

25 April 2023

Spring Grain Market Outlook webinar

Understanding price direction and filling the funding gap



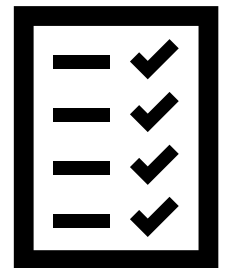
Chairman's welcome

David Eudall - Economics & Analysis Director

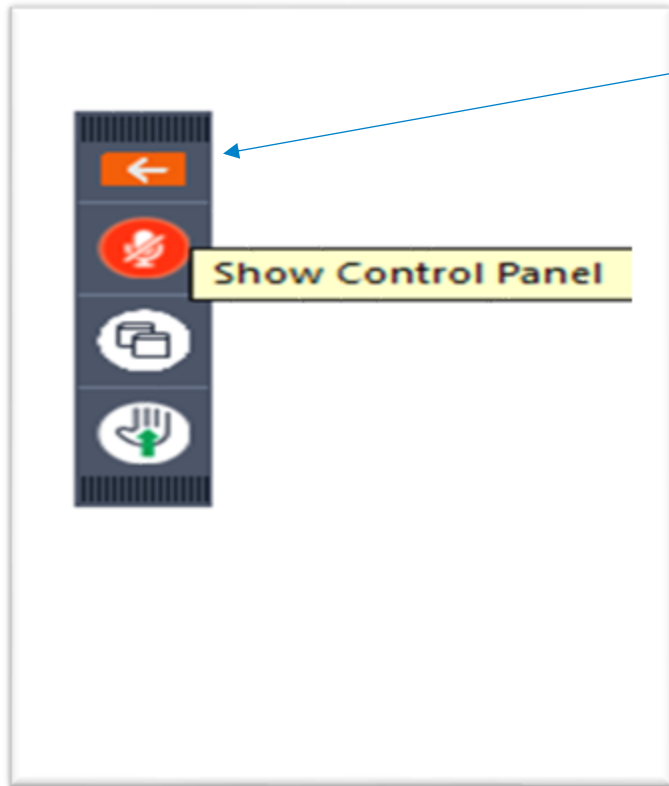


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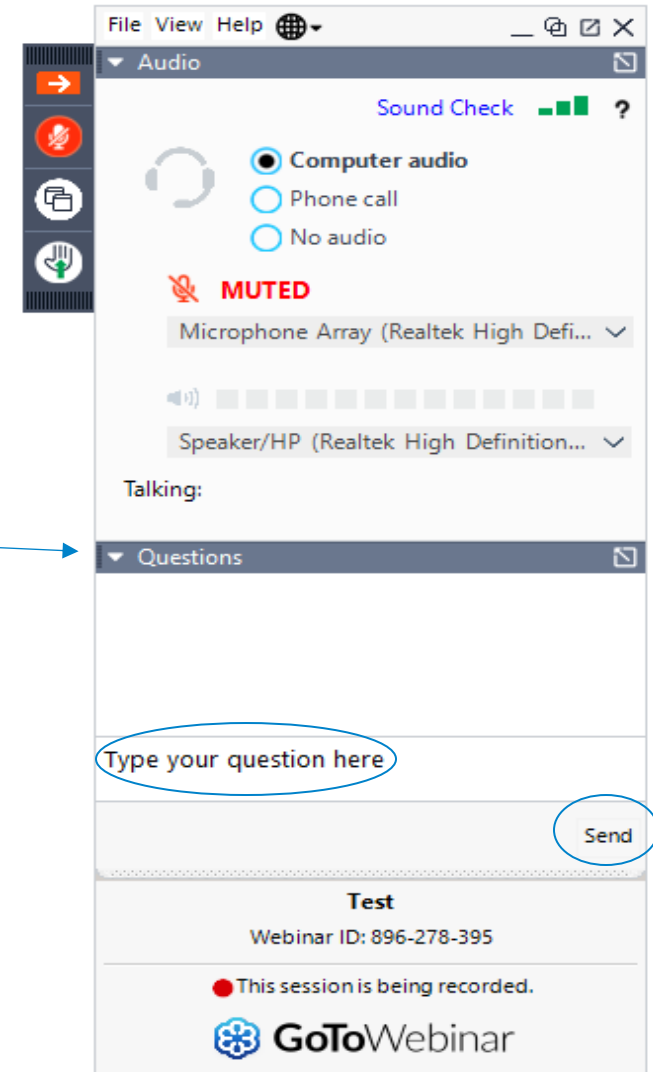


How to ask a question



Click on the arrow in the orange box

Click the white arrow to open the questions box



Programme for today:

- 10:30 - Chairman's welcome
- 10:35 - AHDB Market Outlook
- 11:00 - Filling the funding gap
- 11:20 - Understanding carbon markets
- 11:35 - Q&A
- 12:00 - Webinar end

25 April 2023

AHDB Market Outlook

Megan Hesketh, Anthony Speight, Millie Askew



Grain market outlook

Megan Hesketh - Senior Analyst (Cereals & Oilseeds)



New-crop global supply – big, but with watchpoints



EU (wheat, barley, maize)

Canada (wheat, barley)

US (wheat, maize)

Argentina (wheat)



Russia (wheat – though still big)

Ukraine (wheat, barley, maize)

Australia? (El Niño)

Bullish

Bearish

Demand rebound?

War in Ukraine

Global wheat production large

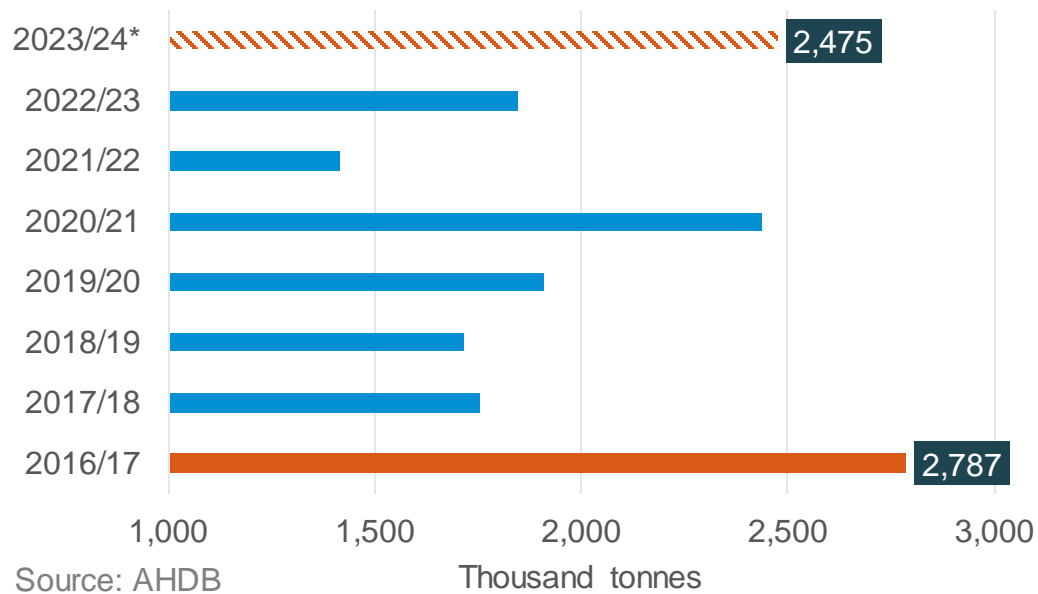
Global wheat opening stocks up

Global maize production to rebound

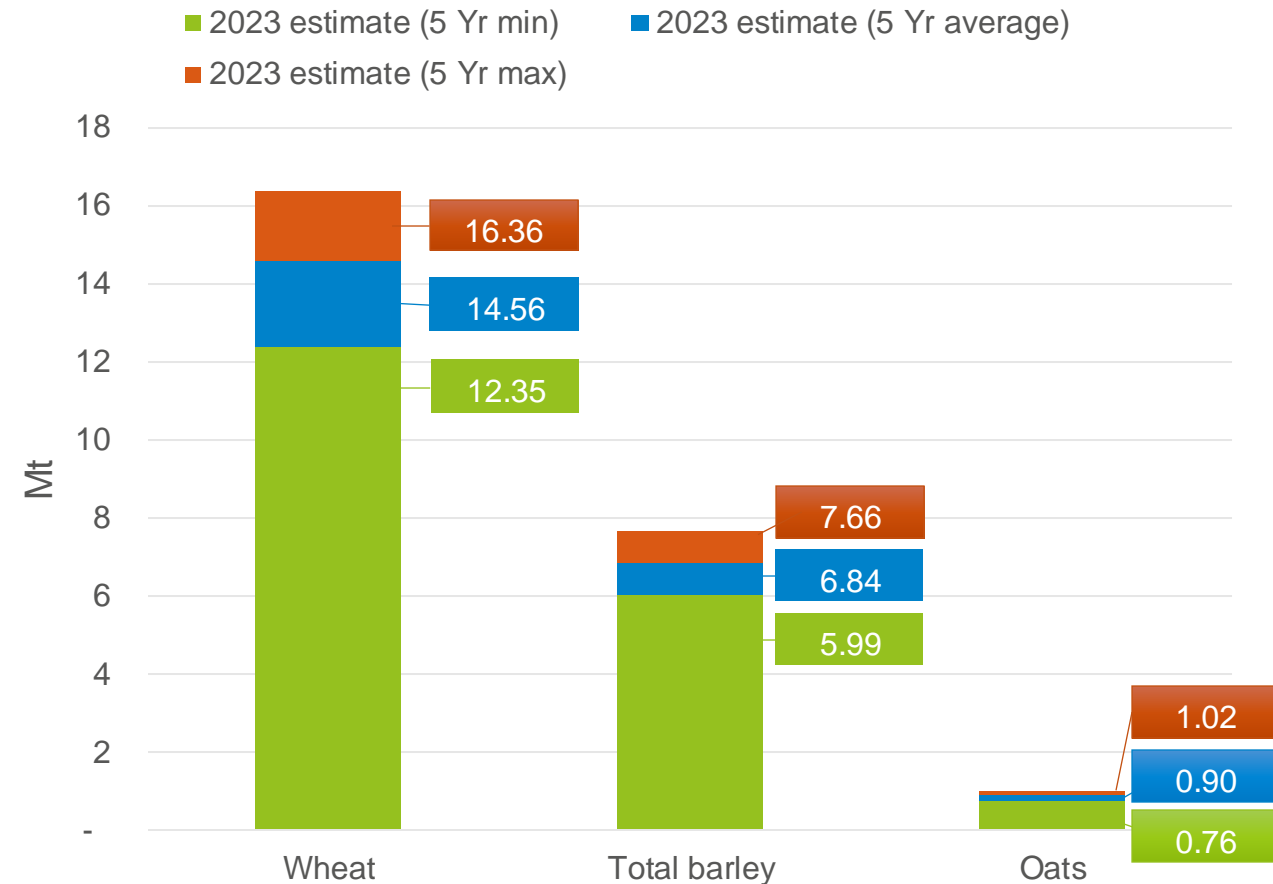


Large domestic wheat balance to continue

Domestic wheat opening stocks for new season largest since 2016/17



Harvest 2023 production scenarios



Slow selling - when is wheat going to be sold?

Will old crop depress harvest price?

What can we expect from demand next season?

Oilseed market outlook

Anthony Speight - Senior Analyst (Cereals & Oilseeds)



Oilseed markets are relatively well supplied

Canadian canola area – 8.8Mha 2023/24, up near 2%.

US – soyabean area – 34.1Mha, slight increase on last year.

South America – Record Brazilian crop, over 150Mt

Australia – El Niño watchpoint – 2023/24 canola crop at 5.4Mt, down from a record 8.3Mt this year.



Ukraine are going to see annual increases to all major oilseeds – rapeseed production 3.7Mt, with 3.5Mt exported.

EU oilseed production (rape, soya, sun) is set to increase by 7% on the year in 2023 to 33.5Mt

Bullish

Bearish

Bio-fuel demand in US/Brazil

War in Ukraine

Large Brazilian crop

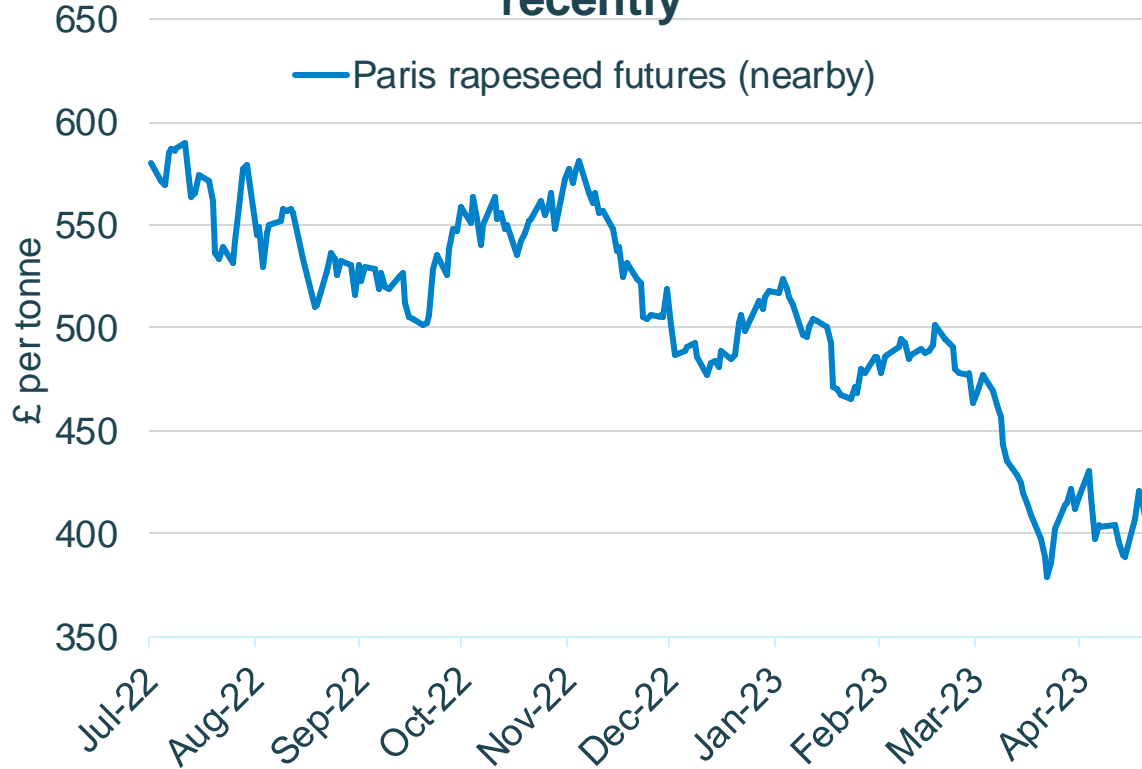
EU crops conditions are good

No major concerns for new crop, yet



Where now for rapeseed?

Rapeseed prices have been pressured recently



Source: Refinitiv - Euronext

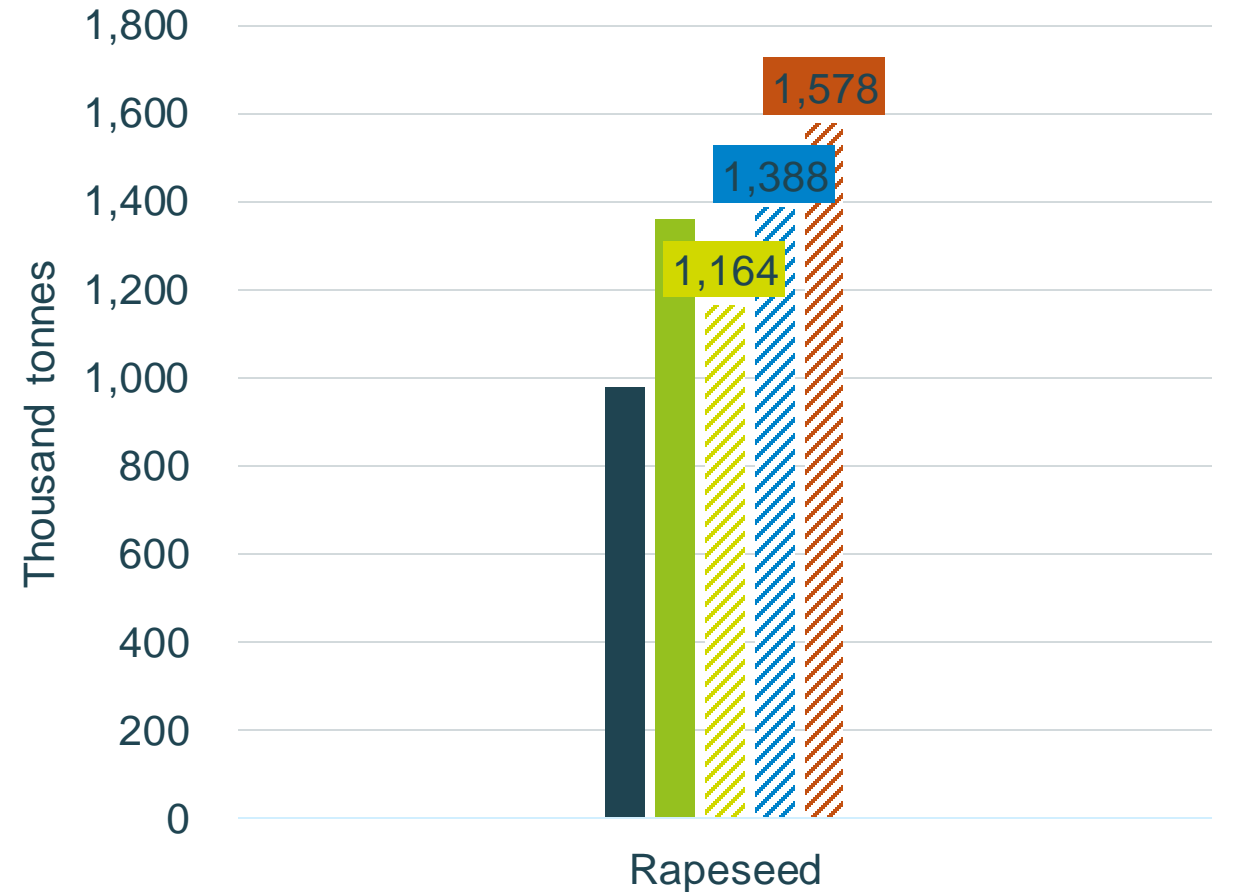
UK crop conditions

Large EU supplies

New crop plantings

Harvest 2023 production scenario

- 2021
- 2022
- ▨ 2023 estimate (5 Yr min)
- ▨ 2023 estimate (5 Yr average)
- ▨ 2023 estimate (5 Yr max)



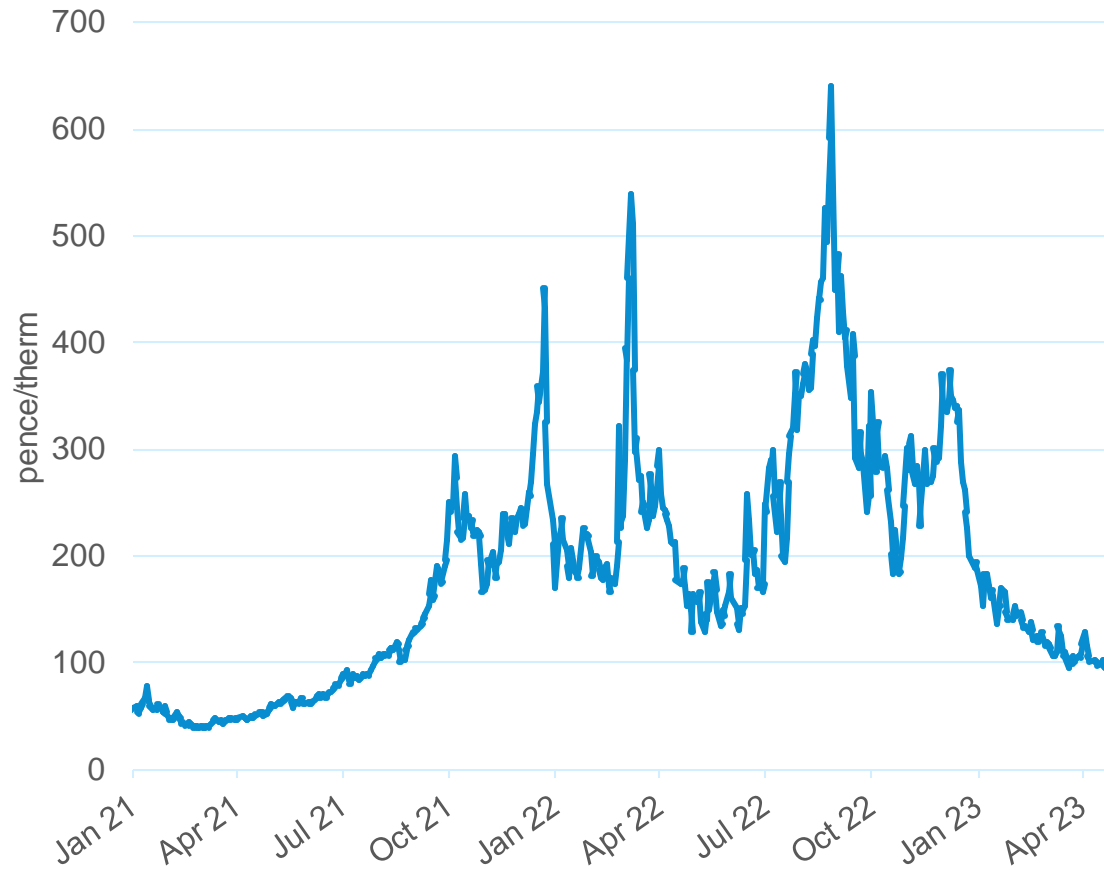
Input costs and margins

Millie Askew - Lead Analyst (Cereals & Oilseeds)



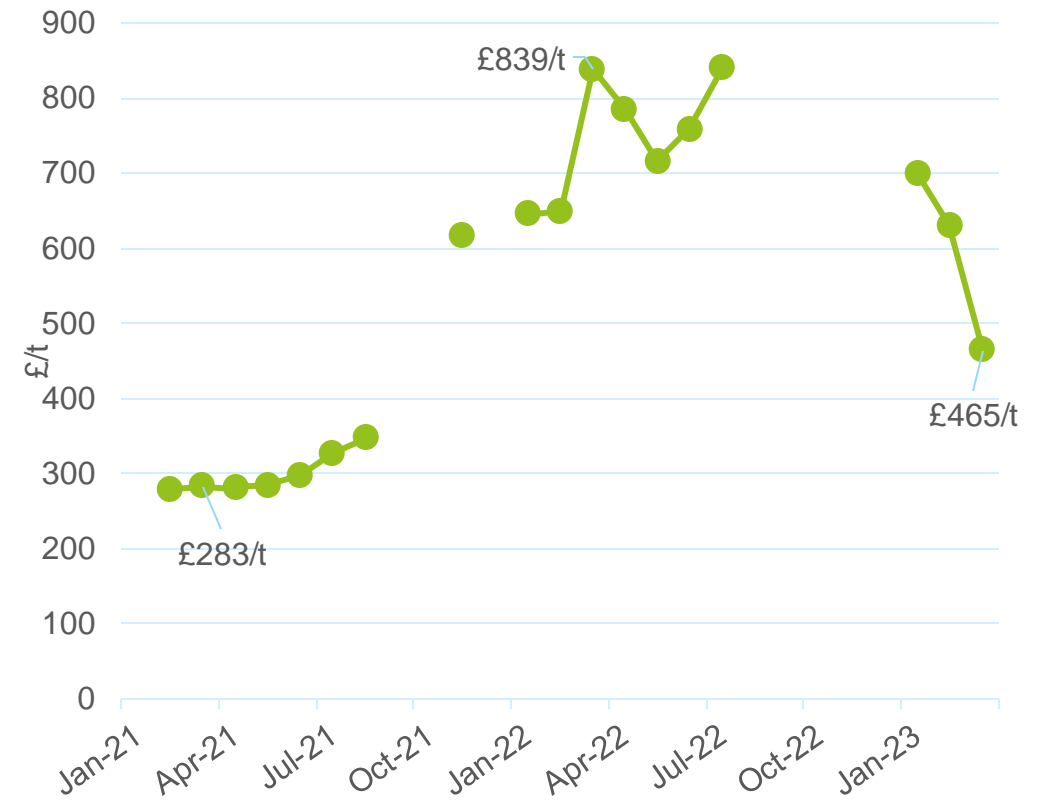
Natural gas prices continue to fall... but how low will it go?

UK nearby natural gas futures



Source: Refinitiv, ICE

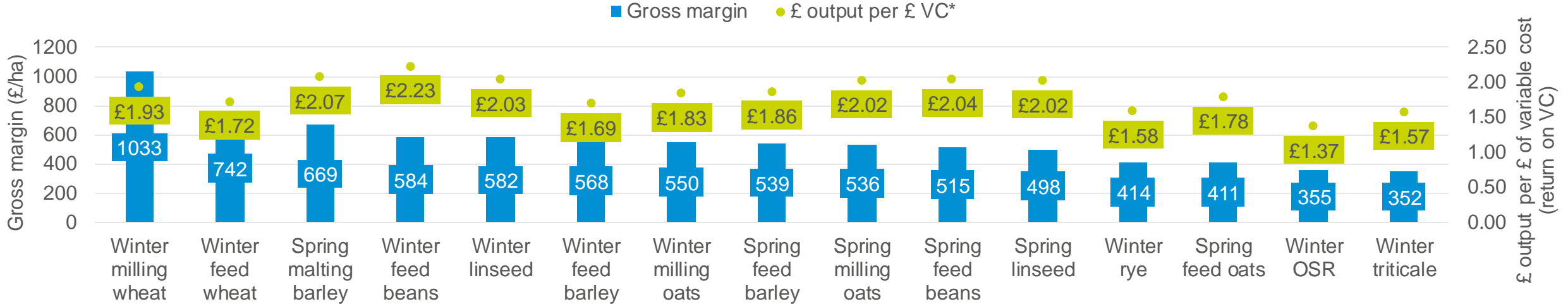
GB spot UK produced AN price (34.5% N)



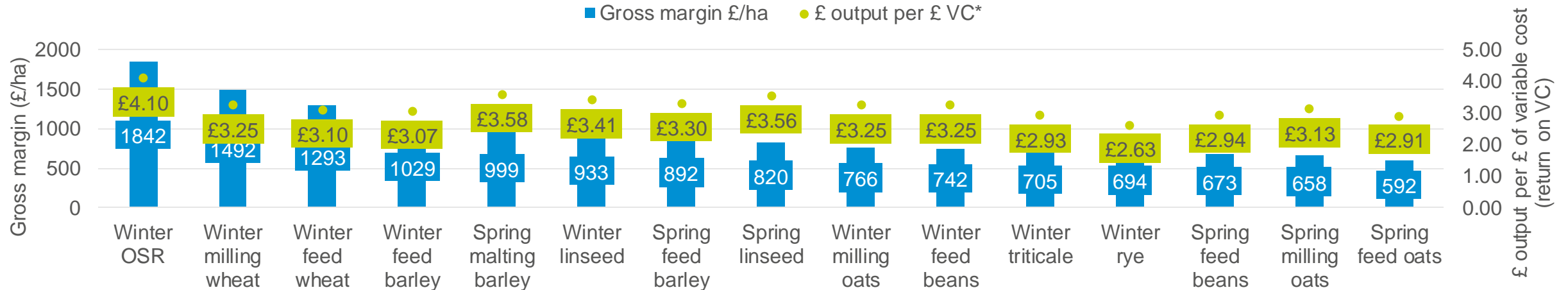
Source: AHDB

Squeezed margins for harvest 2023

Gross margins for harvest 2023



Gross margins for harvest 2022



It's never been more important to improve 'performance'

-  Minimising overheads
-  Set goals and budgets
-  Compare yourself with others and gather information
-  Understand the market
-  Focus on details
-  Mindset for change and innovation
-  Continually improve people management
-  Specialise

Thank you

Megan Hesketh - megan.hesketh@ahdb.org.uk

Anthony Speight - anthony.speight@ahdb.org.uk

Millie Askew - millie.askew@ahdb.org.uk



25 April 2023

Filling the funding gap: SFI & Countryside Stewardship

Dr Amandeep Kaur Purewal

Senior Analyst – Trade & Policy

ELMS



Sustainable Farming Incentive (SFI)

- Offers payments to farmers for carrying out “environmentally sustainable actions” on their own farms
- Pilot in progress plus SFI 22

Countryside Stewardship

- Targeted actions related to specific locations, features and habitats
- Countryside Stewardship Plus for carrying out local projects in collaboration with neighbours

Landscape Recovery

- Large land use projects such as restoring rivers and providing habitats
- First round of projects in progress

Not designed to replace Direct Payments

SFI standards

Current

Arable &
horticultural
soils

Improved
grassland
soils

Moorland

New for 2023

Hedgerows

Integrated
pest
management

Nutrient
management

Arable &
horticultural
land

Improved
grassland

Low input
grassland

SFI management payment: £20/ha/year for up to first 50 ha entered (£1,000 max per year)

From packages to pick n mix

Arable & horticultural soils

Introductory – £22/ha

- Test soil organic matter
- Soil assessment and management plan
- 70% green cover over winter
- Addition of organic matter

Intermediate – £40/ha

Same as introductory plus

- Green cover over winter must include 20% multi-species cover crop

Standard	Action	Payment rate
Hedgerows	Assess and record condition	£3 per 100m (one side)
Hedgerows	Manage hedgerows so different heights and widths	£10 per 100m (one side)
Integrated pest management	Complete assessment and plan	£989 per year
Integrated pest management	Establish/maintain flower rich margins, blocks, strips	£673/ha
Arable & horticultural land	Establish/maintain blocks or strips of winter bird food	£732/ha
Arable & horticultural land	Establish/maintain grassy field corners and blocks	£590/ha

SFI and Countryside Stewardship compatibility

Farmers can have SFI and CS agreements as long as:

- Actions are compatible
- Not being paid to do the same thing twice on same piece of land

Example

SFI – Establish and maintain blocks or strips of pollen and nectar flower mix	£614/ha
CS – AB1: Nectar flower mix	£614/ha

Common criteria include:

- Grass-free seed mix containing at least 6 flower species
- Single species must not exceed 50% of total seed mix by weight

Differences:

- Prohibited actions regarding grazing, fertiliser, manure, pesticide application
- Length of establishment

AHDB virtual farms

Arable farm (1325 ha), East of England

Arable farm (375 ha), South West

Arable farm (455 ha), East of England

Mixed farm (220 ha), Yorkshire & the Humber

Beef & sheep farm (150 ha), South West

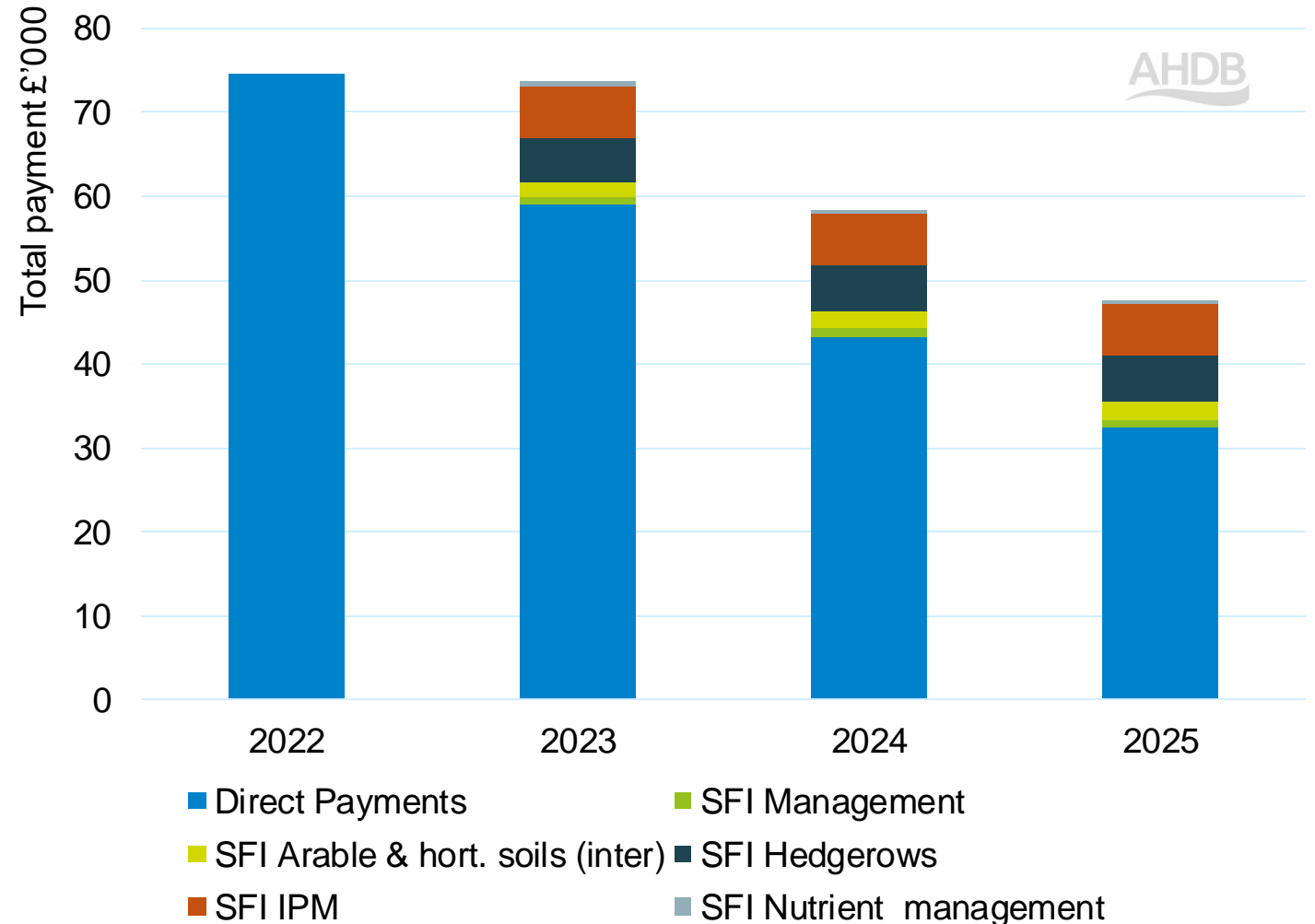
Beef & sheep farm (400 ha), North West

Dairy farm (105 ha), East Midlands

- Middle 50%
- Physical performance comparable to national/regional averages
- Costs tend to be higher than would be seen on top 25% performing farms

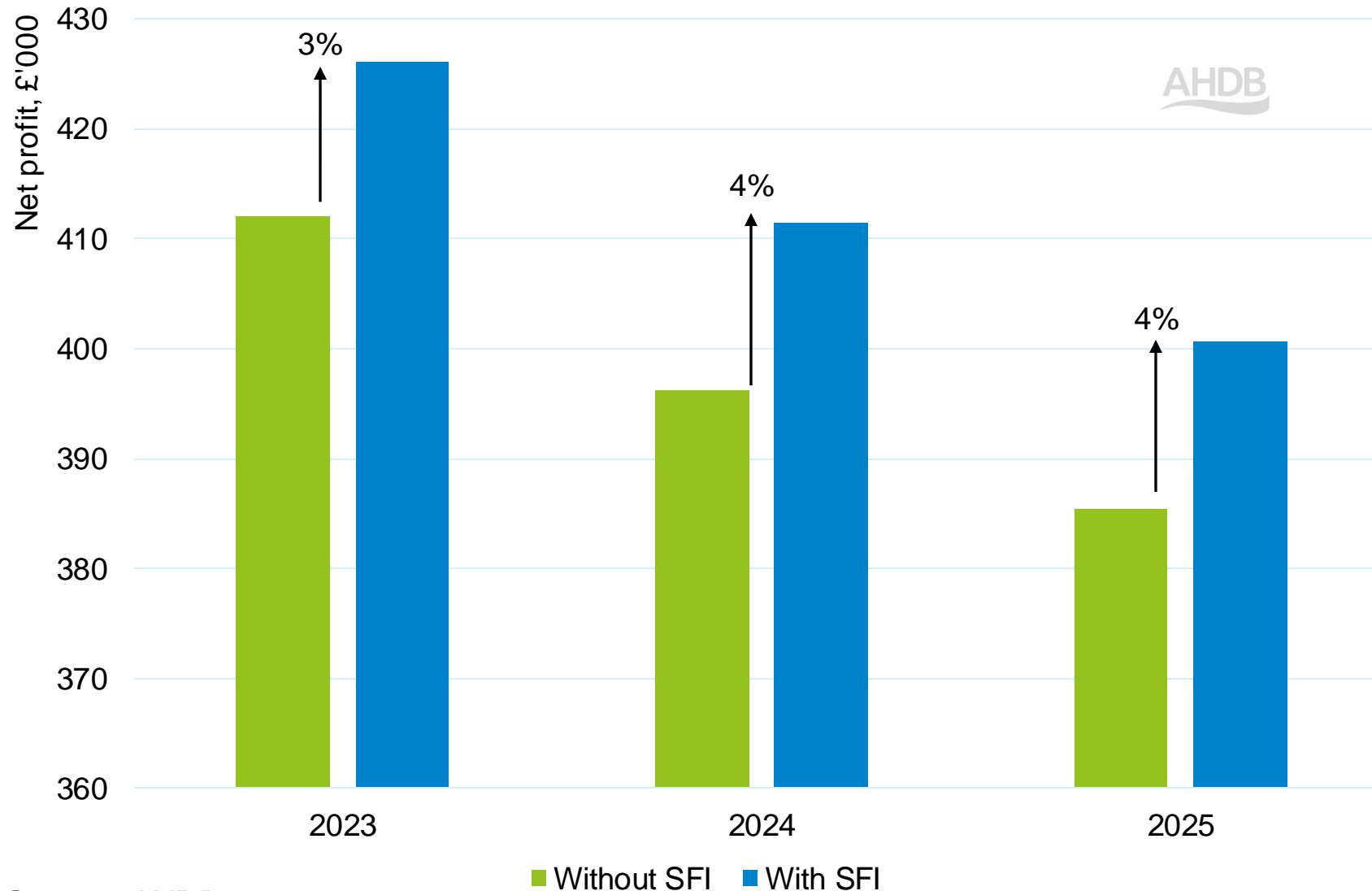
Arable farm (455 ha) – SFI option 1

- Actions which do NOT require any land to be taken out of production
- Taken into account payments and costs over length of SFI agreement (3 years)
- Different areas entered for different standards
- Total net payments are shown

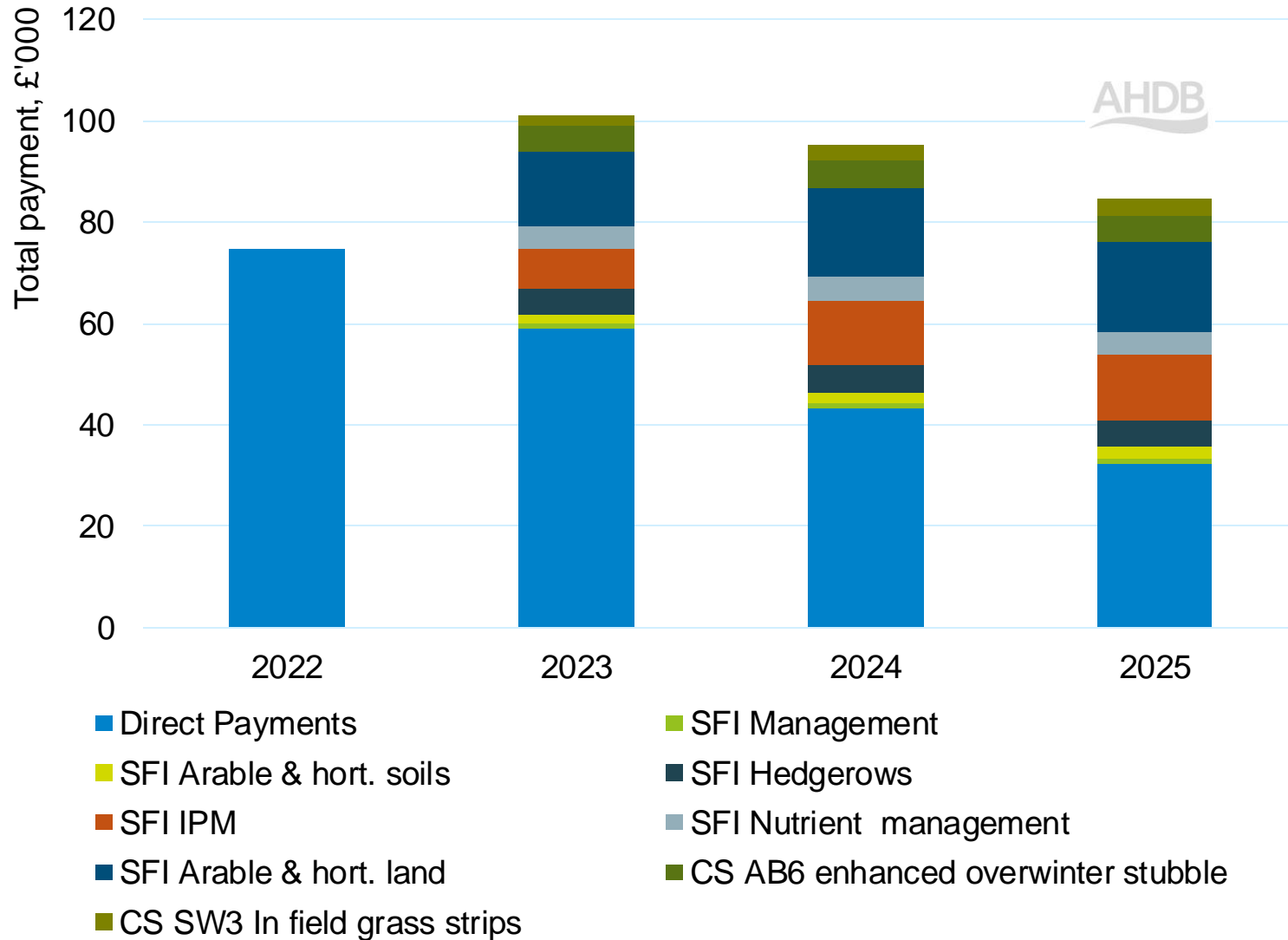


Net profit of farm with/without SFI option 1

455 ha arable farm



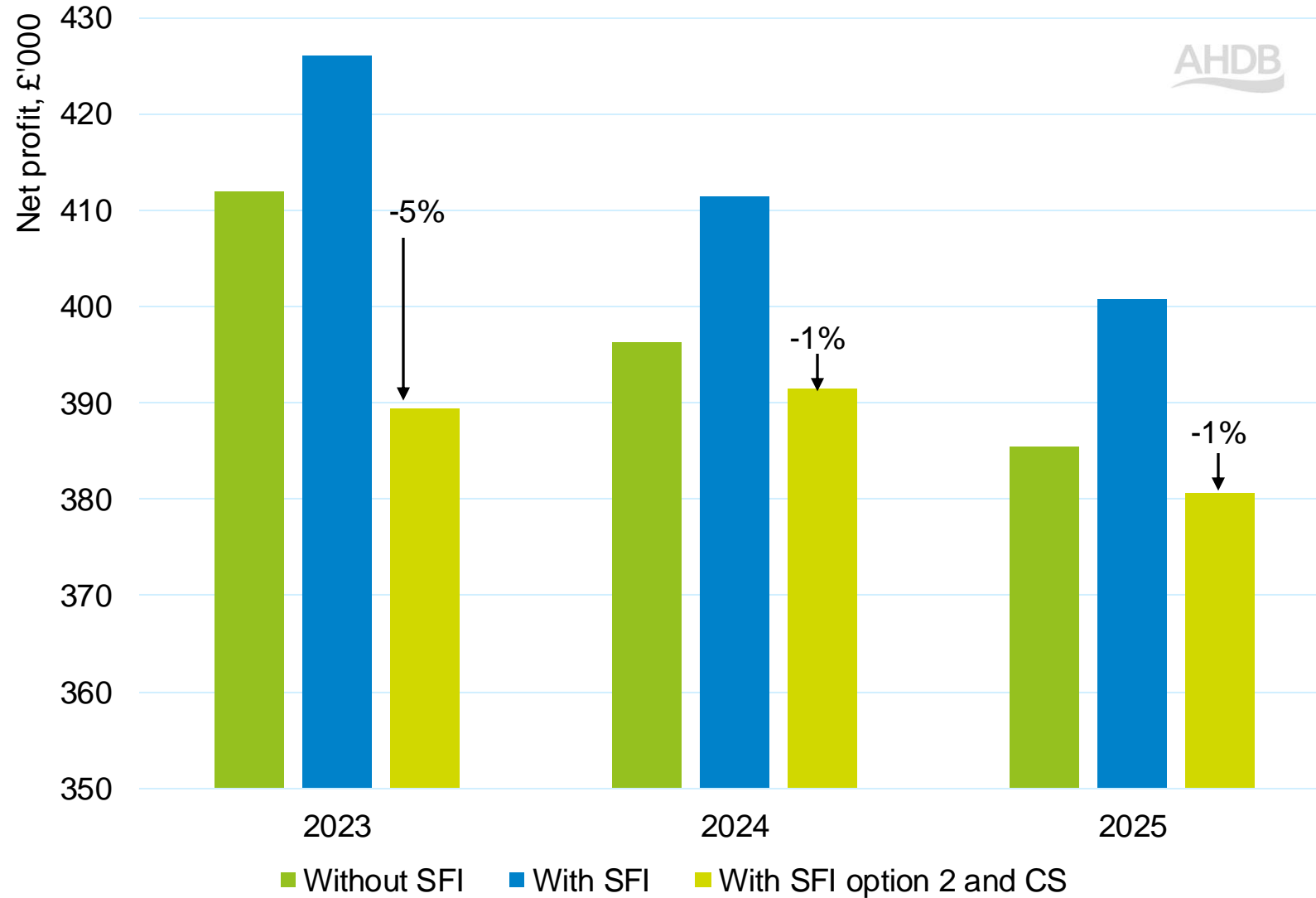
Arable farm (455 ha) – SFI option 2 and CS



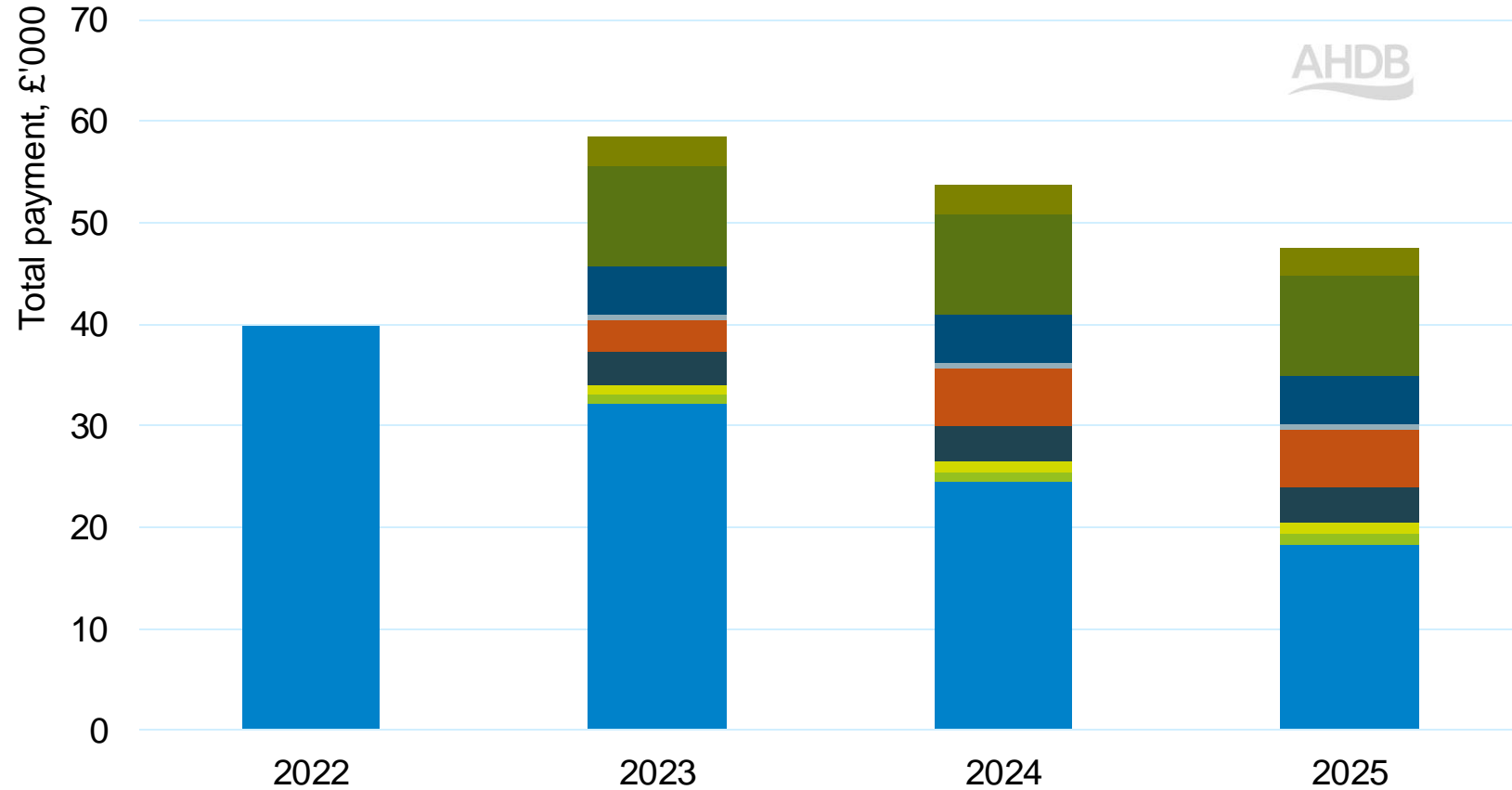
Includes actions which require taking land out of production

Net profit of farm with/without SFI option 1 and SFI option 2 & CS

455 ha arable farm



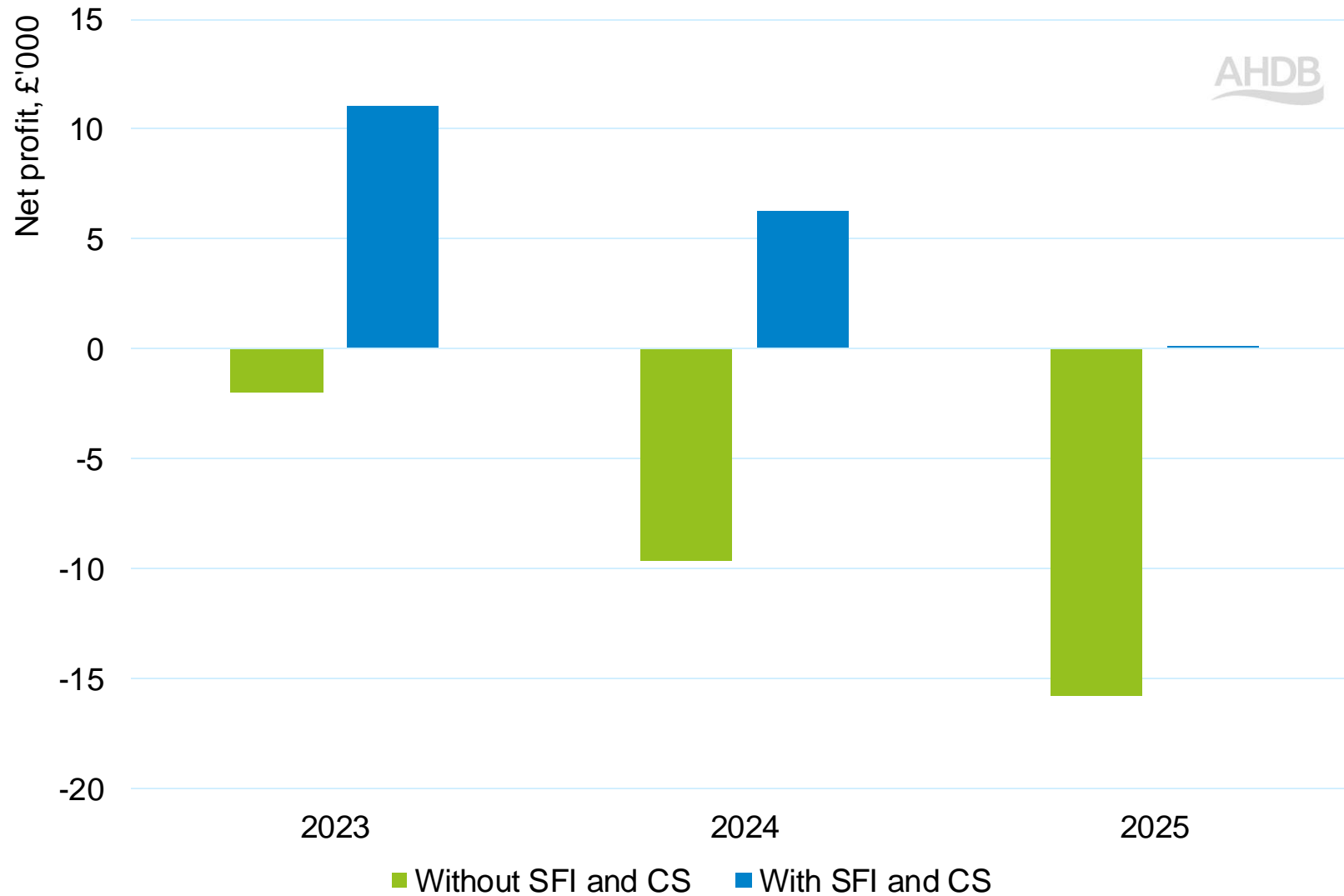
Mixed farm (220ha) – SFI and CS



- Direct Payments
- SFI Management
- SFI Improved grassland soils (inter.)
- SFI Hedgerows
- SFI IPM
- SFI Nutrient management
- SFI Improved grassland
- CS AB7 whole crop cereals

Net profit of farm with/without SFI and CS

220 ha mixed farm



Key points

- New schemes are not a direct substitute for Direct Payments
- Farmers will need to look at a variety of options:

Combination of SF/CS

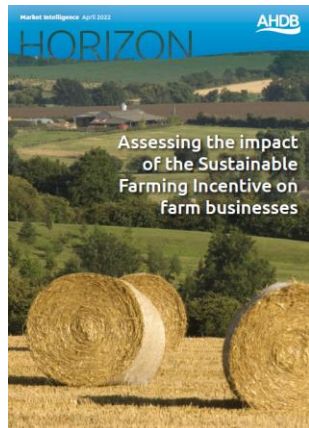
Productivity

Diversification

Carbon markets

Which work best for you/ your farm?

Farming Investment Fund



- There is no single solution
- Important to make a well-informed decision

A vibrant landscape of a green field at sunset. The sun is low on the horizon, casting a warm glow over the scene. The sky is filled with colorful clouds, and the field is lush and green. A path leads from the foreground towards the horizon. In the foreground, there are several thin, white, wavy lines that appear to be part of a design or graphic element.

**‘Inspiring our farmers, growers
and industry to succeed in a
rapidly changing world’**

25 April 2023

Understanding carbon markets

Sarah Baker - Head of Economic Analysis

Sarah.Baker@ahdb.org.uk

Agenda

- What are carbon markets?
- Why carbon markets matter to farmers?
- How carbon markets work?
- Understanding the Defra Nature Markets Framework
- Key messages

What are carbon markets?

- Trading systems in which carbon credits are sold and bought
- Carbon Credit = 1 tonne of CO₂ or CO₂E
- Voluntary
 - Allow carbon emitters to offset emissions by purchasing carbon credits from projects targeted at removing or reducing carbon from the atmosphere
- Regulatory
 - UK Emissions Trading Scheme
 - EU Emissions Trading Scheme

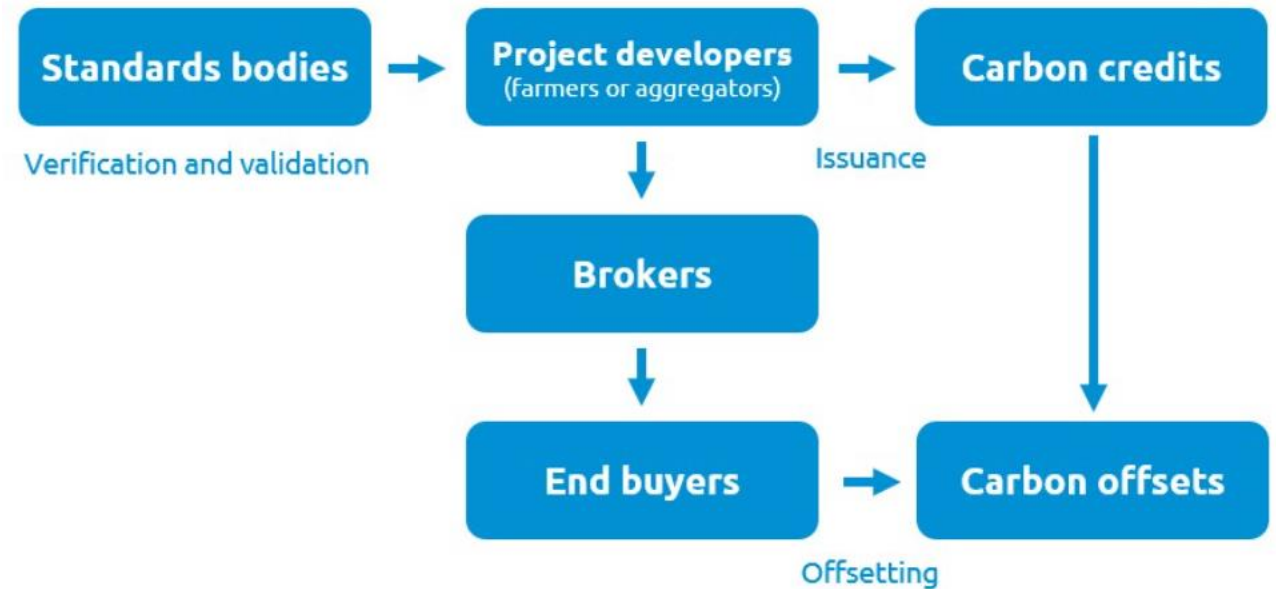
Why do carbon markets matter to farmers?

- Net zero emission targets
- Government goal to meet net zero by 2050
- NFU goals for agriculture in England and Wales to reach net zero by 2040
- Agricultural policy changes
- Additional income sources
- Improving soil health, crop quality and more efficient input use

How do voluntary carbon markets work?

- Carbon credits come from projects that remove or avoid emissions
- Independent certification bodies that verify the projects
- Prices vary from £7-30/carbon credit

Structure of the voluntary carbon market



Price disparity between voluntary and regulated schemes

- Compulsory schemes are regulated and verified by the government, which increases the quality of the credits and the confidence of buyers compared to voluntary schemes.
- Voluntary schemes have differing and, in some cases, less robust monitoring and verification methods.
- Defra have announced the Nature Markets Framework to address this issue

Understanding the Defra Nature Markets Framework

- This Nature Markets Framework is to scale up existing markets
- Defra are working with the British Standards Institution (BSI) to develop a range of nature investment standards which provide clear rules for how farmers can access payments from nature markets.
- Knowing what is on offer, and how to access these nature markets, both through government schemes and private markets, is an essential tool for farmers for business resilience.
- AHDB continue to support the industry through providing information surrounding developing markets, specifically carbon markets.

Understanding the Defra Nature Markets Framework

Market Rules:

Stacking/bundling	Additionality tests	Combining public /private finance
<ul style="list-style-type: none">• Stacking - different credits or units can be issued for different ecosystems on the same piece of land. For example, carbon and water quality units from same woodland.• Bundling - single credit sold, representing several environmental benefits. Can be explicit or implicit bundling.• Defra support the greater use of stacking and explicit bundling.	<ul style="list-style-type: none">• Legal additionality tests - a key part of operation of all ecosystem markets and set out in the scheme. Ecosystem services carried out should not be meeting an existing requirement.• Financial additionality test - generally required under international carbon market guidance before credits issued. Would the project have been viable without funding?	<ul style="list-style-type: none">• Combined with public grants, for example Environmental Land Management (ELM) scheme.• Important to ensure no double counting.• Defra confirmed SFI applicants can enter same area of land in SFI agreements and private sector scheme (e.g. natural flood management or carbon trading) subject to eligibility and additionality tests.• For info on Countryside Stewardship and Landscape Recovery, you can find in the report.

Core principles of nature markets



- No double counting means quantified credits/units of same ecosystem service cannot be sold twice or used as basis for two claims
- Additionality means credits need to be based on **new** environmental improvements, verified against an appropriate baseline.

What should farmers do now?

- Measure carbon footprint
 - Pick a tool and stick with the same one
- Ensure the likely requirements, present and future for their own businesses are understood and accounted for
- Explore a wide range of options and schemes available
- Take expert advice to determine what is right for your business



More information at <https://ahdb.org.uk/carbon-markets>



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Carbon markets

The latest information, guidance and analysis of developments in carbon markets to help you navigate through this rapidly evolving area.



Why carbon matters to...



How carbon markets work



How to get involved in...



Frequently asked...

Questions?



Thank you for attending.

Please do fill out the feedback form at the end of this webinar.

