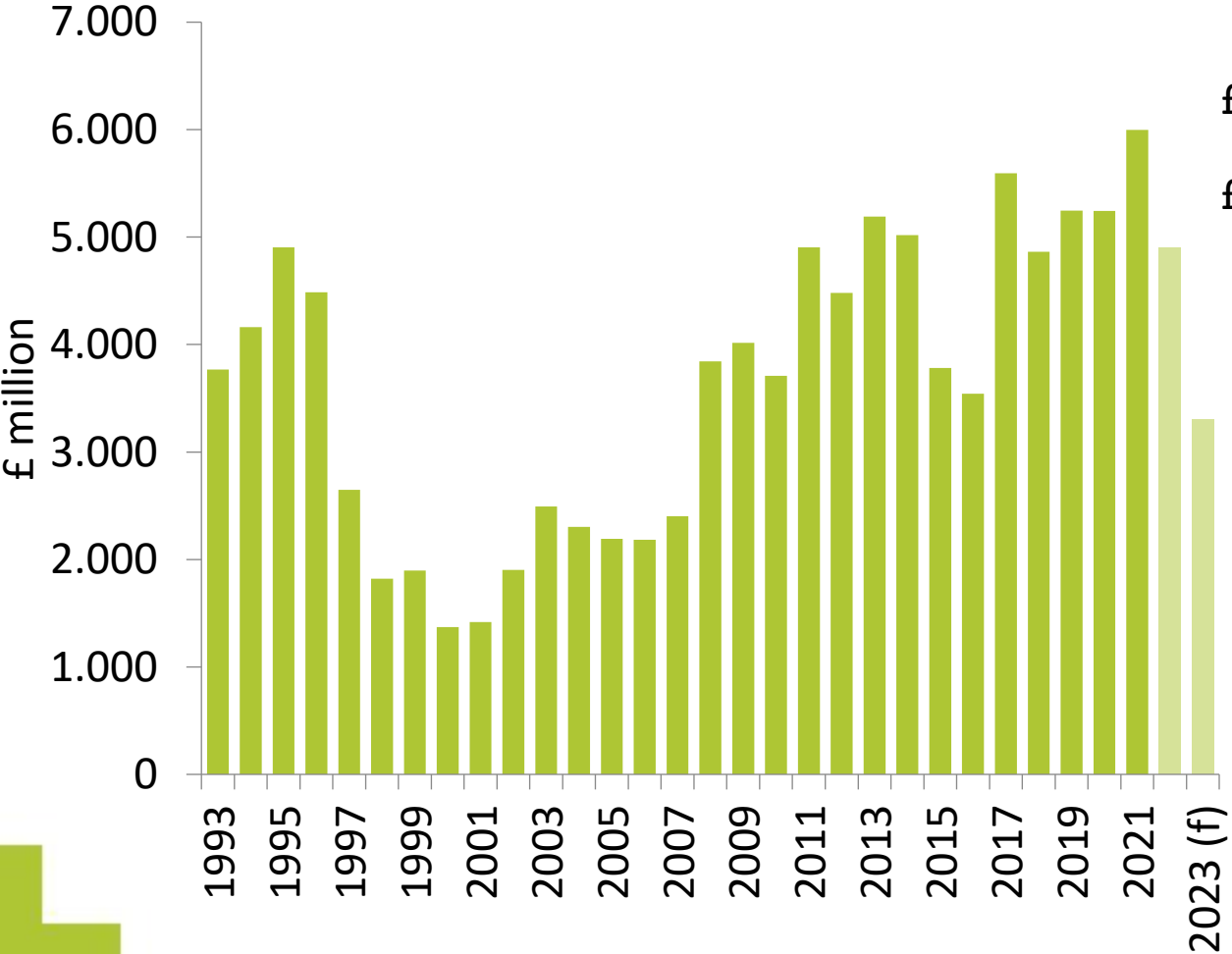
Prices rising even faster for businesses and currency and bond market turmoil not helping



Left Chart: UK monthly Consumer and Producer Price inflation rates
 Source: Office for National Statistics
 Right Chart: Exchange rate between pound and euro/US dollar
 Source: UBC Pacific Exchange Rate Service

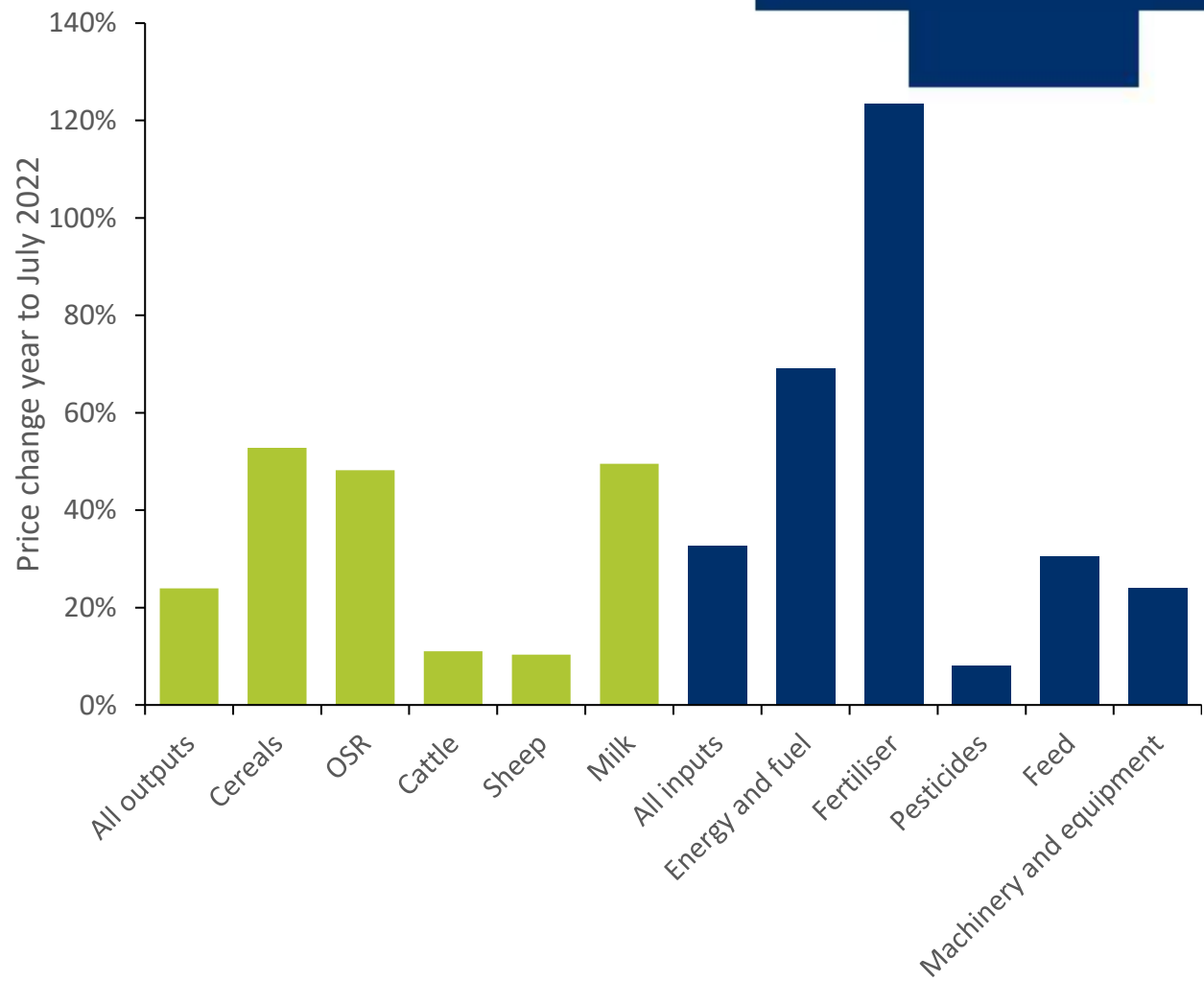
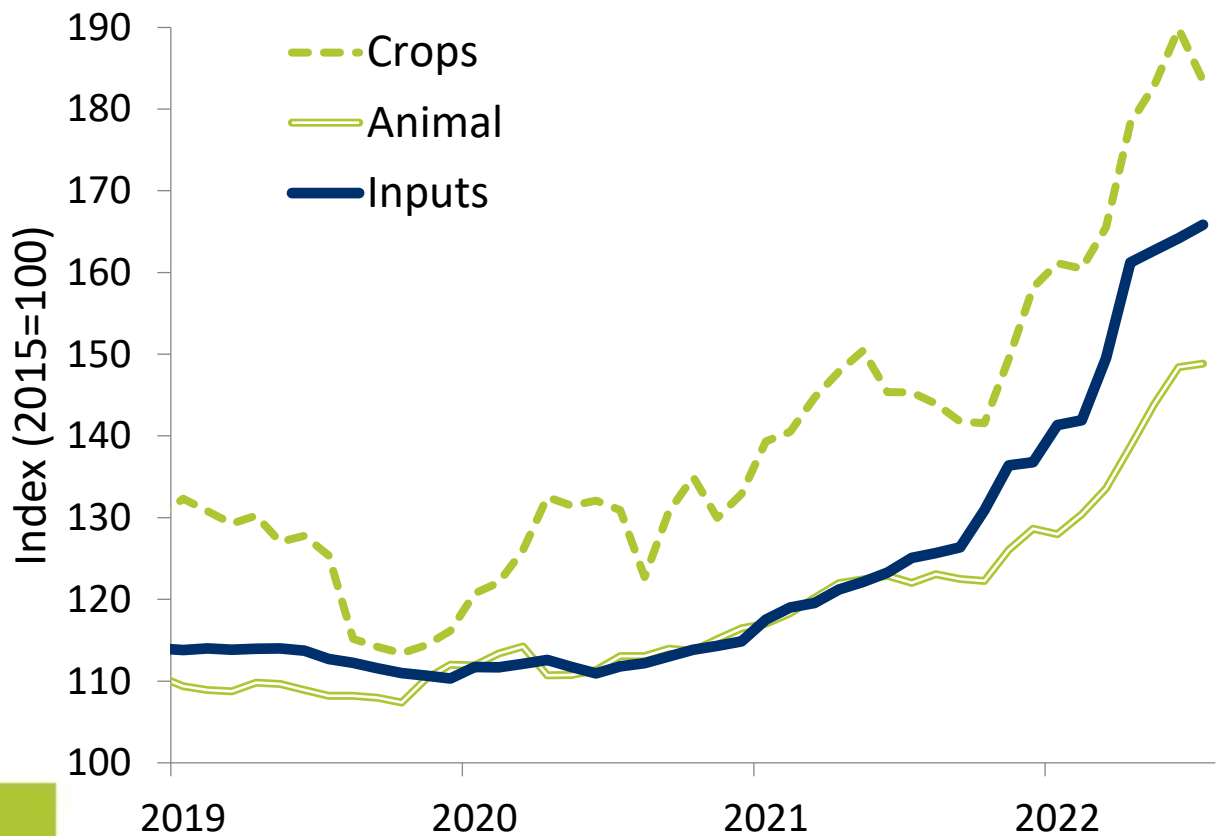


Farm incomes high in 2021, 2022 ok but 2023 looking tough – cereals/dairy better than livestock



Left Chart: Actual and projected Total Income From Farming (i.e. net profit of UK agriculture)
 Source: DEFRA/Andersons
 Right Chart: Farm Business Income in England (i.e. average profit of English farms)
 Source: DEFRA

Output prices may have peaked but inputs still rising putting farm margins under pressure



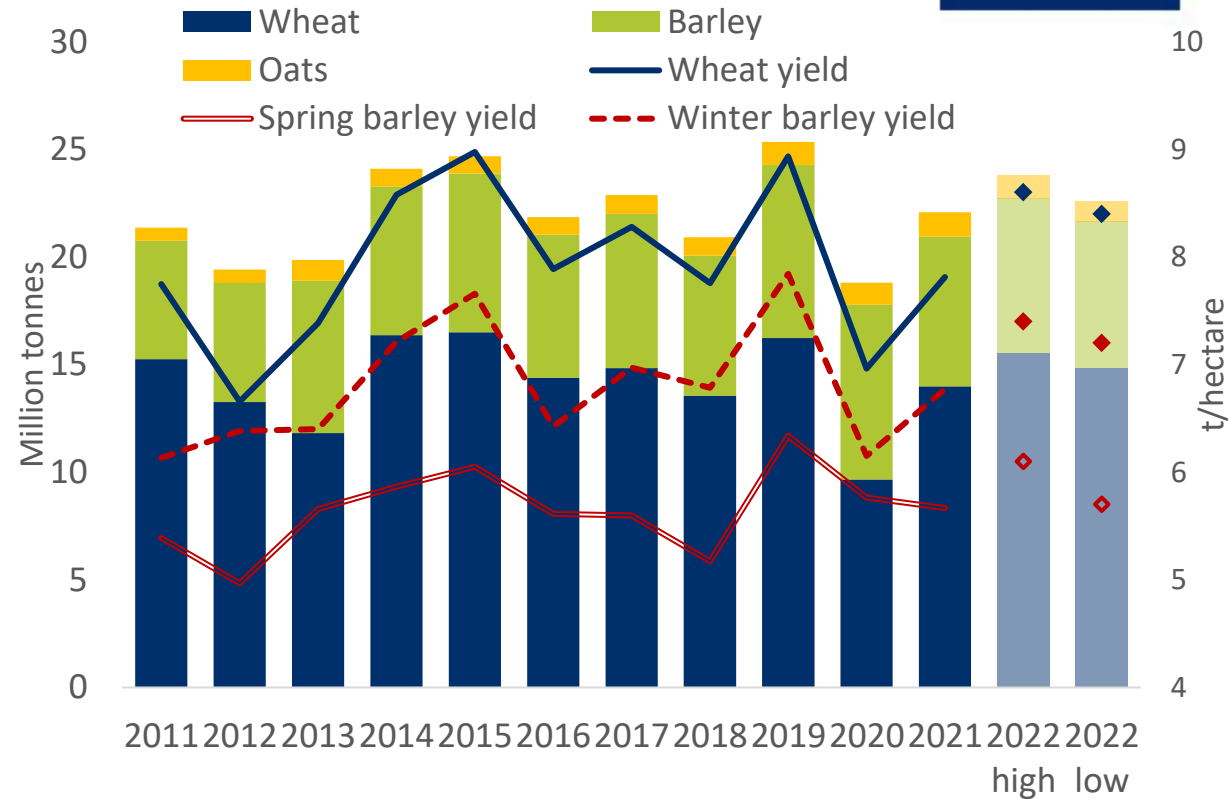
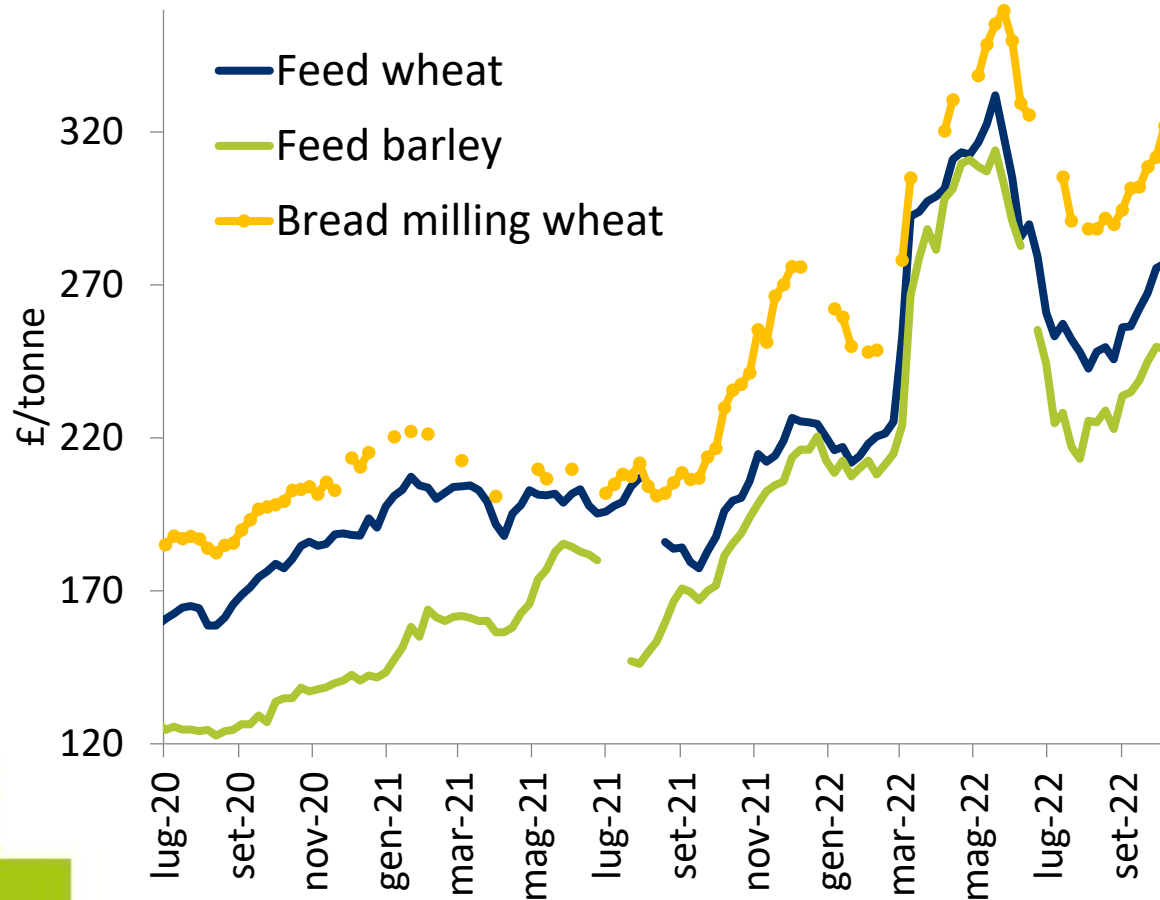
Left Chart: Agricultural price indices

Source: DEFRA

Right Chart: Change in prices for selected outputs and inputs, July 2021 – July 2022

Source: DEFRA

Domestic grain prices starting to increase, despite UK crops yielding well after drought/heatwave



Left Chart: UK ex-farm prices for selected cereal products

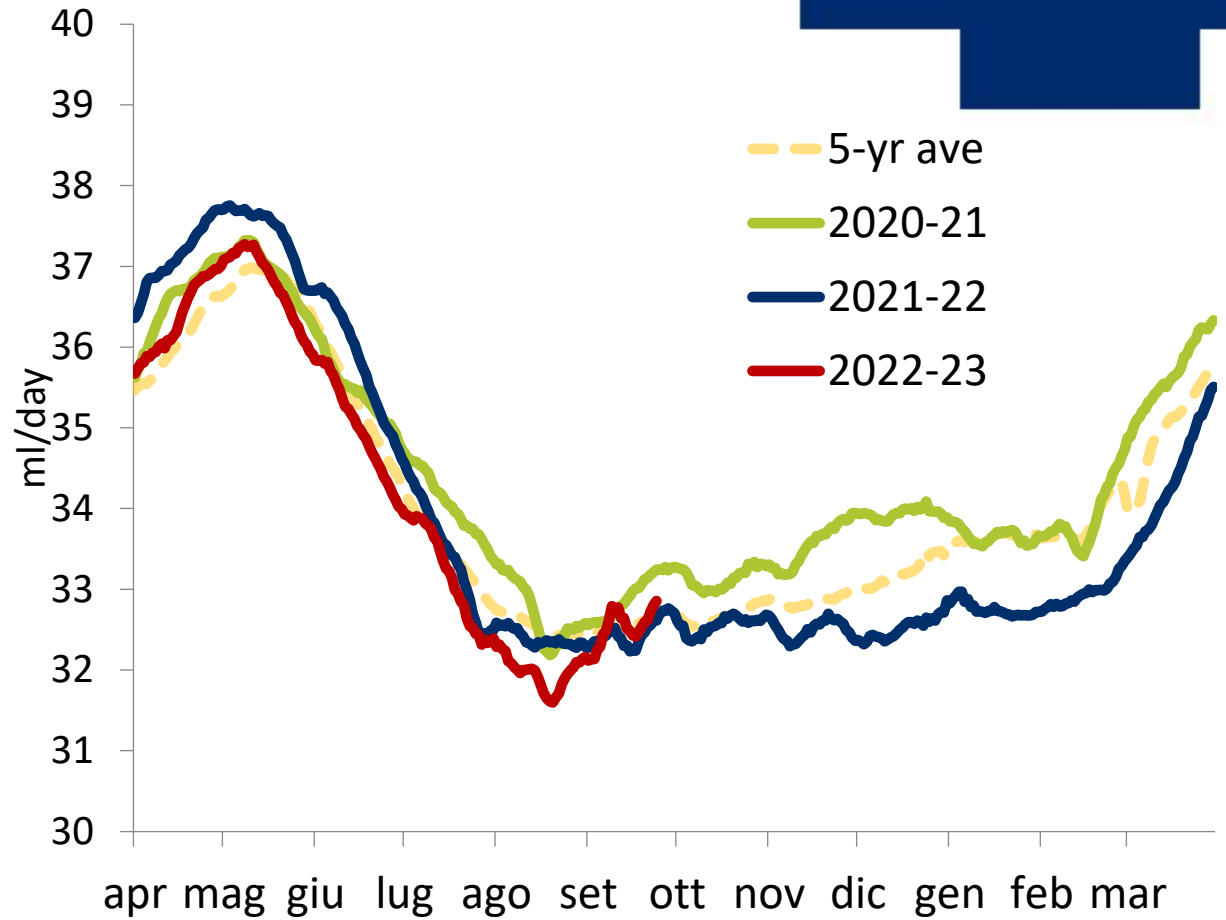
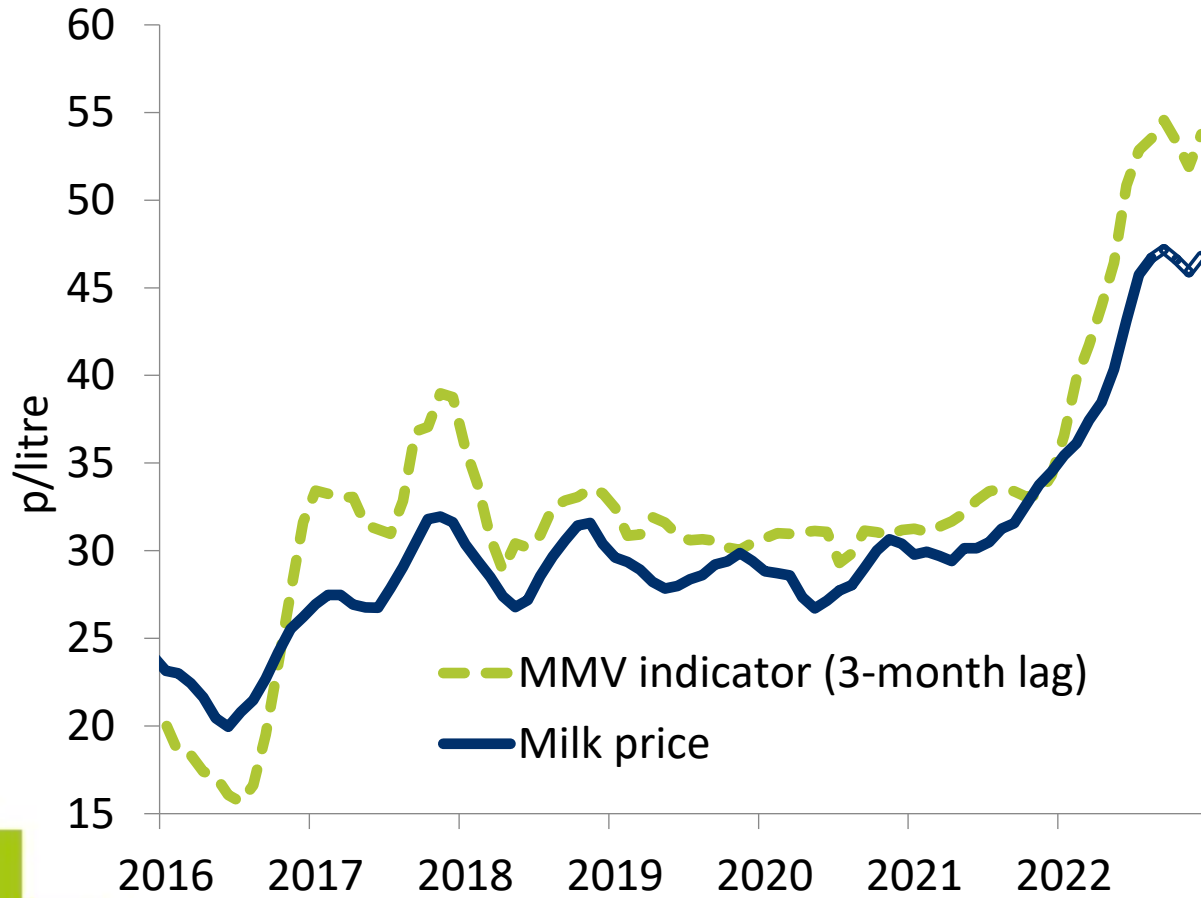
Source: AHDB Cereals & Oilseeds (Corn Returns)

Right Chart: UK production and yields of wheat, barley and oats by season

Source: Defra, AHDB Cereals & Oilseeds



Milk prices at an all time high but may be close to peak as milk production returning to normal



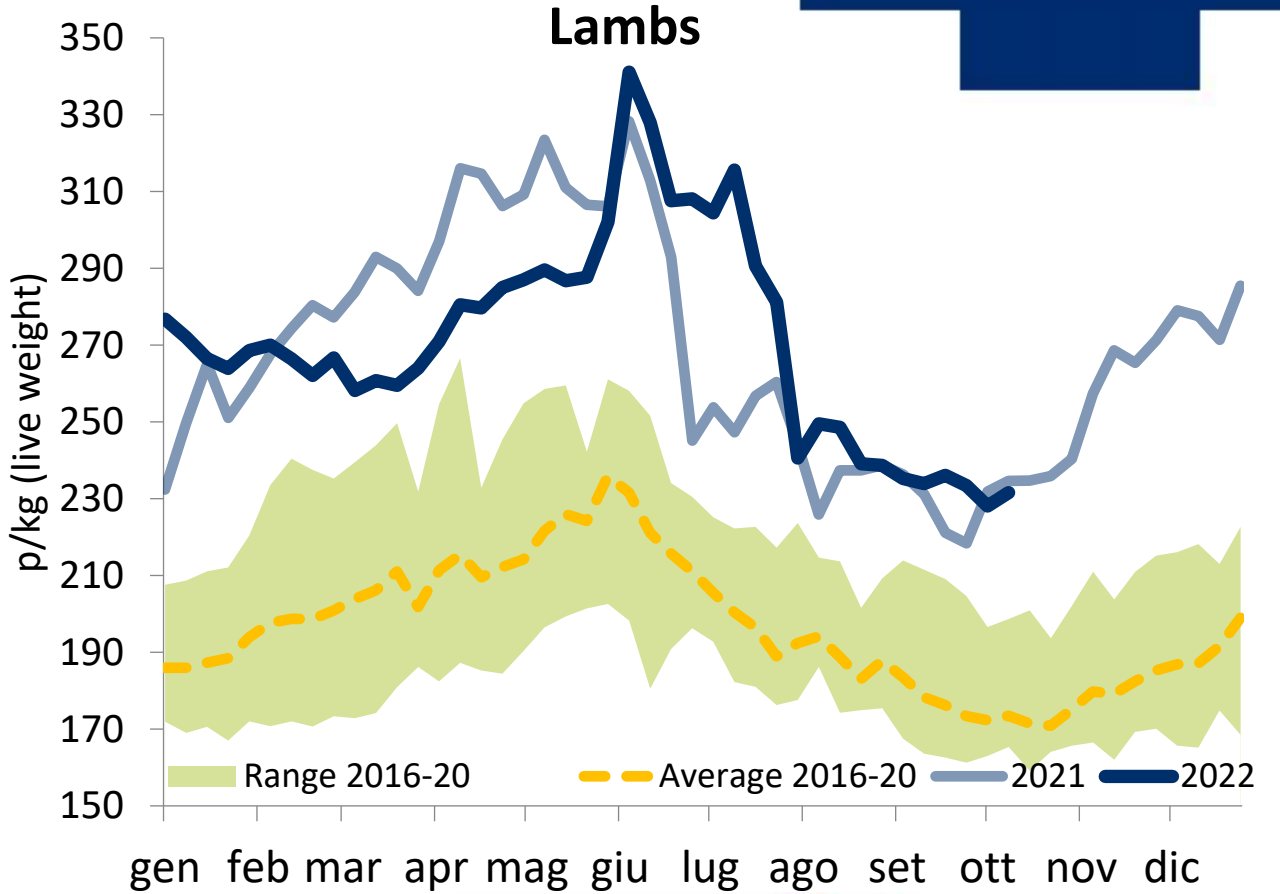
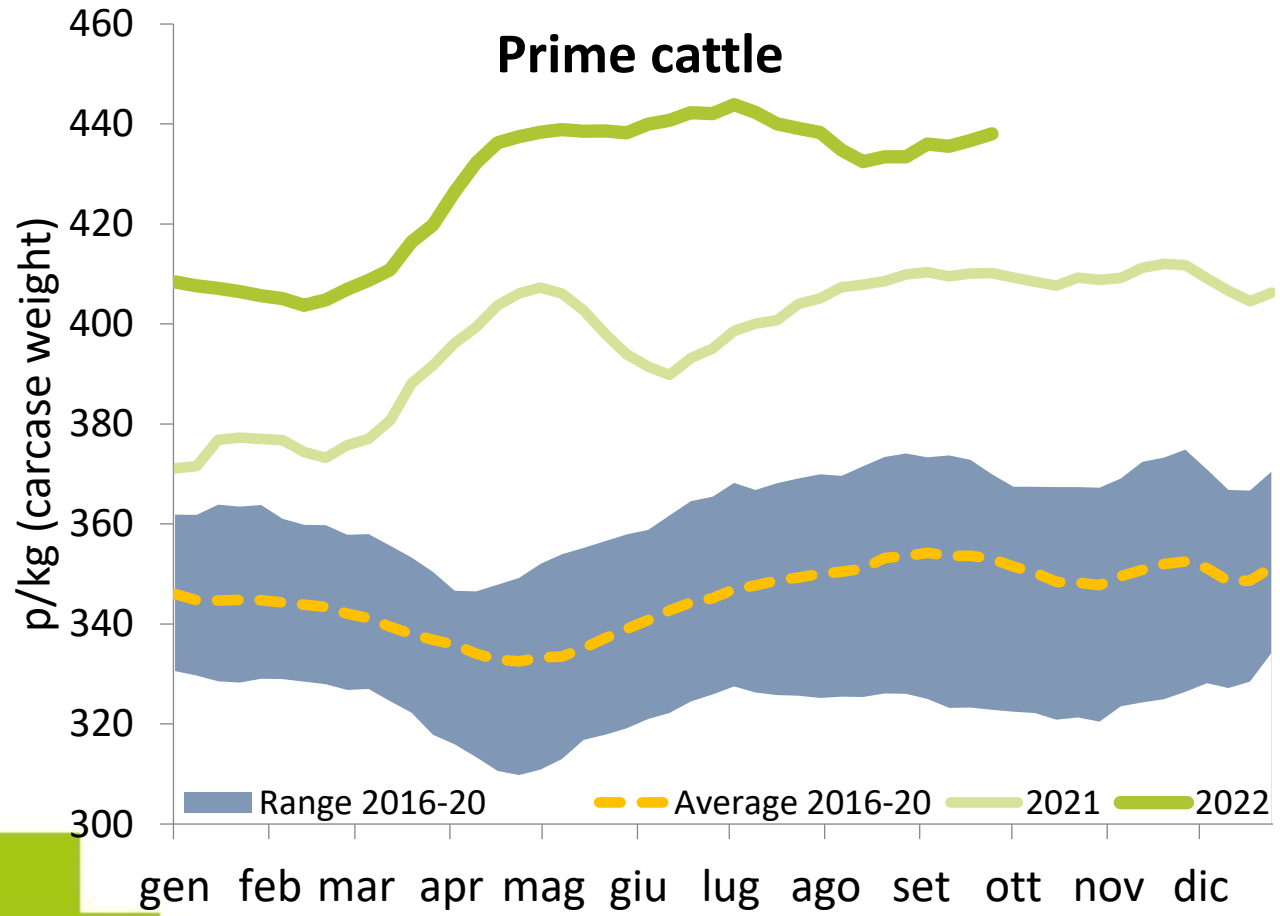
Left Chart: Average UK farmgate milk price (actual and projected) and Milk Market Value indicator

Source: DEFRA/AHDB Dairy

Right Chart: GB daily milk deliveries to dairies (rolling 7-day average)

Source: AHDB Dairy

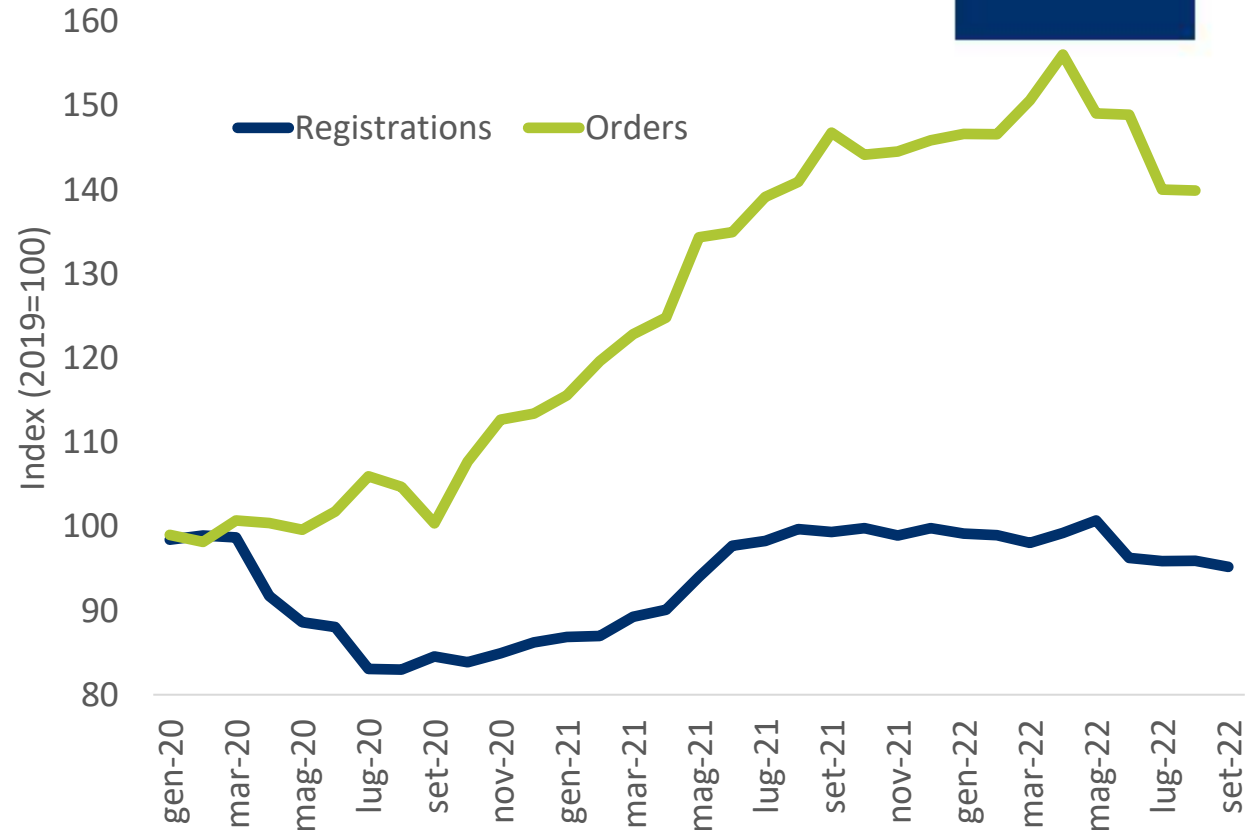
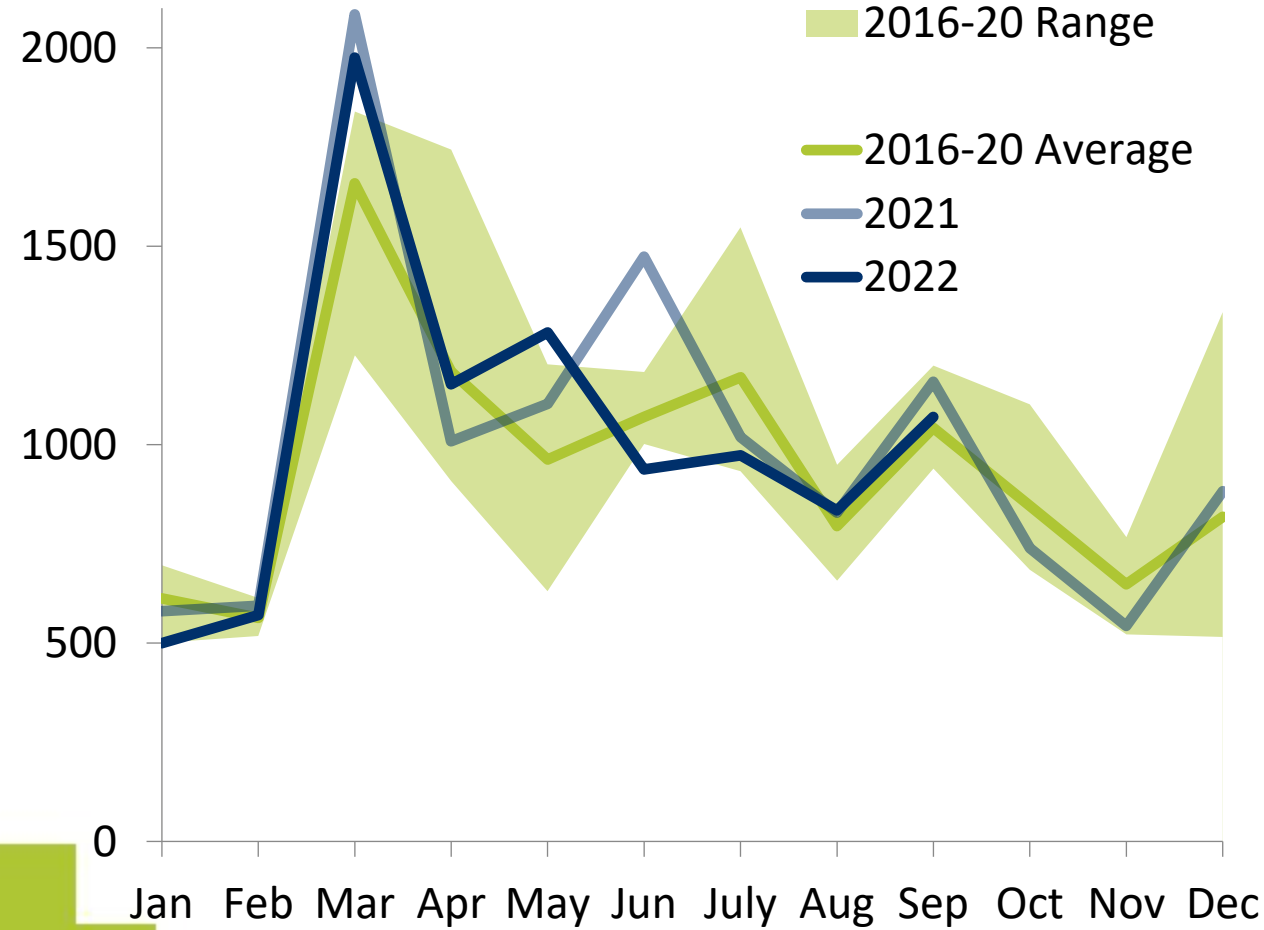
Cattle and sheep prices remain historically high, due to limited availability and reduced imports



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

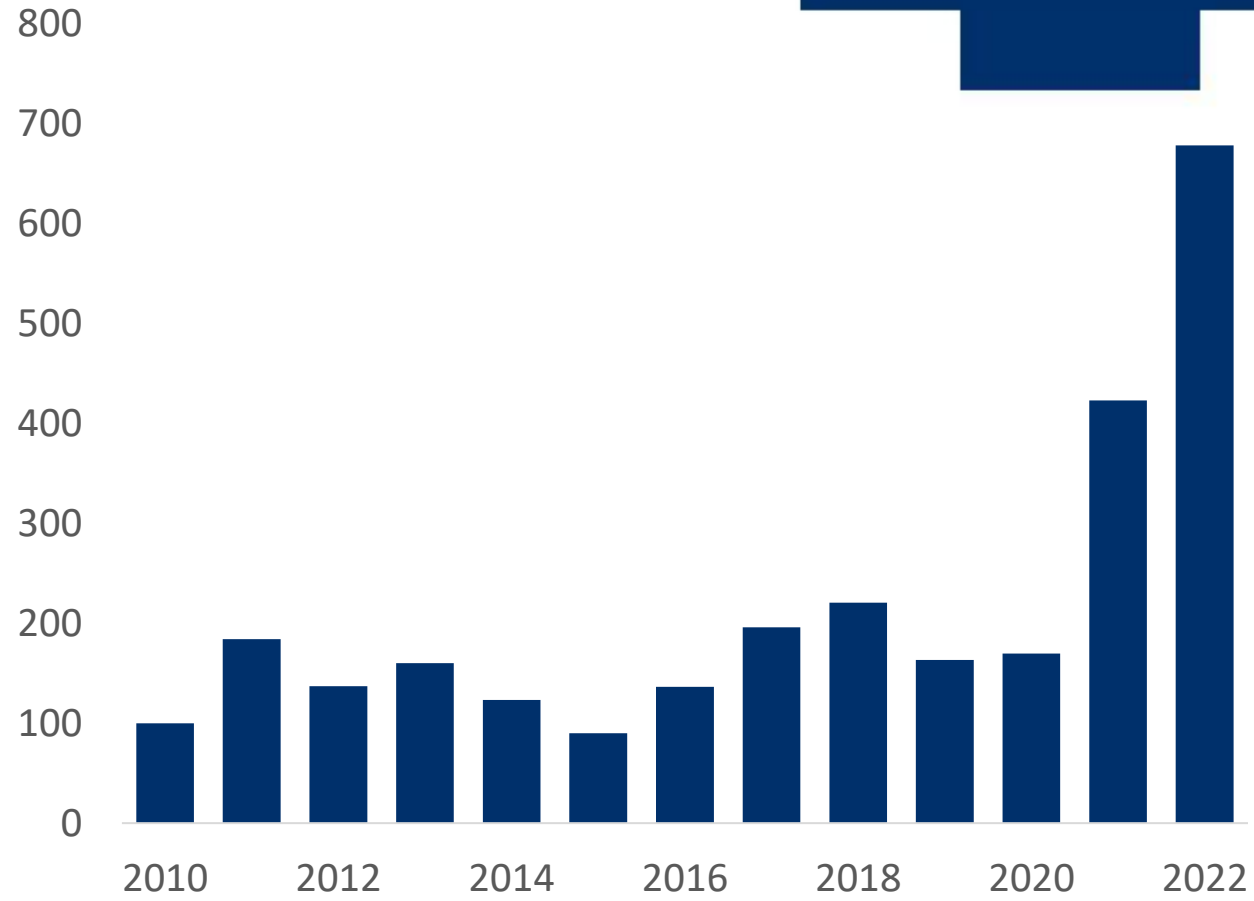
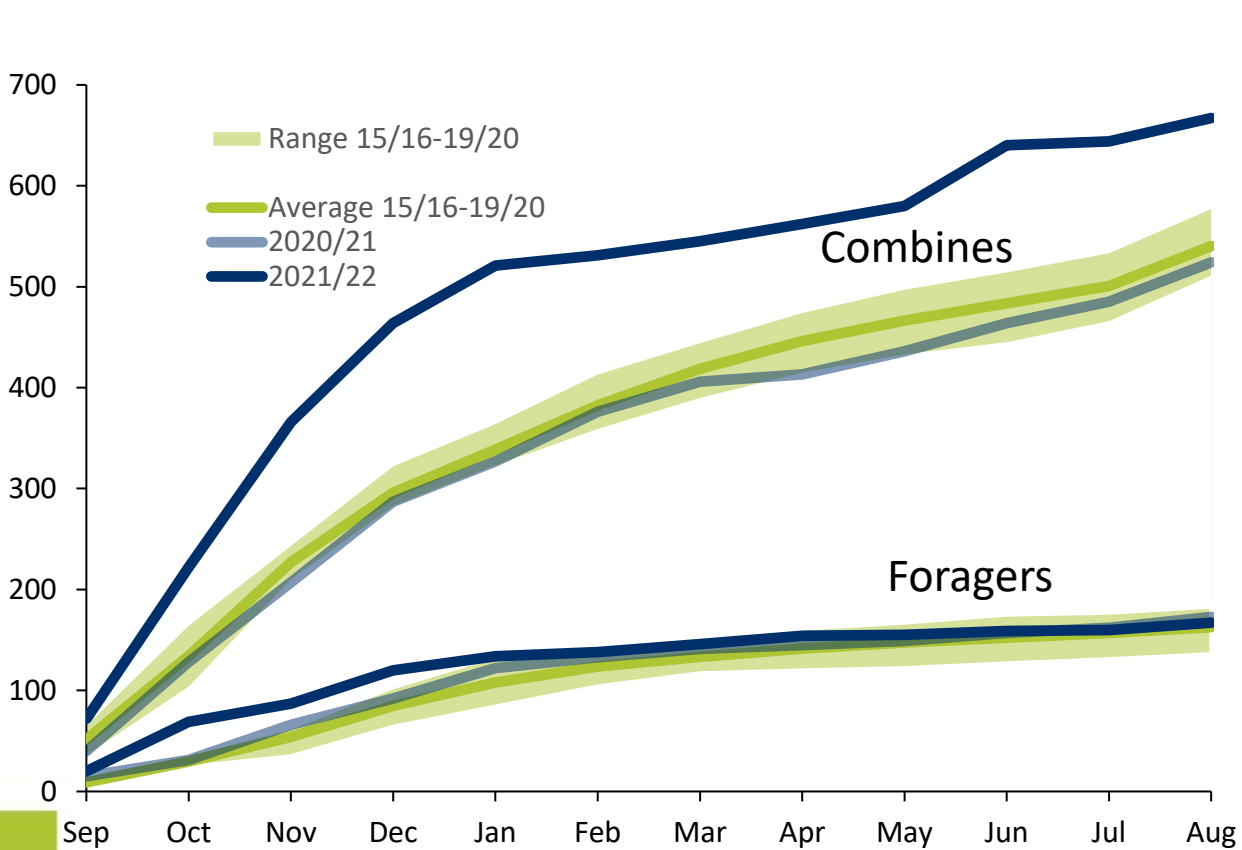


Tractor registrations in early 2022 similar to last year but would be higher but for supply chain issues



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

8-year high for combine orders but not all delivered this season; backlog of implement orders building too



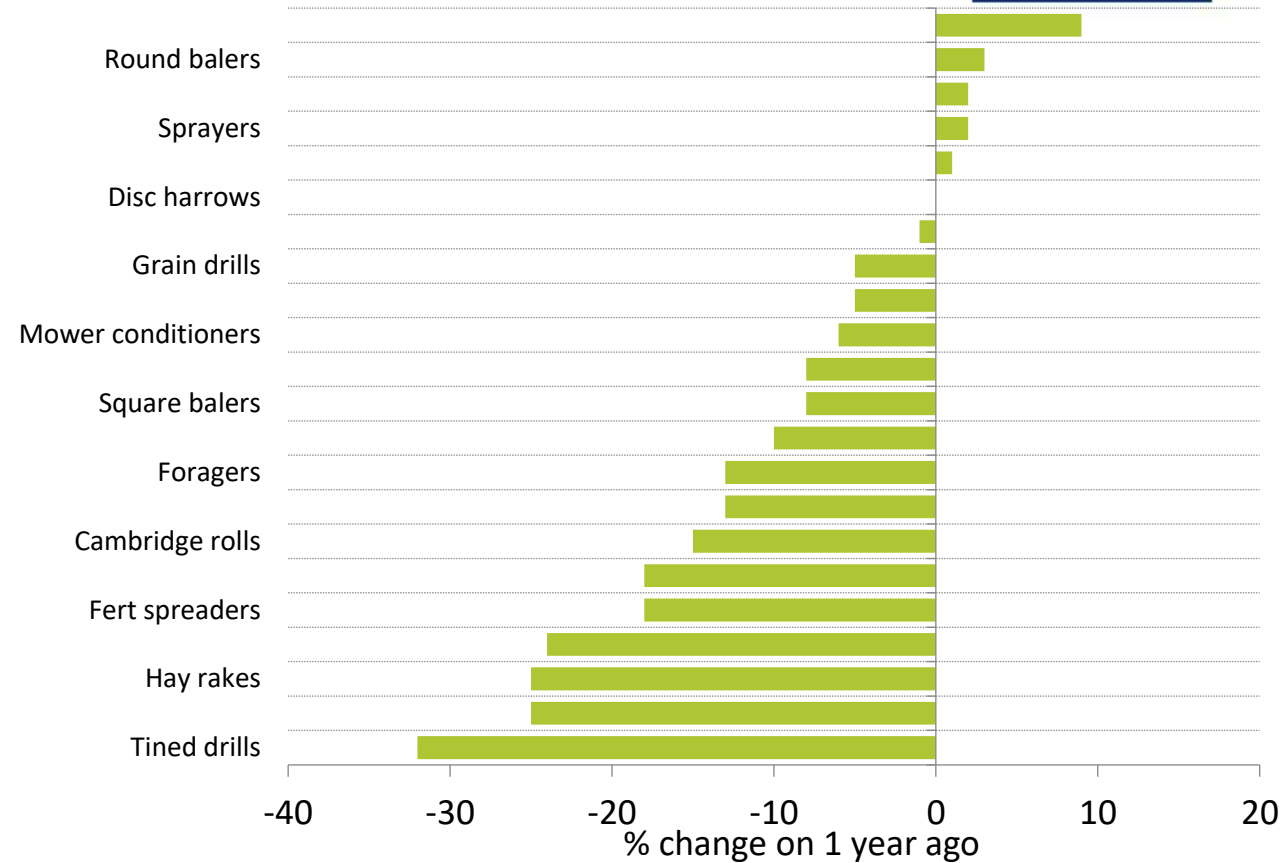
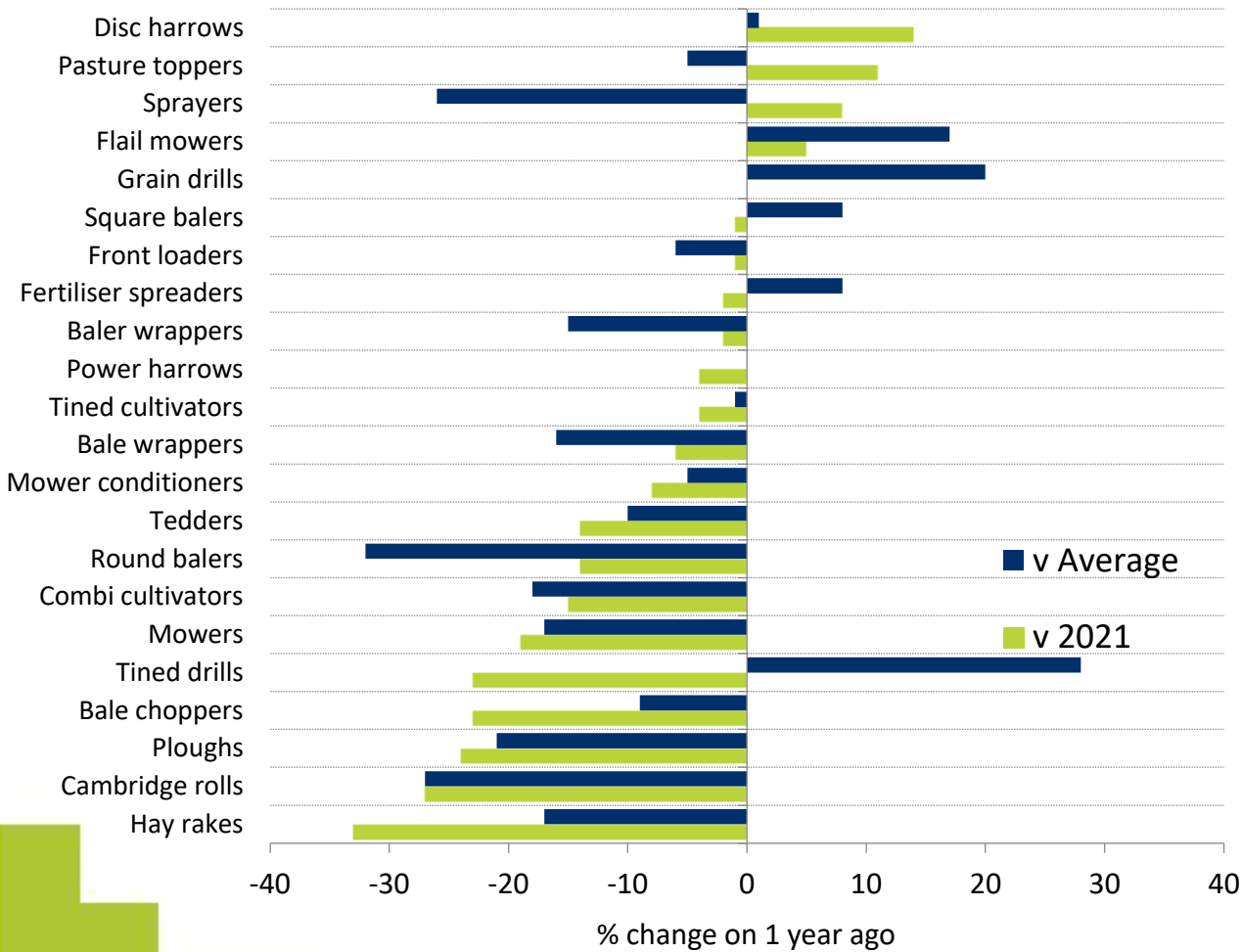
Left Chart: Cumulative retail orders for harvesters from AEA members by the given month

Source: AEA

Right Chart: Value of backlog of outstanding orders at end of August each year (Index 2010=100)

Source: AEA

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



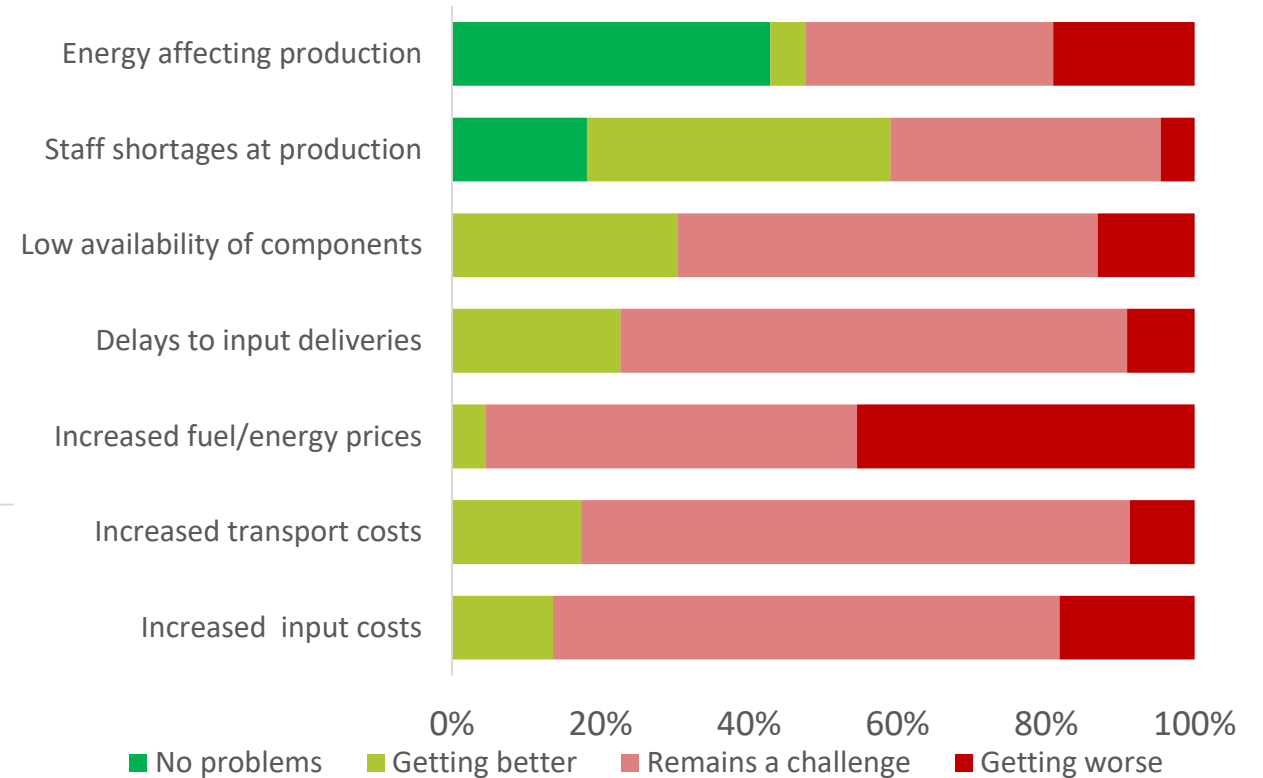
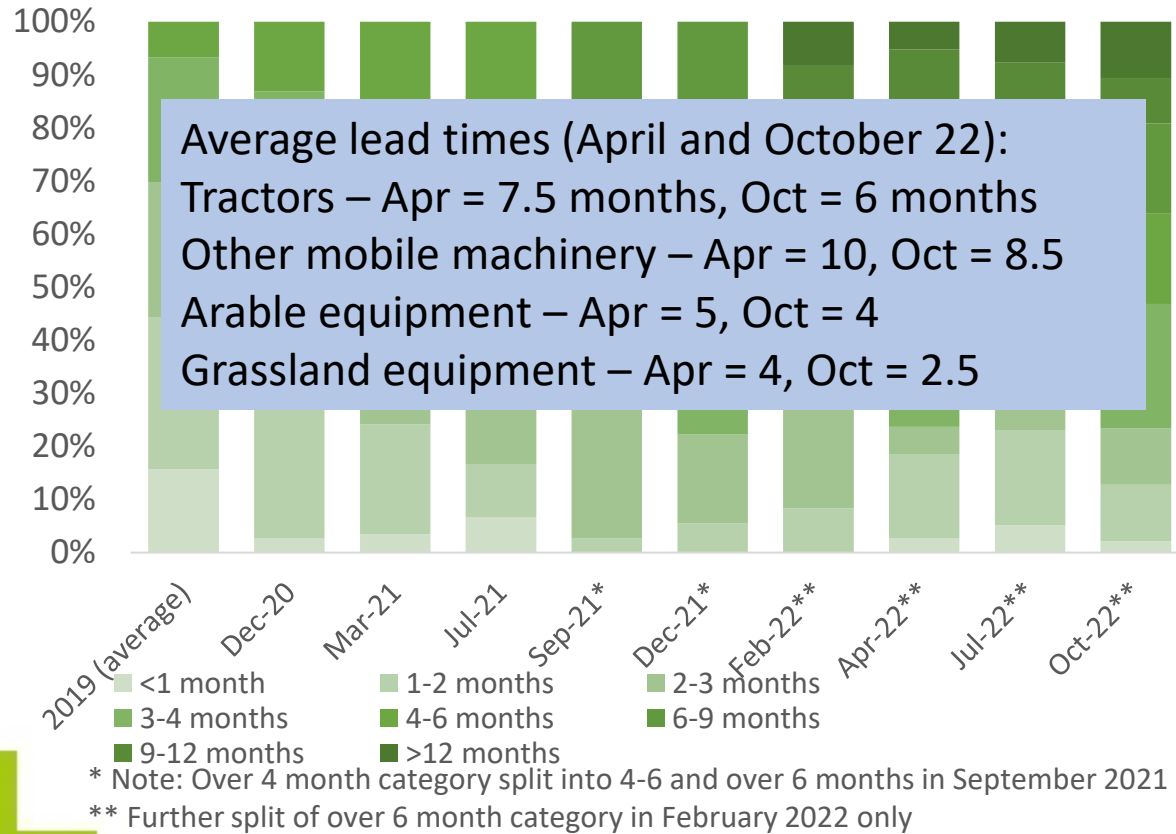
Left Chart: Annual change in deliveries of agricultural machinery Jan-Aug 2022 v 2021 & 5-year average

Source: AEA

Right Chart: Forecast annual change in deliveries of agricultural machinery, 2021-2022

Source: AEA

Lead times for machinery beginning to reduce but still plenty of challenges in supply chains



Left Chart: Typical lead times for delivery of farm equipment

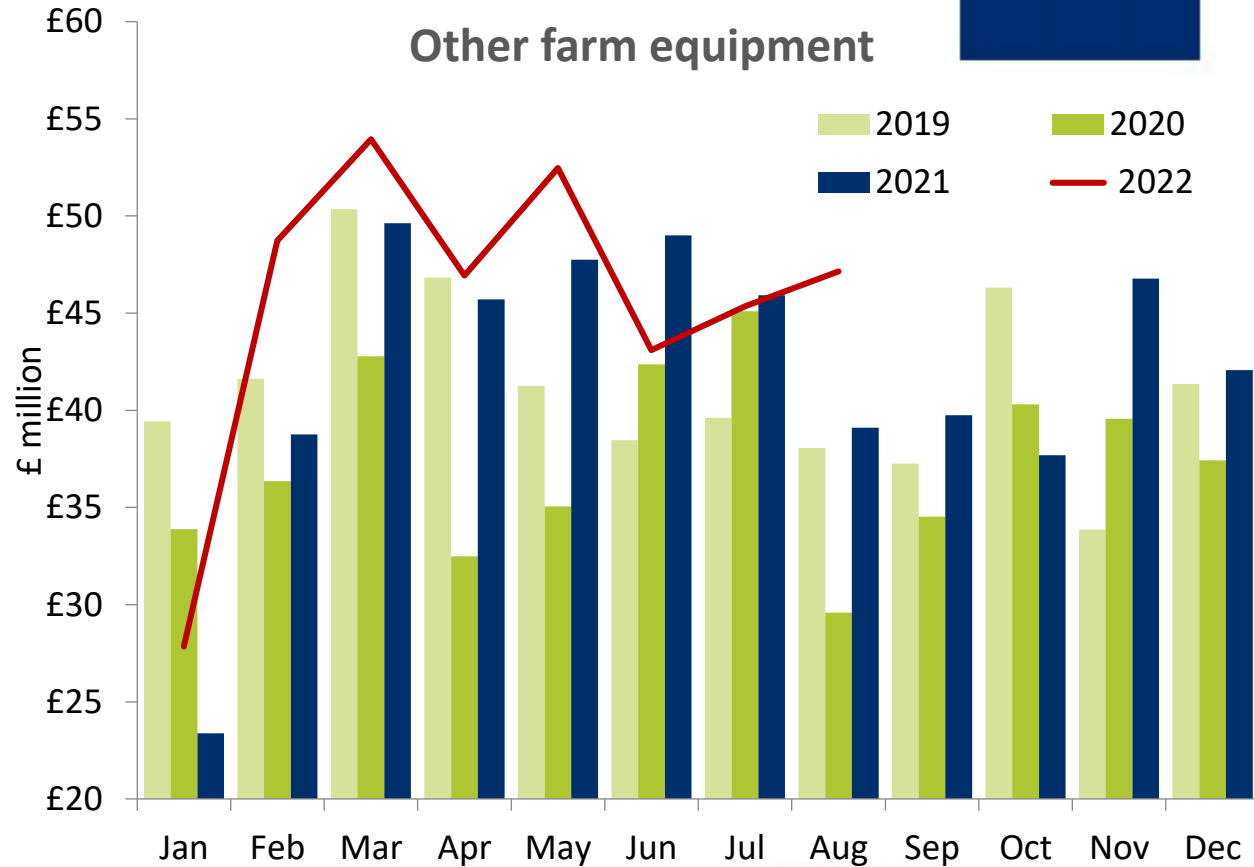
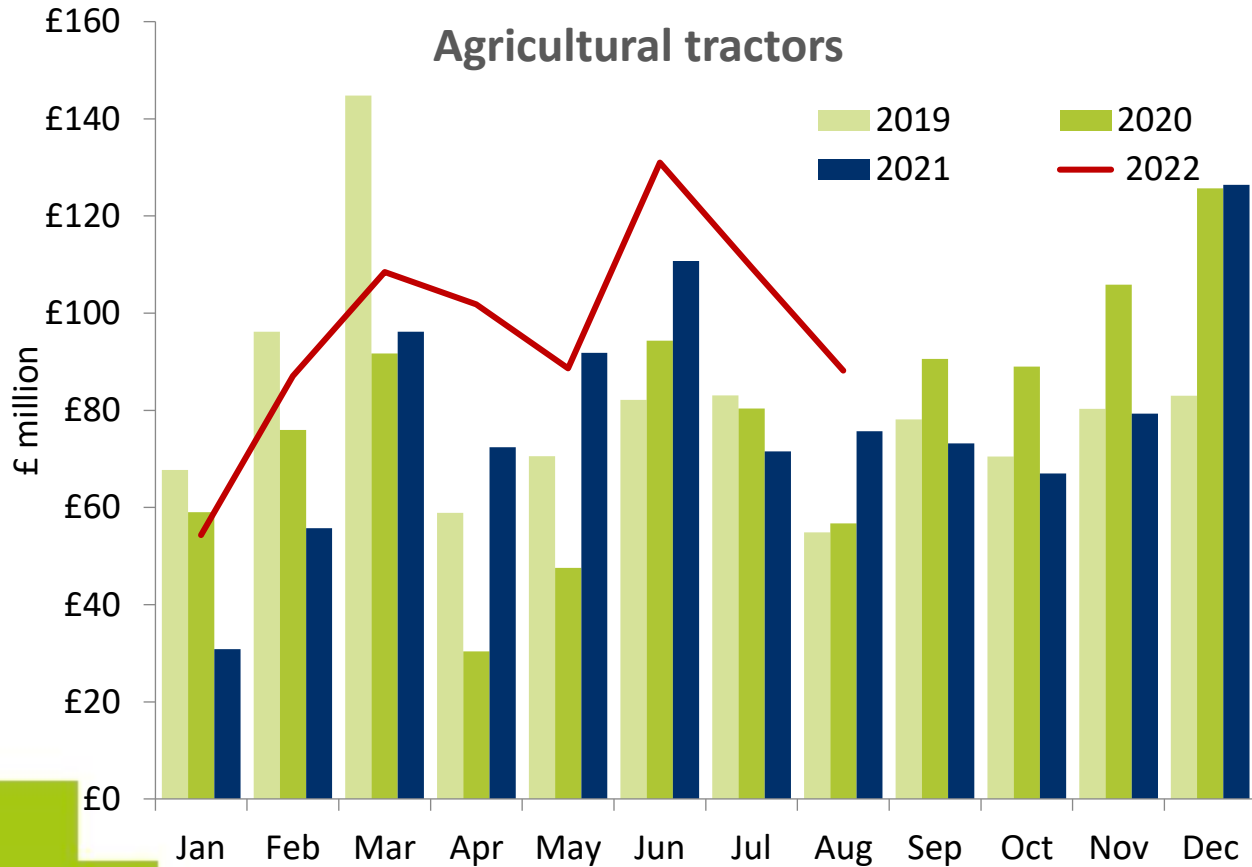
Source: AEA Farm Equipment Barometer

Right Chart: Recent experience of supply chain disruptions (October 2022 survey)

Source: AEA Farm Equipment Barometer



Tractor and machinery exports have been strong this year, with little Brexit hangover



Left Chart: Value of monthly UK agricultural tractor exports

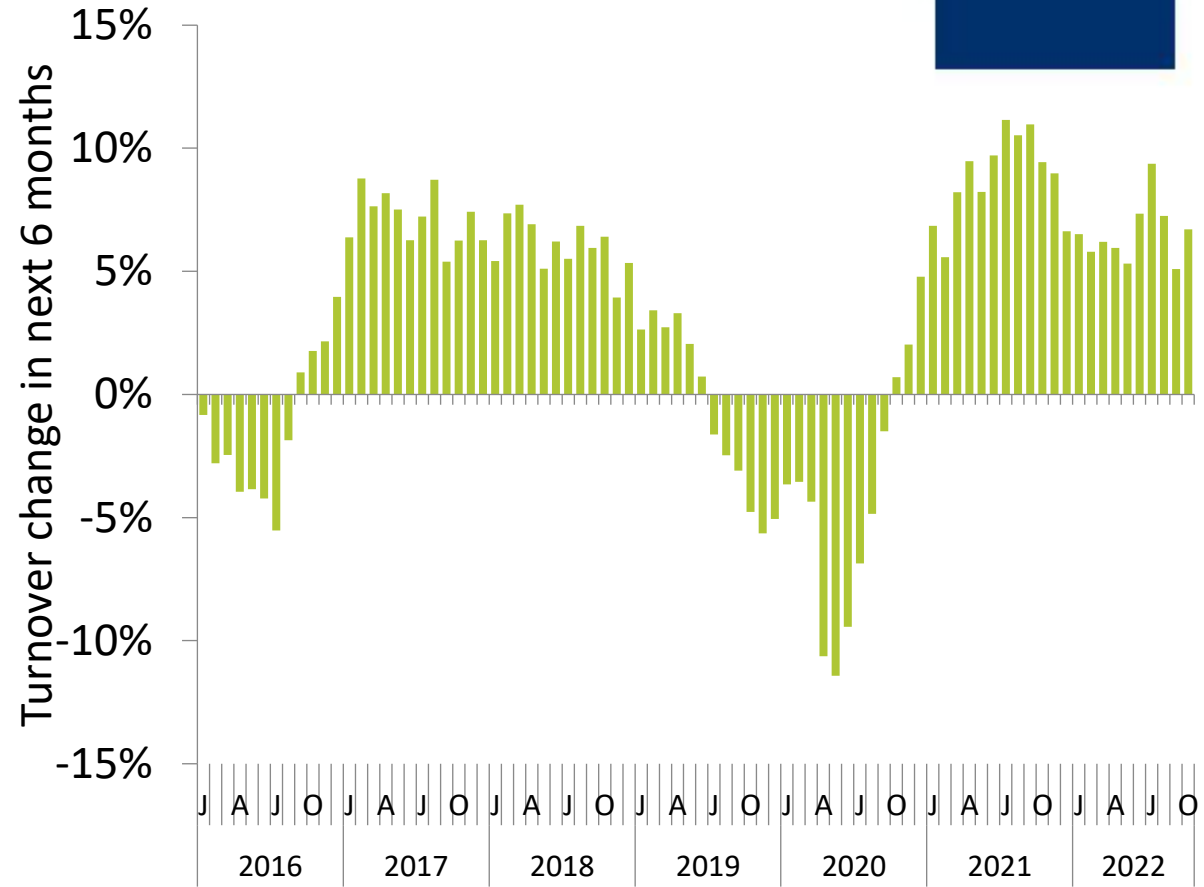
Source: Her Majesty's Revenue & Customs

Right Chart: Value of monthly UK agricultural machinery exports (excluding tractors/engines)

Source: Her Majesty's Revenue & Customs



Industry sentiment a bit less positive than over last 18 months but not yet turned negative



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

And finally –we have a new PM and Farming Minister but too early to say what it will mean for farm policy



Overall conclusions

- Demand for agricultural machinery still strong but concerns about future due to growing uncertainty
- High prices for most agricultural products have protected farmers from rising input costs so far
- Concern about future farm incomes if costs stay high and subsidies fall but farmgate prices return to normal
- Companies still working through big backlog of orders, while dealing with rising prices
- Impact of economic and political uncertainty creates risks for businesses in all sectors