

# AGRICULTURE

## How will 2015 fare ?

*Rates of agricultural insolvency have been relatively modest over the past 20 years due in part to the increase in agricultural property values, support from the European Union (EU) via the Common Agricultural Policy (CAP) and low interest rates. However, there are signs of change as the industry faces the challenges posed by volatile market conditions Simon Thomas explores how the industry will fare in 2015.*



### Commodity Prices

Commodity prices have fallen across the board placing increased pressure on producers as margins are squeezed along the supply chain. The latest round of supermarket price wars has created particularly difficult conditions for dairy farmers who should focus not only on survival but also on diversification.



### Farmland Values

UK farmland has continued to increase in value demand outstrips supply. Demand was significant at the beginning of the year and farm land continues to be attractive to shelter potential IHT liabilities. However, with the forthcoming general election in May the market has begun to stabilise as many purchasers exercise caution over large capital commitments.



### Economies of Scale and New CAP reform rules

After years of negotiation the CAP (Common Agriculture Policy) legislation is in place with changes to the Basic Payment Scheme (BPS) to encourage young farmers, and agricultural practices which are beneficial for the environmental climate. The Basic Payment Scheme, which has replaced the Single Farm Payment, can now be paid in Euros or Sterling so exchange rate movements may become a consideration for some farmers.



### Milk Quota Elimination

April 2015 will herald the end of an era with the elimination of milk quotas. Supermarket price wars have already reduced the price of milk to less than 50 pence a litre. As a result The National Farmers Union says over the next 10 years it expects the number of dairy farms to halve to fewer than 5000 as farmers exit the market. Some farmers will look at moving into areas such as cheese and yogurt production to survive but this will require significant investment.



### Green Energy

Falling crop prices have encouraged UK farmers to invest or make plans to use part of their land for renewable energy schemes the most popular of which are solar arrays, wind turbines and in Anaerobic Digester (AD) plants which reduce costs by using waste products.



### Unpredictable Weather

The UK's climate has presented increased challenges in recent years, especially with regard to wide scale flooding. As seasonal weather patterns shift variations the direct consequences for agriculture have to be managed.

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## CAN WE HELP?

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