



Understanding Beef & Lamb Farmer Business Intentions in Wales – *phase2*

In September 2022, HCC conducted the first phase of Farmer Intentions Survey to understand how farmers across Wales were responding to the challenges which arose from increased input costs. HCC conducted the survey for a second time in September 2023 to explore the impact of fluctuations in agricultural input costs.

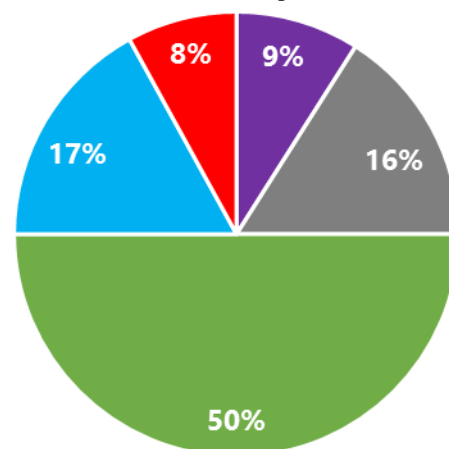
BACKGROUND

- The UK Agricultural Price Index (API) suggests overall **costs of agricultural inputs decreased by 1.5%** during the 12 months to August 2023.
- Despite recent declines however, both input and output costs remain considerably **higher than historical levels**.
- This suggests that beef and lamb producers continue to experience a challenging operating environment, which could have **significant impacts on profitability**.
- HCC received **266 eligible survey responses** during phase 2.
- The analysis looked at stocking rate intentions, reasonings behind business decisions, and use of agricultural inputs.

KEY FINDINGS - Lamb Producers

- ❖ Fewer producers intended to decrease their stocking rates when compared to Phase 1 of the survey – **50% had no plans to change stocking rates**, whilst just 25% intend to reduce (vs 43% in phase 1).
- ❖ Agricultural input costs are having a **lesser impact** on informing intentions to reduce stocking rates – with uncertainty surrounding **changes to farming support schemes** having a greater impact.
- ❖ Lamb producers intended to achieve reductions in stocking rates by **increasing culling rates**, and reducing replacements.
- ❖ Those intending to increase stocking rates cited **optimism in the market** as driving this change.

Lamb Producers' Stocking Rate Intentions (phase 2)

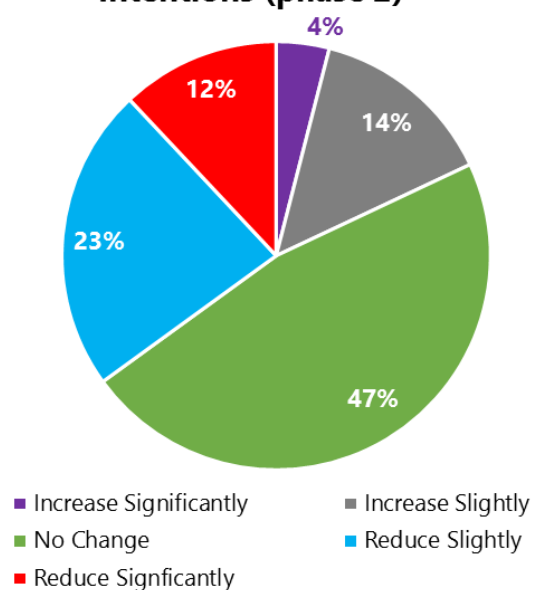


- Increase Significantly
- Increase Slightly
- No Change
- Reduce Slightly
- Reduce Significantly

KEY FINDINGS - Beef Producers

- ❖ 47% of producers suggested that they had **no plans to change** beef livestock numbers over the next 6-12 months.
- ❖ 35% intended to reduce numbers somewhat – a **modest reduction** compared to the 47% during Phase 1.
- ❖ Increased agricultural input costs were a **significant factor** behind the intention to reduce numbers for 71% of respondents – along with uncertainty surrounding changes to farming support schemes.
- ❖ Beef producers were more likely to reduce stock numbers compared to Lamb producers.
- ❖ A **total of 18%** of producers cited that they intended to increase stocking rates, compared to 13% during Phase 1.

Beef Producers' Stocking Rate Intentions (phase 2)



KEY FINDINGS – Agricultural Inputs

- ❖ Reductions in the use of feed, fodder and fertiliser are easing slightly compared to Phase 1.
- ❖ **Concentrates:** 46% intended to reduce usage over the next 12 months.
- ❖ **Fodder:** responses suggest a much more consistent use of fodder in the coming year.
- ❖ **Manufactured nitrogen fertiliser:** fewer respondents said they had reduced fertiliser usage over the preceding 12 months (perhaps as costs subsided), with 36% intending to reduce usage over the upcoming year.

OUTCOMES

- The majority of producers intend to apply **no changes** to their stocking rates during the next 6-12 months - an increased proportion when compared to Phase 1 of the survey.
- The potential impacts of intentions on overall stocking rates in the beef sector does suggest that the decline in the number of beef cattle in Wales would be **set to continue**.
- Results for the lamb sector however suggests sheep numbers would **recover somewhat**.
- As a result, we may experience **higher culling rates and lower retention rates** within the Welsh beef herd, but slightly **higher retention rates** within the Welsh flock.
- These actions would impact the supply of red meat onto the market (*both in the short term and in the longer term*).
- Only slight differences were identified between farm type, size and geography.
- Many cited uncertainties within the industry as their reasoning for down-sizing – suggests **greater clarity** is needed for farmers in Wales.

Limitations - There are limitations with regard to this analysis as the survey relied on self-reported information on past and future intentions. This analysis should be understood to give an indication, rather than a definitive account of the actions and intentions of beef and lamb producers in Wales.