



HARDCASTLE BURTON LLP

2021

HARVEST SURVEY



WWW.HARDCASTLE-BURTON.CO.UK

“IF YOU DON'T LIKE THE WEATHER, WAIT FIVE MINUTES, IT'LL CHANGE.”



WE PREPARE OUR HARVEST SURVEY DURING A VERY BUSY TIME OF YEAR AND ARE GRATEFUL TO ALL OF OUR CONTRIBUTORS FOR YOUR INPUT, THANK YOU.

Our harvest survey results report on the average yields, split by land types for the 2021 harvest. We also publish the final benchmarking results from the 2020 harvest down to net profit.

This year we took part in the first annual Rural Accountancy Group survey and have included an extract of the results. The survey aims to provide an insight into how farmers and landowners are reacting and planning for the changes ahead.

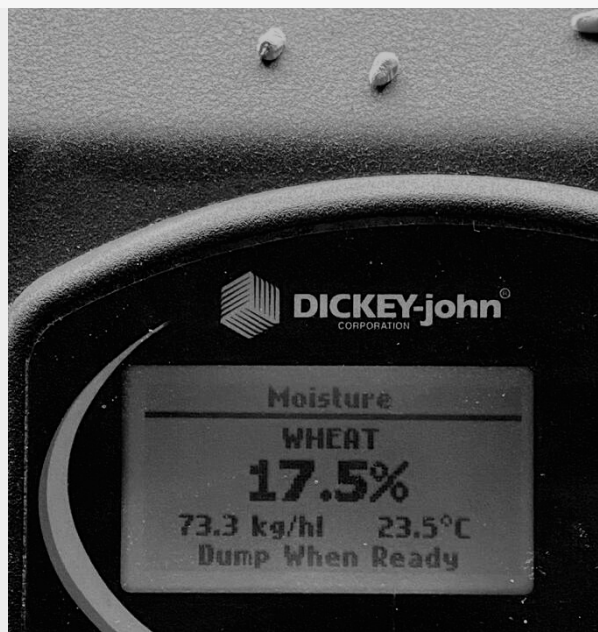
We hope you find the information interesting and of use.

HARVEST 2021

There were high hopes for harvest 2021 following the difficult conditions of 2020. The Great British weather may have been a little kinder for the drilling and growing season but harvest proved frustrating.

High moisture readings were common throughout harvest as damp and overcast conditions continued long after crops should have been safely in the shed. The weather was cited as the most challenging part of harvest 2021 by nearly all of our survey respondents.

Overall, our survey results indicate a fairly average harvest. Grain prices have remained strong which should lead to some respectable results.



PROFITABILITY

OUR GROSS MARGIN FORECAST IS BASED ON A 240 HECTARE FARM, WITH A PROFILE OF OUR AVERAGE CONTRIBUTOR, ASSUMING ALL 2021 CROP IS SOLD AT CURRENT SPOT VALUES.

COMBINABLE CROPS	2021 FORECAST £/HA	2020 ACTUAL £/HA
OUTPUT	£1,204	£1,077
INPUTS	£439	£445
GROSS MARGIN	£765	£631

In 2020 the forecast gross output was £1,113 p/ha. By the time everything had been over the weighbridge the final result was 3% lower at £1,077.

For the 2021 harvest yields, although not record breaking, they are reasonable. The forecast gross output is higher at £1,204 p/ha. Current spot prices have remained high and for growers that have sold well the gross output per hectare for the 2021 harvest may be the highest for several years.

Input costs per hectare for 2021 are forecast to be slightly lower than the previous year. The fertiliser price for 2021 may seem like a distant memory now with costs for the 2022 harvest looking significantly higher.

The final result for the 2021 harvest is a projected gross margin of around £765 p/ha.



WHEAT

Last year's UK wheat harvest of 9.70 million tonnes was the smallest crop of the last 40 years. The 2021 harvest is unsurprisingly expected to be much larger with DEFRA estimating a total of 14 million tonnes.

Wheat only made up 47% of cropping in 2020 as a result of the lack of drilling opportunities. The 2021 harvest saw the area in the survey return to a more usual 56%.

The 2021 UK wheat yield is estimated at 7.80 t/ha. Our survey shows a similar result with an average across all land types of 7.93 t/ha. Within these results there are variances with a number of growers achieving over 9.00 t/ha.

Heavy land fared better than lighter land with an overall wheat yield of 8.21 t/ha (2020 7.95t/ha).

Despite yields not providing much to boast about, grain prices have been strong throughout the season.

Producers globally are struggling with adverse weather conditions leading to tighter supplies. This coupled with increasing demand is driving up prices.

Milling wheat contracted for sale in our survey has made an average price of £195.55 p/t. Current ex-farm prices are even higher. The amount of wheat making milling spec is lower than last year and so milling wheat is trading at a significant premium to feed wheat.

As a result of the higher prices our survey suggests overall wheat output per hectare will be higher than last year at £1,492 p/ha for milling wheat and £1,353 p/ha for feed wheat.

BARLEY

The average barley yield in our survey was 6.19 t/ha, an increase of 2% on last years result of 6.07 t/ha. Heavy land again produced the best results with a yield of 6.53 t/ha compared to light land that achieved 5.82 t/ha.

The UK barley area is down 17% with overall production predicted to be down 12%. This was expected after the 2020 harvest when growers were forced to use spring barley as an alternative to winter crops that could not be drilled.

Spring barley cropping in our survey was 43% lower than the 2020 harvest with the total barley area down 26%.

Demand for malting barley plummeted last year when the impact of COVID-19 on the hospitality industry took hold. Overnight, maltsters no longer had a use for malting barley. As a result there was no premium for malting barley last year. With demand picking up, the malting premium is back. Growers in our survey have reported a £15 premium with current spot prices showing a similar story.

Prices for feed barley are also high, with the ex farm price at the time of writing at £185/t. Demand is expected to continue with more livestock held on farm as a result of labour and haulage shortages.



OATS

Oats averaged a yield of 6.03 t/ha, nearly 30% higher than last years result of 4.75t /ha.

The area of oats cropped in our survey has returned to 2019 levels and make up 6% of cropping

The price of oats has remained more consistent than other crops with ex-farm prices between £132 for feed and £158 for milling oats.

OIL SEED RAPE

Provisional results from DEFRA suggest the 2021 oilseed rape crop will be the smallest since 1989.

Oilseed rape accounts for just 8.5% of cropping in our survey. A far cry from the 20-25% we used to see in the early 2000's.

The average yield across all land types was 2.97 t/ha. The highlight of harvest 2021 must go to the oilseed rape price. Crop in our survey sold by mid September had averaged £451.24. Current prices are now around £550 p/t.

Many it seems are making the most of the current price with over 50% of the crop contracted for sale at the time of the survey.

With results like these the output per ha will be very good. The survey results show a return of £1,342 /ha. For growers still able to produce oil seed rape, not only is it a great break crop, it can be very profitable.

The 2022 cropping plans from our survey suggest the oilseed rape area will increase to 10% of total cropping.

PULSES

2021 beans performed much better than the previous year. The average yield was 3.66 t/ha. This is an increase of 26% on the 2020 yield of 2.90 t/ha.

Peas also showed a higher yield of 2.88 t/ha compared to 2.42 in 2020.

Predicted output per hectare is £817 for beans and £855 for peas. Whilst this is higher than the results from the last few years they do not rival other crops for their return per hectare. The advantage comes from lower input costs and the benefits to the next crop in the rotation which can be difficult to place a value on.

OUTLOOK



The importance of where our food and drink comes from and how it is produced has been gaining more momentum over the last few years. It seems it has taken a global pandemic and Jeremy Clarkson to really bring it into focus. If only it was as simple as 'you put seeds in the ground, weather happens and food grows'. Input and labour shortages have only further highlighted how precarious the supply chain is. As food prices rise, having the public's support behind UK farming will be invaluable.

And food prices must rise! Input costs are rising. Not only are they rising but knock on effects from COVID-19 and Brexit have caused multiple problems in the supply chains making them harder to predict and budget for. Prices will stabilise once the new post Brexit and post pandemic balance is found but this may take some time.

This makes the next big challenge for the industry that much harder. In our recent Rural Accountancy Group survey, changes to subsidies were clients' biggest concern. We are now in a 'transition period' but there is still not enough detail on what the final destination looks like. It is unlikely that Environmental Land Management scheme income will replace the loss of BPS, so despite the uncertainty making forward planning awkward, a proactive approach is needed. We all need to eat and so this transition must be successful. The NFU recently called for a delay to the proposed reductions in 2022 and 2023. It remains to be seen if the policy makers are listening however, delay or no delay, the direction the industry is heading in is clear.

The industry is tasked with managing our land in a way that is kind to the environment whilst producing good quality, sustainable food. It must do all this and remain profitable.

Businesses must take a really hard look at their finances. As accountants we are often making this suggestion and it is now more important than ever. All have opportunities to improve performance and their financial position. This may include becoming more efficient or creating additional revenue streams. Good financial records and management accounts provide useful information to enable you to take stock and aid decision making. This information also needs to be timely to be of the most use.

Please get in touch with your usual Hardcastle Burton contact if you have any concerns or would like to discuss future plans. We are here to help.

RURAL ACCOUNTANCY GROUP SURVEY 2021

The Rural Accountancy Group is a group of eleven accountancy firms, including Hardcastle Burton, who serve the accountancy and taxation needs of agriculture businesses in the UK.

Our first annual survey aimed to provide an insight to how farming businesses and landowners are reacting and planning for changes ahead. The trends across the country and industry sectors will enable us to better advise and help businesses plan for the future.



TOP CONCERNS

We asked farmers to rank their top 5 concerns out of a list of 12 different options. The future of subsidies ranked in the number one spot, closely followed by the weather.

1

220



FUTURE OF SUBSIDIES

220 people ranked this in their top 5 concerns. Of those, 79 ranked it their number one concern at the current time.

2

ENVIRONMENT, CLIMATE CHANGE AND WEATHER

Of the 212 people who ranked this in their top 5, 53 people ranked this as their main concern. 34% of those who ranked it as their main concern were based in the South East or West with 30% based in East Anglia.



3

CASHFLOW

179 people ranked cashflow as one of their top 5 concerns.



33 of the 179 people ranked this as their number 1 concern but the biggest group here was 52 people ranking it their 3rd biggest concern.

THE FUTURE OF SUBSIDIES



77 said "I am aware of the changes but am unsure what to do about it"



71 said "I have planned how my business will cope with the changes"



51 said "I have planned changes but unsure if business will be viable"

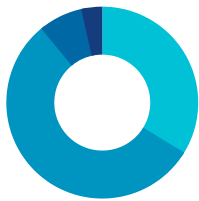


29 said "I have changed my business ahead of the changes"

BUSINESS SUCCESSION

Business succession is always a hot topic within the farming communities. We asked respondents on their current business succession plans. 122 respondents reported that they are either considering or have already started succession planning. 61 already have plans in place, however 57 have no plans.

WILLS



141 respondents reported having a current and up to date will. This was followed by 86 who need their wills reviewing or updating, while 19 stated that they do not have a will.

PARTNERSHIP/SHAREHOLDER AGREEMENT



137 respondents cited their partnership/ shareholder agreements as being up to date. There were 69 responses from those who do not have one which was closely followed by 40 people who stated their needed reviewing or updating.

HOW CLIENTS ARE FEELING

Our final question was to find out how our clients are currently feeling and the level of positivity in the industry. With Covid-19, Brexit and changes to Agricultural policy, the agricultural community has many challenges to overcome which has been reflected in the views in this report from respondents.

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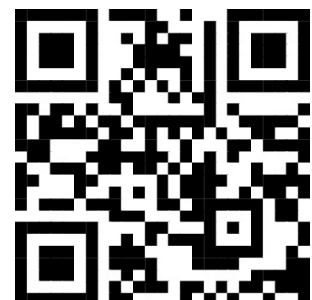
We were not surprised to find out that 131 of our respondents are only 'somewhat' optimistic about the future. This reflects the uncertainty that we are all experiencing at the moment.

Despite the uncertainty, 80 respondents stated they were positive about the future. On the flip side, 35 respondents were not positive at all for the future.



TO READ THE FULL RESULTS OF THE SURVEY PLEASE VISIT OUR WEBSITE

[HTTPS://TINYURL.COM/6V59VHE5](https://tinyurl.com/6v59vhe5)





SURVEY RESULTS

BENCHMARKING

Included within our report are the average yields by land type for the 2021 harvest together with information on the percentage of crops contracted for sale by September. You will also find the final results from the 2020 harvest. These include averages for the past three years for yields, prices, costs and profitability split by land type.

We provide our clients with harvest year management and benchmarking figures annually as part of the year end accounts. These are discussed alongside financial information to provide truly meaningful figures.

KEY POINTS FROM THE FINAL 2020 RESULTS



A wet autumn was followed by a dry spring. Yields for the 2020 harvest were down across nearly every crop and land type.



Growing conditions made winter crop establishment difficult. Spring cropping was significantly higher than usual as growers were left with little option but to drill in the spring instead.



Higher sales prices went some way to make up for the loss in yield. The final output per hectare for many crops was reasonable.



No change from previous years in that many farm results show a net farming loss before subsidies, rent and other income.



2021 Harvest Survey Results

Average Yield (Tonnes per Hectare)

	All Land		Heavy Land		Mixed Land		Light Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Feed wheat	8.56	8.32	8.74	8.11	8.53	8.68	8.10	8.18
Milling wheat	6.92	7.84	7.24	7.70	6.66	7.99	7.59	8.08
Feed barley	6.25	6.02	6.88	5.88	6.11	6.83	5.62	5.35
Malting barley	6.10	6.19	5.87	6.60	6.16	5.78	6.35	5.56
Peas	2.88	2.42	3.07	2.62	2.48	2.37	2.90	2.26
Beans	3.66	2.90	4.01	2.62	3.28	2.66	4.03	3.43
Oats	6.03	4.75	5.64	5.53	5.95	4.58	6.52	4.14
Oilseed Rape	2.97	2.16	2.95	2.07	3.01	2.71	2.14	1.70
All wheat (weighted)	7.93	8.16	8.21	7.95	7.74	8.43	7.95	8.17
All barley (weighted)	6.19	6.07	6.53	6.11	6.13	6.58	5.82	5.52

	Average contracted price		% Sold		Gross Output per Hectare	
	2021	2020	2021	2020	Predicted	Actual
Feed wheat	174.28	163.11	32%	40%	1,492	1,383
Milling wheat	195.55	177.75	30%	26%	1,353	1,394
Feed barley	149.84	127.07	55%	42%	936	913
Malting barley	165.00	128.13	40%	23%	1,007	793
Peas	296.25	233.75	54%	26%	855	695
Beans	223.33	201.25	14%	13%	817	584
Oats	151.25	158.67	17%	17%	911	754
Oilseed Rape	451.24	349.06	53%	30%	1,342	1,064



2020 Harvest Average Financial Returns (£ per Hectare)

	Heavy Land		Mixed Land		Light Land	
	2020	2019	2020	2019	2020	2018
Output						
Sales	1,145.69	1,198.80	1,091.39	1,151.58	986.37	1,186.22
Inputs						
Seed, sprays and fertilisers	428.66	434.28	410.21	444.52	356.62	498.59
Arable gross margin	717.03	764.52	681.18	707.06	629.75	687.63
Work done and contracting income	339.96	338.04	396.03	389.12	295.38	370.00
Direct fixed costs						
Labour and contractors	184.61	162.64	173.14	170.60	143.88	151.35
Machinery costs	93.41	108.93	114.18	117.58	143.17	100.74
Depreciation	157.52	159.05	126.06	127.29	127.25	119.21
Total direct fixed costs	435.53	430.62	413.38	415.47	414.30	371.30
Farm gross profit	201.49	210.51	162.60	198.44	24.12	314.17
Other fixed costs	211.12	192.70	164.15	150.77	153.80	145.26
Rent	41.68	66.53	91.45	84.94	100.29	198.14
Finance Costs	35.65	57.58	41.77	64.32	62.50	34.79
Net farming income	(86.97)	(106.31)	(134.77)	(101.60)	(292.47)	(64.02)
Subsidies	273.92	256.44	285.18	276.18	226.66	256.99
Rent and other income	211.06	210.88	184.47	178.71	221.68	69.16
Management profit/(loss)	324.81	313.78	257.86	267.10	123.90	219.96
Drawings & tax	232.95	228.67	170.28	175.20	167.50	238.72



2020 Harvest Average Financial Returns (£ per Hectare)

	Large farms		Mixed Sugar Beet		Light Sugar Beet	
	2020	2019	2020	2019	2020	2018
Output						
Sales	1,129.86	1,202.36	1,460.66	1,426.28	1,109.19	1,403.74
Inputs						
Seed, sprays and fertilisers	495.56	467.42	424.48	454.50	559.89	546.43
Arable gross margin	634.30	734.94	1,036.18	971.78	549.30	857.31
Work done and contracting income	375.56	380.48	438.69	394.41	322.98	336.61
Direct fixed costs						
Labour and contractors	207.06	176.27	137.25	161.26	184.09	143.29
Machinery costs	127.06	128.37	126.36	151.93	118.52	158.87
Depreciation	114.35	117.21	177.33	140.07	113.20	122.49
Total direct fixed costs	448.43	421.85	440.93	453.26	415.80	424.65
Farm gross profit	100.02	204.39	323.71	382.51	171.62	358.62
Other fixed costs	186.38	205.01	130.29	151.75	150.39	198.46
Rent	92.44	88.11	27.61	81.52	122.73	130.45
Finance Costs	75.59	85.13	45.25	33.74	20.11	25.07
Net farming income	(254.39)	(173.86)	120.55	115.50	(121.60)	4.64
Subsidies	292.92	294.37	272.65	291.02	290.36	304.56
Rent and other income	89.29	136.53	118.28	94.85	190.99	147.45
Management profit/(loss)	136.76	174.22	375.15	383.46	267.84	441.30
Drawings & tax	124.38	90.08	260.47	244.63	217.13	239.22

NB : Figures down to gross margin are for land farmed in hand. Fixed costs, including rent and finance, are apportioned over total acreage farmed including contract work, as is non farm income and final management profit. Labour and Contract includes an increasing number of farms entering into contract farming agreements.



2020 Harvest Average Yields - Final Results

(Tonnes per Hectare)

	Heavy Land			Mixed Land			Light Land			Mixed Sugar Beet Land			Light Sugar Beet Land		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Average productive area	390	421	389	278	272	270	213	166	165	238	234	376	298	207	248
Yield (tonnes per hectare)															
Wheat	7.61	9.84	8.12	7.19	9.12	7.83	6.96	7.81	8.46	8.16	9.39	8.40	7.37	8.42	8.55
Barley	6.49	7.31	6.06	5.88	7.36	6.53	5.54	7.71	8.15	5.87	6.79	7.50	7.22	7.14	7.70
Peas	2.06	3.22	1.99	2.33	2.66	2.76	1.87	2.78	-	2.37	2.26	3.08	1.69	3.17	3.33
Beans	2.67	4.36	3.37	1.94	3.89	2.52	2.66	4.17	3.61	3.38	2.86	2.27	2.08	4.41	2.73
Oats	4.97	6.44	4.65	5.48	6.78	5.68	5.23	-	-	7.89	6.49	7.83	4.11	5.45	6.63
Linseed	2.16	2.10	1.41	1.48	1.85	1.83	1.00	-	-	-	-	1.00	1.89	-	-
Oilseed rape	2.56	3.32	3.21	2.49	2.87	3.34	1.98	3.84	3.05	3.64	4.32	2.93	0.33	2.66	3.11
Borage	0.62	0.58	0.44	0.26	-	0.37	-	-	-	-	-	-	-	-	-
Sugar beet	-	-	-	-	-	-	-	-	-	66.96	92.90	87.78	54.91	73.16	85.96

Average price per tonne

Wheat	188	147	162	183	149	168	194	142	166	191	147	168	170	144	162
Barley	134	124	162	131	125	151	132	119	156	142	123	166	121	122	168
Peas	277	264	248	258	224	256	261	213	-	289	268	288	215	230	241
Beans	210	196	194	210	194	202	213	184	176	201	198	223	231	195	214
Oats	140	120	154	146	135	161	119	-	-	175	151	180	180	160	165
Linseed	423	356	335	393	373	342	364	-	-	-	-	356	350	-	-
Oilseed rape	387	346	326	378	343	337	343	338	314	379	351	349	292	310	327
Borage	2,943	2,928	2,692	3,934	-	2,683	-	-	-	-	-	-	-	-	-

Total output (per hectare)

Wheat	1,433	1,447	1,313	1,315	1,355	1,316	1,351	1,107	1,404	1,562	1,381	1,415	1,251	1,216	1,387
Barley	869	908	983	773	919	985	729	913	1,274	831	835	1,243	876	874	1,296
Peas	572	850	494	602	596	707	488	594	-	685	606	887	363	727	801
Beans	563	856	653	407	755	508	567	766	634	679	566	506	479	858	584
Oats	698	776	717	803	913	913	621	-	-	1,381	978	1,407	740	873	1,095
Linseed	914	749	473	583	690	624	364	1,297	-	-	-	356	662	-	-
Oilseed rape	990	1,147	1,044	943	986	1,125	681	-	956	1,379	1,515	1,021	97	825	1,016
Borage	1,819	1,706	1,184	1,035	-	993	-	-	-	-	-	-	-	-	-
Sugar beet	-	-	-	-	-	-	-	-	-	1,919	2,532	1,964	1,328	1,707	1,930

MEET OUR AGRICULTURAL TEAM



JONATHAN TULLOCH
PARTNER



KEITH BOUTTELL
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CHRIS SCARBORO
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CHRIS BLOSS
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DANIEL DE'ATH
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