

Monthly Farming Update

Chavereys

CHARTERED
ACCOUNTANTS



April 2011

I Policy issues

- 1 An all-party parliamentary group has been established to promote agroecology, defined as “applying ecological concepts and principles to the study, design and management of sustainable agroecosystems”.

II CAP (etc.) support details/payments

- 1 The UK Government has refused to sign a document from the Hungarian presidency of the EU which outlined the views of member states on the CAP reform process. Six other countries also refused to sign. The document called for a “strong common policy” with “financial resources which are commensurate with its objectives”. It stressed the need for direct income support to ensure a “fair standard of living for the agricultural community”.
- 2 A European Parliament draft report on the CAP after 2013, prepared by German MEP Albert Dess, suggests environmental improvements should be delivered through rural development. A new list of “priority environmental programmes” such as crop rotation, biodiversity measures and reducing soil erosion should be introduced under Pillar 2. Farmers would have to participate in at least 2 of these programmes in order to receive the Single Farm Payment in full.
- 3 A report published by the Scottish Parliament’s Rural Affairs and Environment Committee has warned that Scotland’s own food security is declining and that any reform of the CAP should encourage local production. It suggests a transition from a historical to an area-based system; incentives for new entrants into farming; more coherence between agricultural support and land use.
- 4 Defra has unveiled a £26 millions package to support the uplands in Cumbria. It includes hill farm improvement initiatives such as innovative capital investments, animal health and welfare programmes and schemes to improve the use of resources and nutrient, management; business improvement activities; improving efficiency in the processing and marketing of agricultural products; hill farming skills training.
- 5 Following removal on 16 November 2010, Defra has reinstated some of the higher-level stewardship funding for school visits.

III Grants/regulations/legislation/environment

- 1 MIN-NO, a 21-strong consortium, has been awarded £2 millions of Defra and Scottish Government LINK funds to address the scientific and practical challenges of minimising nitrous oxide emissions from UK arable cropping.
- 2 The Technology Strategy Board and the Biotechnology and Biological Sciences Research Council is to invest £4.5 millions in 11 research and development projects using genomics-based technologies.
- 3 Aberyswyth University’s Institute of Biological, Environmental and Rural Sciences has teamed up with research centres in Germany and Estonia to develop new ways of managing under-used grasslands. The project is aimed at making better use of grassland on protected sites and increasing biodiversity by providing a sustainable way of managing the land.
- 4 The Welsh Assembly has allocated £9 millions to the Processing and Marketing Grant Scheme and the Supply Chain Efficiency Scheme to assist agricultural, food and forestry businesses become more competitive.
- 5 Natural England and the Moorland Association have announced that 96.5 per cent of Sites of Special Scientific Interest are assessed as being in favourable or recovering condition compared to just 57 per cent in 2003.

- 6 Research carried out by the British Trust for Ornithology for the Horticultural Development Company entitled “The Influence of Vegetable Production on Farmland Bird Populations” has found that 15 of the 18 farmland bird species surveyed in horticultural cropping areas had higher populations than in areas of arable crops. It also found that elements of vegetable production, such as complex rotations and smaller-scale spring cropping, can provide more opportunities for birds to forage on invertebrates and weeds.
- 7 Natural England is making available grants of up to £10,000 to farmers in 50 priority catchment areas to help reduce diffuse pollution in agriculture.
- 8 A ban on the use of creosote is being considered under the European Biocidal Products Directive.
- 9 Boston-based Staples Vegetables has become the first anaerobic digestion project to be up and running supported by the Environmental Transformation Fund.

IV Other matters of farm finance and tenure

- 1 The British Chambers of Commerce has warned that the Agency Workers Directive will cost the horticultural industry £1.5 billions each year. The Directive is due to come into force in October and is designed to make employers give the same pay and conditions to all agency staff.
- 2 The Scottish Government has launched a three-month consultation on proposals to remove the barriers to farm lets and to improve tenant security.
- 3 The Welsh Assembly Government has announced an extra capital investment of £105 millions for 2011/12 including a £7.95 millions cash injection to develop online services for Welsh farmers.
- 4 The International Agri-Technology Centre is to close.
- 5 Defra has started a consultation process on how to dispose of the assets of the defunct Milk Marketing Board, valued at around £176,000.

V Product prices

A. Crops

- 1 It has been external factors that have driven the grains market this month; the Japanese earthquake/tsunami and growing military actions in the middle-east and north Africa in particular have sent investors running from commodities back to gold and the dollar, resulting in an inevitable drop in prices. The underlying market conditions have remained largely unchanged and it is for this reason that the latter part of the month saw strong recovery. The recent report from the International Grains Council has revised the 2010/11 harvest wheat yield marginally downwards to 1,726 million tonnes (still 4 per cent below 2009/10), whilst the initial estimates for the 2011/12 harvest wheat yield are an increase of more than 4 per cent to 1,802 million tonnes. The oilseed market, aside from the influences stated above, has also seen concerns over a record soyabean yield in Brazil turn to mild concern over crop quality as heavy rains are preventing harvest. With uprisings and conflicts afoot, as well as the continuing difficulties within the Euro-zone, currency exchange rates are moving with little pattern; on this basis alone the commodities markets are likely to stay volatile. LIFFE wheat futures weakened early on in March, reflecting the concerns listed above, but were showing signs of regaining some of the lost value by the end of the month: in late March, deliveries for November 2011 and 2012 and May 2013 stood at £162/tonne (down £5), £147/tonne (unchanged) and £153/tonne (up £1) respectively.

Average spot prices in late March (£/tonne ex-farm): feed wheat 190; milling wheat 212; feed barley 167; oilseed rape 379; feed peas 209; feed beans 227.

- 2 In the initial weeks of March the average potato price continued to improve, reaching £179/tonne, but less buoyancy was seen in the latter half of the month and the price dropped back marginally. By late March the average price was £178/tonne (up £5 on February's close), £68/tonne higher than the average a year earlier. Movement over the course of the month has been largely under contract, but both contract and free markets are starting to gather pace due to supermarket promotions and as more growers look to move crop. The free market average price followed the same line – strengthening early on, relaxing in the latter stages – but the weakening was more pronounced and by late March it was back to the at £190/tonne, an overall gain of £3; a year earlier prices were £107 lower at £83/tonne. Export levels have been much lower this month, while imports are starting to increase from around the Mediterranean and Egypt. Top quality crop remains the buyers' priority and more growers are being tempted to start loading out at these prices in light of the general global outlook.

By late March: King Edward prices had remained strong but were more variable at between £190 and £240/tonne, £250 for best samples. Desiree prices remained variable at between £160 and £230/tonne, still up to £240 for top quality. Other red varieties were selling at between £150 and £220/tonne. With more Estima available to the market, the price spread had increased to anywhere between £180 and 230/tonne; high baker content samples slightly lower at £250/tonne; the supply of Maris Piper was still not quite meeting demand, prices had therefore remained strong - between £220 and £260/tonne for grade 1 and up to £270 for top quality.

B. Livestock

- 1 Steer prices strengthened further over the course of the month. By late March the average finished steer price was up to 158p/kg lw, 7p/kg (4 per cent) above February's closing position of 151p/kg lw and 8p/kg above the price one year ago. The movement of the average heifer price was similar to that of steers but the premium dropped to 4p/kg early on, where it stayed, resulting in an average price of 162p/kg lw (6p above the price a year earlier). The average dairy cow price remains fluctuant; by late March the average price was £1,234, which stood 3 per cent up on the average last month, but 2 per cent below that a year earlier.
- 2 The finished lamb price has continued to improve, gaining 21p/kg over the course of the month. The average UK lamb price by the end of March was 209p/kg lw; 23p/kg above the price in late March 2010.
- 3 The average pig price continued to drop in the early part of the month, getting down to 134.5p/kg lw, before demonstrating the early signs of recovery. The average price by the end of March was marginally up (0.5p/kg) closing at 135.6p/kg lw. The current average stands 7p/kg (5 per cent) below that of March 2010.
- 4 The average UK farmgate milk price for January (reported in March) substantiated the reduction that farmers were initially reporting; recording a drop of 0.26ppl (one per cent) to give an average of 25.72ppl. However, this is still 4 per cent higher than the average price a year earlier. Milk quota prices have improved slightly since late February; the average price for clean 4% butterfat holdings approaching the end of March was 0.28ppl. Leased quota (also 4% butterfat) still stands at 0.09ppl.

VI Other crop news

- 1 Research at the University of Warwick School of Life Sciences has discovered that a little known protein has a major influence on the water intake of seeds. Further research could result in the creation of more water-efficient seeds.

- 2 A survey of 400 growers carried out by Independent Business Resource shows the market share of hybrid oilseed rape up by 5 per cent to 32 per cent of the area planted in the UK while the seed rate has fallen from 4.06 kg per hectare to 3.90 kg.
- 3 Reserchers at Aberyswyth University are developing a new variety of oats with a high beta glucan content as the chemical is considered to reduce the danger of heart disease.
- 4 Wessex Grain is to spend £2.5 millions increasing its storage capacity by 23,000 tonnes.
- 5 Defra has approved an increase in the levy paid by potato growers and buyers to the Agriculture & Horticulture Development Board. Growers levy will increase from £40.14 to £41.38 per hectare while buyers levy will increase from 17.51p to 18.04p per tonne.
- 6 Agrico UK is working with Glasgow Caledonian University on a Knowledge Transfer Partnership to introduce laboratory techniques to support the development of novel potato genotypes with specific nutritional properties.
- 7 Science & Advice for Scottish Agriculture is predicting a bad year for virus infection in seed potatoes following last season's high potyvirus levels and high vector pressure from rose grain aphids.
- 8 The Potato Council has announced that 13,000 schools have registered for its education project "Grow Your Own Potatoes".
- 9 Scotland's Organic Action Plan has been launched. The programme aims to identify and promote the advantages of organic farming including the environmental benefits of biodiversity.
- 10 The Soil Association has proposed new standards for growing organic crops in greenhouses and polytunnels including those affecting energy use, crop rotation and fertility.
- 11 Growers' comments are being sought by the Food & Environment Research Agency on a pest risk analysis produced by Holland's Plant Protection Service on the plum pox potyvirus. The analysis into the virus, which affects a wide range of Prunus plants, assesses the risk posed to the EU and considers whether or not measures to stop it spreading should be increased.
- 12 Plant breeder Rijk Zwaan has developed a new variety of cucumber which has a high resistance to cucumber green mottle mosaic virus.
- 13 Mid Kent Growers has introduced a Pomona custom-built database allowing members to enter all farm and orchard information into a web-based programme to aid the planning of top fruit cropping.
- 14 The 2011 Tree Fruit Review has been published by the Horticultural Development Company.
- 15 Lincolnshire-based Exotic Farm Produce is to be closed by its owner Bakkavor.

VII Other livestock news

- 1 The number of cattle slaughtered in Great Britain in 2010 because of bovine TB fell by 10 per cent to 32,737; the number of herds under bovine TB restriction fell by 5 per cent to 7,971 representing 9 per cent of all herds; new herd incidences increased to 4,703 mainly due to increased testing; in Wales the number of cattle slaughtered fell by 26 per cent and the number of herds under restriction fell by 16 per cent.
- 2 An amendment motion in the Welsh Assembly calling for an end to the Welsh Assembly Government's plans to cull badgers in West Wales has been heavily defeated.
- 3 Gloucestershire Wildlife Trust is to begin a programme of badger vaccination in its nature reserves.

- 4 The Scottish Association of Meat Wholesalers and NFU Scotland have proposed a separate meat inspection system for Scotland.
- 5 Defra has announced that Scotland and Wales will each receive £21 millions in 2011/12 to enable them to take control of their own animal health budgets.
- 6 Agriculture Ministers in England, Wales and Scotland have agreed to move to a single A4 sheet for cattle passports saving an estimated £1 million per year.
- 7 Defra has announced new rules regarding cattle born before August 1996 in an attempt to stop them entering the food chain. No cattle born or reared in the UK before August 1996 will be allowed to move from their holdings without an individual movement licence.
- 8 Elanco is to buy the animal health business of Janssen Pharmaceutica, based in Belgium
- 9 A “green cow” unit at SAC’s Edinburgh campus has been funded by the European Regional Development Fund and the Scottish Government to take accurate measurements of livestock inputs and outputs.
- 10 First Milk has increased producer prices on liquid and cheese milk contracts by 1.2ppl and 1ppl respectively but the increases include a 0.5ppl production volume bonus which will only be paid if the volume produced in the month is higher than the same month in the previous year.
- 11 The Co-operative Group is to establish a dedicated milk supply group of 350 Wiseman Milk Group producers and will also source all its own-brand “conventional” milk from Wiseman.
- 12 Dairy Crest’s non-aligned milk produces will receive a price increase of 1.1ppl with effect from April.
- 13 Farmers for Action has withdrawn from an agreement to work with the NFU on milk prices as a result of the NFU apparently “condemning” plans for a second UK milk drying plant in the north of England.
- 14 The volume of goat milk used in goat dairy products increased by 13.5 per cent in 2010.

VIII Inputs/Supply businesses

- 1 The UK arm of US Koch Industries is making available Koch Advanced Nitrogen to farmers this spring. It is a treated urea product which claims to reduce volatilisation and put the cheaper nitrogen source on a par with ammonium nitrate in terms of N availability.
- 2 BASF has introduced fungicides Resplend and Decabane containing ametoctradin designed to control blight in potatoes.
- 3 Samples taken by GrowHow indicate the total amount of nitrogen crops can expect to get from the soil in 2011 is similar to 2010.
- 4 Fungicide Invader, produced by BASF, has been granted approval for the control of downy mildew on outdoor lettuce and leafy brassica crops grown for baby leaf production.
- 5 United Agri Products is to be bought by Origin Enterprises which owns Masstock Arable (UK).
- 6 Scala (MI5222) has been approved for the control of Botrytis cinerea on protected herbs and lettuce.
- 7 The European Commission has withdrawn a proposal to ban asulam, a chemical used to control bracken.
- 8 Switch has been approved for the control of Botrytis on protected tomatoes.

IX Marketing

- 1 A report by UBS has concluded that UK food prices are rising more rapidly than in most other developed countries and do not reflect the level of cost inflation experienced by retailers. UK food inflation is running at 4.9 per cent compared to a European average of 1.8 per cent and 1.5 per cent in the US. The bank estimates that UK processed food inflation should be about 3.5 per cent compared to the current 6 per cent.
- 2 Food and drink exports from the UK (excluding alcoholic drinks) totalled £10.83 billions in 2010, an increase of 11.4 per cent over 2009. Dairy exports were up 24.6 per cent to £977 millions, meat exports increased by 11.7 per cent to £1.46 billions and cereal and bakery exports rose by 8.1 per cent to £2.08 billions.
- 3 A Local Government Regulation investigation has found that more than 30 per cent of “local” food product claims are false. On visiting over 300 premises across England and Wales, of 558 products investigated, 18 per cent of the claims were false while 14 per cent could not be confirmed.
- 4 Kantar Worldpanel figures for the 12 weeks to 20 February show that retail market growth showed to 3.9 per cent from 4.2 per cent in the period to January although Sainsbury’s grew by 5.2 per cent and Morrisons by 4.5 per cent. Sainsbury’s market share grew by 0.2 per cent to 1.65 per cent.
- 5 Ladies in Beef has been formed to help promote and drive awareness of the quality and versatility of British beef to consumers using a network of dynamic lady beef “champions”.
- 6 The Fairtrade Foundation has announced that fair-trade sales increased by 40 per cent in 2010 to £1.17 billions.
- 7 Defra is to fund a feasibility study run by EMS Consulting on the business development manager programme at New Spitalfields Market.

X Miscellaneous

- 1 Research undertaken by Queen’s University, Belfast has shown that a “significant” number of food scares in the past 10 years are due to food fraud and corruption.
- 2 The Cabinet Office has approved the relocation of the Agriculture and Horticulture Development Board to a permanent base at Stoneleigh Park.
- 3 Hugh Lowe, chairman of Hugh Lowe Farms, one of the UK’s largest strawberry growers, has been awarded the triennial 80th Ridley Medal by the Worshipful Company of Fruiterers.

Postscripts

More wonderful church bulletins!

1. At the evening service tonight, the sermon topic will be 'What Is Hell?' Come early and listen to our choir practice.
2. Eight new choir robes are currently needed due to the addition of several new members and to the deterioration some older ones.
3. Scouts are saving aluminium cans, bottles and other items to be recycled. Proceeds will be used to cripple children.
4. Please place your donation in the envelope along with the deceased person you will want remembered.
5. The church will host an evening of fine dining, super entertainment and gracious hostility.
6. Potluck supper Sunday at 5.00 pm – prayer and medication to follow.
7. The ladies of the Church have cast off clothing of every kind. They may be seen in the basement on Friday afternoon.

Lent Term School Report 2011

Name: Osborne, Gideon
House: Coalition

Form: Conservative 1a
Tutor: Mr Hague

| Subject | Effort/ Attainment | Comment |
|-----------------|-----------------------|--|
| Income Tax | CC | Gideon is an intelligent young man but lacks focus. It would be nice to see a lot more detail on the merger of Income Tax and National Insurance. The Office of Tax Simplification has left taxpayers in a state of limbo when uncertainty is what he was apparently trying to avoid! He seems much more interested in the effect of corporate taxes on business than this tax. Miss Vinson |
| Capital Taxes | BC | Gideon is easily influenced and his head of house, Mr Cameron, has him focusing on something called 'The Big Society' for which he has made a special effort this term with the promise of a 4% Inheritance Tax deduction for those who give away 10% of their estate to charity. It will be very interesting to see how he copes with the Office of Tax Simplification's report and its suggestion to review Inheritance Tax and Trusts in totality. There is clearly a lot more to come here and we are slightly concerned how this could develop. Well done for increasing the CGT Entrepreneurs Relief threshold but it is still too complicated. Good effort. Miss Fisher, Mr Keates and Mr Piper |
| Corporation Tax | BB | This is a subject that Gideon seems to excel in, he has a love of business and corporate structures. No doubt this will be at the expense of his other subjects. Mr Morris |
| VAT | CC | Satisfactory Miss Blight |
| SDLT | CC | Satisfactory but he tinkers far too much. Focus and keep it simple please Gideon. Mr Mullens |
| Regulation | DC | Gideon has a long way to go on this subject and he may do well to ignore his senior prefect, Mr Cable, whose ideas lack substance and who enjoys shooting from the hip! Mr Mullens |
| Rural Studies | DD | Gideon appears to be disinterested in this subject. I was particularly disappointed when, at the debating society, he said "yes we want the City of London to remain the world's leading centre for financial services, but we should resolve that the rest of the country becomes a world leader in advanced manufacturing, life sciences, creative industries, business services, green energy and so much more". What about food and farming Gideon, perhaps as he matures he will realise the importance of the rural sector? Mr Wilkinson |

We welcome feedback on the MFU.
Does this issue raise any questions in your mind?

Would you like more information on a particular item?

Please ring one of our agricultural specialists:

Martyn Crawley

Richard Davis

Nick Holmes

Henry Mullens

Southern England

Mall House

The Mall

Faversham

Kent

ME13 8JL

Tel: 01795 594495

Fax: 01795 594499

East Anglia

1 Penn Farm Studios

Harston Road

Haslingfield

Cambridge

CB23 1JZ

Tel: 01223 874693

Fax: 01223 874451

E-mail:

mfu@chavereys.co.uk

www.chavereys.co.uk

If you would like to add a friend or colleague's name to the mailing list please contact Lindsay Gleed

The MFU was edited from 1991 to 2006 by John Nix, Emeritus Professor of Farm Business Management

Year Head's comments.

This is an average report. Gideon is clearly trying to improve his academic performance but he is making promises to his teachers and not delivering. Gideon really needs to focus his efforts on one thing at a time. As things stand, he and his fellow classmates are creating too much uncertainty in the school. They are a huge improvement on the last class but they need to provide clear messages on what is in the tax and regulatory pipeline. Change and simplification is good but by rushing they are in danger of damaging the school's reputation.

Mr Holmes

Notes

You are all invited to email or speak to any of our teachers and attached are some more detailed notes on Gideon's performance.

School will be closed over the Easter period.

This report is intended as a general guide and although Chavereys have made every effort to ensure accuracy they cannot accept liability for any errors of fact or opinion

© Chavereys