

# Monthly Farming Update

Chavereys

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ACCOUNTANTS



February 2011

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### **I Policy issues**

- 1 A team of over 300 scientists from around the world, headed by the Government's chief scientific adviser Professor Sir John Beddington, has published "Global Food and Farming Futures". The report claims that the overall decline in food prices over the past 50 years was reversing and that the spike of 2007/08 would be seen as only "moderate" compared to predicted increases. It proposes that food production must increase by 40 per cent in the next 20 years.

### **II CAP (etc.) support details/payments**

- 1 The Rural Payments Agency has announced changes to the system when transferring Single Farm Payment Entitlements. The deadline for transferring 2011 Entitlements is 3 April.
- 2 Defra has commissioned the Countryside and Community Research Institute to evaluate farmers' attitudes to the Uplands Entry Level Stewardship scheme.

### **III Grants/regulations/legislation/environment**

- 1 An NFU survey of 150 dairy farmers has found that 26 per cent do not know their NVZ status while 55 per cent do not meet the requirement of having at least five months slurry storage capacity. Of those farmers with inadequate storage, over one-third are not planning to invest while a further 39 per cent are planning to invest less than £25,000. The new rules come into effect at the end of this year.
- 2 A Defra report "Wild Bird Populations in England" has revealed that farmland bird numbers are at their lowest ever levels. Skylark numbers have fallen by 50 per cent while numbers of corn bunting, tree sparrow and starling have fallen by 70 per cent.
- 3 The United Kingdom Irrigation Association has called upon growers who irrigate to participate in an Environment Agency survey to investigate the extent and impact of unmet demand for water abstraction.
- 4 The Sustainable Crop Production Research for International Development Initiative has created a fund totalling £20 millions and invited research teams to show an ability to increase the disease resistance and drought tolerance of staple crops in sub-Saharan Africa and South Asia.
- 5 A report by the Worldwatch institute has advocated the application of ecological principles to agricultural production. It claims that 1.6 billion tons of carbon dioxide could be sequestered annually if 434 million acres of arable land in the US was transferred to organic production.
- 6 A total of £89,000 from the Rural Development Programme has been awarded to 8 farms in Yorkshire to help them use less fuel and run more efficiently.

### **IV Other matters of farm finance and tenure**

- 1 Flintshire County Council is planning to sell its smallholding estate, valued at £14.5 millions, while Gloucestershire County Council is considering the disposal of a third of its farms.

## V Product prices

### A. Crops

1. Since the New Year, the cereals market has remained more than just buoyant. Price levels were improved further by the middle of the month, due to concerns over low US soyabean stocks and poor rainfall during a critical point in the Argentine soyabean growing season. By the end of January, however, rain had finally fallen on Argentina and concerns were being voiced that the Chinese were demonstrating signs of a slowing economy – prices therefore dropped back marginally; despite this, the Chinese are still importing large volumes of Australian wheat, which in turn is pushing prices up. By the end of November the UK had exported 20% more wheat than was predicted by DEFRA for the entire season, suggesting tighter supplies for the remainder of the season; also lifting prices. Foreign exchange continued to play a material part in crop pricing with Sterling strengthening against the Euro by 5%, then sinking back again before the end of the month. LIFFE wheat futures have held their strength, with 2011 crop improving slightly: In late January deliveries for May 2011 and November 2011 and 2012 stood at £205/tonne (static), £174/tonne (up £4) and £147/tonne (static) respectively.

Average spot prices in late January (£/tonne ex-farm): feed wheat 195; milling wheat 216; feed barley 175; oilseed rape 400; feed peas 223; feed beans 228.

2. The movements in the average price of potatoes have been relatively small. Following the Christmas close-down, the market picked up where it left off at £164/tonne, dropped to £159 part way through the month and then bounced back. The average potato price in late January was £1 higher at £165/tonne (£54/tonne above the January 2010 average). Meanwhile, the free market price movements have been more marked; improving to £185/tonne early on in the month, the price weakened mid-month but then closed showing signs of recovery. By late January the free market average stood at £178/tonne (£86/tonne higher than January 2010). Export demand remains a dominant driver in the present marketplace as samples of all qualities are being moved abroad. As expected at this point in the season, much of the better quality crop remains in cold storage, awaiting the late season premiums; whilst poorer crop with less storage potential is being moved earlier.

By late January: King Edward prices were stronger; sitting between £190 and £230/tonne, with a few reaching £240. Desiree prices were fractionally up, sitting between £190 and £220/tonne; £240 for top quality. Other red varieties were selling for anywhere between £160 and £220/tonne. Estima prices too were stronger, sitting between £190 and 230/tonne for grade one; highest baker content samples obtaining £250/tonne; Maris Piper prices were showing signs of strength in light of the limited supply; prices were between £220 and £260/tonne; £270 for highest quality.

### B. Livestock

1. The average finished steer price dropped throughout the month; thought to be attributable to the soaring feed costs coaxing farmers into selling sooner. By late January the average price was down by 10p (6 per cent) from the previous month at 149p/kg lw, on a par with the price a year earlier. The average heifer price continued to trace that of steers. In late January the premium over steers was still 5p/kg, giving an average price of 154p/kg lw (also in line with the January 2010 price). The average dairy cow price remained volatile; dropping as low as £1,077 per head, but closing the month at £1,264 per head within 1 per cent of prices a year earlier.

- 2 Average lamb prices improved in the early part of the month, reaching 179p/kg lw but in the latter part of the month all the improvement was lost. The average UK lamb price by the end of January was back where it started the month, at 173p/kg lw. By comparison, this is 18p (10 per cent) below the average price a year earlier.
- 3 The average pig price demonstrated a sign of improvement by gaining a marginal 0.2p/kg to close at 136.7/kg lw. This is broadly in line with expectation as January has been the turning point in previous seasons. Prices at the end of January 2010 were 1.5 per cent higher.
- 4 The average UK farmgate milk price for November (reported in January) showed a marked improvement (the seventh month of increase in succession) to stand at an average of 26.16ppl (up 2 per cent). The average price in November 2009 was 5 per cent lower at 24.87ppl. Milk quota prices also strengthened over the course of the month. By late January clean 4% butterfat holdings were trading 11 per cent higher at 0.31ppl and leased quota (also 4% butterfat) was 50 per cent higher than in December, at 0.09ppl.

## **VI Other crop news**

- 1 A survey conducted by the National Farm Research Unit has revealed that almost one-third of arable farmers planted a new wheat variety this season, 23 per cent of oilseed rape growers had done the same but only 14 per cent of barley growers. Amongst wheat growers, Group 1 Gallant was most popular followed by Group 3 Scout and Group 4's Duxford, JB Diego, Oakley and Viscount.
- 2 A study conducted by the University of Exeter in association with the University of Zurich and Zurich's Agroscope Reckenholz-Tanikon Research Station has found the impact of disease-resistant genetically modified wheat plants on insects is no different to that of conventional wheat.
- 3 The new Scottish Agricultural College's Association of Potato Producers – England is to be launched this month providing English growers access to research and development at the College.
- 4 The potato industry's Chlorpropham Stewardship Group has won the best stewardship programme category in the 2010 Agrow Awards. The Group responds to regulatory concerns about residues of the potato sprout suppressant in stored crops.
- 5 British Sugar has reported that the prolonged cold spell followed by mild weather has had a devastating effect on the sugar beet crop. Processing of some beet has been rendered impossible particularly in the Newark area. Some growers have lost more than half their crop.
- 6 Of the total area planted, 75 per cent of Brazil's soybean harvest in 2011 will be genetically modified as with 50 per cent of the maize crop and 25 per cent of the cotton crop.
- 7 Swaythorpe Growers, a co-operative with 40 members, has launched a new brand "Yorkshire Peas".
- 8 English Apples & Pears has reported that supermarkets have sold 3.2 per cent more English top fruit this season than in the same period last year. Tesco has 25.8 per cent of the market, Sainsbury's 25.4 per cent and Morrisons 19.6 per cent.
- 9 The price of apples for juicing has risen to £170 per tonne, 70 per cent higher than a year ago due to shortage of supply. As a result very little class II fruit is being supplied to wholesale markets.

- 10 The technical manager of Waitrose, Alan Wilson, has forecast that the share of Cox of the national apple market will fall from 7.4 per cent to 6.7 per cent by 2015 while Jazz will rise from 4 per cent to 7.3 per cent.
- 11 Sales of apples from France to the UK have fallen from 155,481 tonnes in 2004/05 to 138,253 in 2009/10. Sales by value have fallen from €130 millions to €107 millions. Its market share has remained steady at 20 per cent.
- 12 A team of researchers from 5 continents, including scientists from East Malling Research, has published the genome of the wild strawberry, *Fragaria vesca*, in the hope it will enable strawberry breeders to develop varieties with disease resistance and improved fruit quality.
- 13 BIOSS, a group of mathematicians and statisticians based at the Scottish Crop Research Institute, has discovered a genetic marker linked to a gene that is resistant to gall mites in blackcurrants.
- 14 Researchers from Oxford University have reported that consumers who eat at least eight 80g portions of fruit and vegetables each day have a 22 per cent lower chance of dying of the most common form of heart disease.
- 15 Researchers at the University of Nottingham have found that carotenoids, which are plentiful in fruit and vegetables, give skin a more healthy colour.
- 16 AV Produce Ltd and Albert Vinson Ltd, both leading fresh produce businesses based in Kent, have entered administration.

## **VII Other livestock news**

- 1 Proposals released by the Food Standards Agency show that a risk-based hygiene inspection regime is to be introduced from April which will reduce the number of dairy farm inspections by 90 per cent. Members of the Assured Dairy Farms scheme will be inspected only once in every 10 years while non-farm assured dairy holdings will be inspected once every 2 years.
- 2 Cheese pool producers for First Milk have received an increase of 1.25ppl this month while the balancing pool price will increase by 1ppl to 24.27ppl and the liquid pool price by 0.25ppl to 23.88ppl. Glanbia has increased the price of milk for cheese by 1ppl to 25.28ppl while Dairy Crest has also increased prices by 1ppl.
- 3 The Scottish Dairy Cattle Association has reported that 51 dairy farmers in Scotland ceased production in 2010 but the remaining 1,051 producers increased cow numbers by 2,340 to 161,906. The average herd size is now 154 cows.
- 4 The latest monthly auction conducted by United Dairy Farmers has generated a milk price of 29.16ppl, the highest for 3 years. The 44 million litres for February delivery showed an increase of 2.18ppl over the January average and more than 5ppl at the same sale in 2010. It was the sixth highest price achieved in the last 10 years.
- 5 Milk Link has bought soft cheese maker Cornish Country Larder.
- 6 Producers in the Tesco Sustainable Dairy Group are to benefit from an increase in the milk price of 0.32ppl taking the price to 28ppl. Those who receive the Promar supplement will see their price rise to 28.5ppl.
- 7 Producers on Milk Link's manufacturing schedules will benefit from a 1ppl increase this month taking the price to 26ppl while those on liquid contracts will receive an increase of 0.78ppl.
- 8 The Environment Agency has advised North Kesteven District Council that it considers plans for a "super dairy" submitted by Nocton Dairies presents an "unacceptable risk" of groundwater pollution.

- 9 Research by Newcastle University has suggested that organic milk is healthier than conventional milk by enabling consumers to reduce their intake of saturated fats by 30-50 per cent while retaining the benefit of fatty acids.
- 10 Delamere Dairy is increasing the price of goats milk by 2ppl to an average of 52ppl.
- 11 Eblex has reported that beef sales were up by 12.7 per cent over the Christmas period. Fresh meat volume sales were up by 13 per cent on the same period in 2009.
- 12 An EU Commission report on medium-term prospects for agricultural markets has forecast a sharp decline in the EU's share of the red meat sector due to the strengthening of the Euro and costly regulations. Meat exports are expected to decline by 23 per cent while imports will increase by 14 per cent.
- 13 The Scottish Government has published draft legislation which would make it a legal requirement for all farmers to test for BVD. Consultation will last until April 15.
- 14 Gelli Aur Agricultural College, home of the Wales Dairy Development Centre, is to set up a suckler herd and significantly increase its existing ewe flock as it increases its involvement in beef and sheep farming.
- 15 Pfizer Animal Genetics has developed a genetic test for contractural arachnodactyly or fawn calf syndrome.
- 16 The Royal Association of British Dairy Farmers is to host "New Smithfield" at The Dairy Event and Livestock Show in September in an attempt to attract more beef farmers.
- 17 A Yorkshire farmer has been granted a judicial review following a Defra notice to slaughter his champion British Blonde after tests on 20 other animals were found to be "unsatisfactory".
- 18 The European Commission is threatening to remove the UK's derogations on sheep electronic identification if a database for the system is not introduced.
- 19 Latest statistics show the Welsh sheep flock rose from 8,238,000 to 8,244,000 in 2010 while the number of breeding ewes rose by 3 per cent to 4.1 millions. The number of beef cattle increased by 2 per cent to 242,000 and the number of breeding pigs rose by 25 per cent to 4,000.
- 20 The British Pig Executive has reported that UK pig producers are now losing more than £21 per pig with combined losses of pig producers exceeding £27 millions in the last 3 months of 2010. The losses are due to increasing feed costs and competition from surplus European pigmeat partly caused by a fall in demand following the German dioxins-in-feed scare.
- 21 Researchers at the Roslin Institute, Edinburgh and Cambridge University have bred chickens which have been genetically modified to prevent them passing on avian flu.
- 22 The British Lion Egg Processors is forecasting a shortage of eggs in 2012. The EU Welfare of Laying Hens Directive will make it illegal to produce eggs from conventional battery cages from the end of this year and, while most UK producers have converted to enriched colony cages, one-third of EU producers are expected to miss the deadline.
- 23 An outbreak of H1N1 swine flu has occurred in turkeys on a farm in Cheshire. It is thought the virus could have been passed on by a farm worker.
- 24 Kersey Foods in Cornwall and Memory Lane Cakes in Cardiff imported 14 tonnes of pasteurised liquid whole egg from Germany some of which could have come from eggs contaminated with illegal levels of dioxins.

## **VIII Inputs/Supply businesses**

- 1 Trials carried out by Cambridge Arable Technologies have indicated that urea-based fertilizers can deliver late season grain protein levels in winter equal to those seen with ammonium nitrate applications.
- 2 BASF's herbicide Basagran SG has gained approval for use on outdoor crops of chives and salad onions.
- 3 Trials carried out by Kingshay have proved increased nitrogen content of slurry treated with Epizym Cattle.
- 4 Belchim Crop Protection's herbicide Gamit 36CS has been granted specific off-label approval for use on outdoor fennel.
- 5 The EU has approved the use of the feed enzyme Ronozyme NP in sow feed.
- 6 DiPel DF, a biological product containing insecticidal crystal proteins and spores from the micro-organism *Bacillus Thuringiensis* var *kurstaki*, has been granted for use on apricots, plums, walnuts, cobnuts and blueberries.
- 7 Koch Fertilizer of Kansas is negotiating to buy the UK fertilizer business of JH Bunn.

## **IX Marketing**

- 1 A survey carried out by the BBC Good Food Show has revealed that 80 per cent of shoppers had heard of the Red Tractor logo while over half recognised that it indicated the product exceeded the legal requirements of animal welfare and environment protection.
- 2 The Organic Trade Board has launched a 3-year £2 millions "Why I Love Organic" marketing campaign.
- 3 In the 12 weeks to 26 December Sainsbury's increased sales by 7 per cent and its market share by 0.3 per cent to 16.6 per cent. Tesco increased sales by 5 per cent but its market share remained at 30.9 per cent. Morrisons and Asda both saw market share fall by 0.1 per cent but Waitrose increased sales by 9.4 per cent and market share by 0.2 per cent.
- 4 Market research by IGD following a £1 million marketing campaign by Quality Meat Scotland has found that 78 per cent of consumers in Scotland are aware of the Scotch Lamb brand and 92 per cent are aware of Scotch Beef. Further, 40 per cent of Londoners are aware of the Scotch Beef brand making it the red meat brand with the strongest consumer awareness in the capital.
- 5 UK farm shops have branded together to form an eco-friendly customer loyalty scheme "Ice".
- 6 DG Fruit UK has bought Kent-based Simply Fruit.

## **X Miscellaneous**

- 1 UK registrations of over 50hp tractors in 2010 fell by 11.1 per cent compared to 2009. The average size of tractor was 141.7hp, a decline of 1.2hp on the previous year.
- 2 Goodyear has sold its European farm tyre business to Titan Tire Corporation.
- 3 Terry Jones, director of corporate affairs at the NFU, is to become the director of communications at the Food and Drink Federation.
- 4 Mike Warner is the new chairman of the Association of Independent Crop Consultants.

## Postscripts

### When you feel stupid read this

I would like to think that such gems could only be uttered by Americans, but .... if you ever feel a little bit stupid, just dig this up and read it again; you'll begin to think you're a genius.

1. (On September 17, 1994, Alabama's Heather Whitestone was selected as Miss America 1995).  
Question: If you could live forever, would you and why?  
Answer: "I would not live forever, because we should not live forever, because if we were supposed to live forever, then we would live forever, but we cannot live forever, which is why I would not live forever."  
Miss Alabama in the 1994 Miss USA contest.
2. "Whenever I watch TV and see those poor starving kids all over the world, I can't help but cry. I mean I'd love to be skinny like that, but not with all those flies and death and stuff."  
Mariah Carey.
3. "Smoking kills. If you're killed, you've lost a very important part of your life."  
Brooke Shields, during an interview to become spokesperson for federal anti-smoking campaign.
4. "I've never had major knee surgery on any other part of my body,"  
Winston Bennett, University of Kentucky basketball forward.
5. "Outside of the killings, Washington has one of the lowest crime rates in the country,"  
Mayor Marion Barry, Washington, DC.
6. "That lowdown scoundrel deserves to be kicked to death by a jackass, and I'm just the one to do it,"  
A congressional candidate in Texas.
7. "Half this game is ninety percent mental."  
Philadelphia Phillies manager, Danny Ozark.

# Monthly Farming Update

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:

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

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

## It's All Relative

The debate rages on after the recent GDP numbers about whether to cut or keep on spending. In my own view those who believe that debt is a catalyst to growth are barking mad unless that debt is being spent on the private sector or at least a sustainable sector.

The fact is in the UK it isn't.

This then all leads to the boring question of interest rates. Perhaps the GDP numbers are a reprieve and yes Mervyn King is correct when he says that the inflationary pressures are outside the bank's control (at the moment). This may be a blip... or is it?

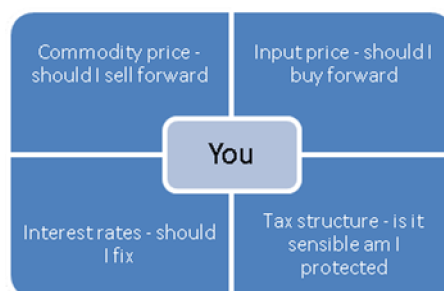
Who knows? The fact is I don't and you don't, it is impossible to know. For what it's worth I subscribe to 'The Bloomers Economic Theory' as invented by my good self, what goes up must come down at some point and vice versa. When you are feeling a bit off colour, as with the economy, then the downs and the ups tend to be a bit more volatile in occurrence. Before I get letters of complaint this is a metaphor and, to be crystal clear, accountants do not (generally) wear Bloomers. So interest rates and inflation will go up and stay up in my view after being historically low for sometime.

This is all well and good but what should I or you be doing about it.

We get bombarded with news on the economy and recession everyday, 24/7 etc, which, though interesting, tends to more often than not be of a depressing nature. The fact is you can do sod all about it. We can't impact the macro economy in any major way, we are globalised and with 7 billion people in the world what can we do?

What we can do is start on a micro level. Look at the external drivers that affect your business and start trying to tackle them and cover your risk one by one.

You can't solve The World's or The UK's economic issues before you solve your own so stop worrying about them until you have. This is called the 'Holmes Theory of Relativity'. Those things that are most relative to you economically are those you need to worry about and deal with first. I should say that this doesn't mean you should stop giving; this is an economic theory not a charitable theory. A simple example using the 'Holmes Matrix':-



So, go ahead prepare your own. Then when the news is getting you down you can sit back pour a glass of something strong, look at your matrix and think I'm OK or, if you have chosen not to act on your matrix, I'm not OK!

Everything is relative, sort out 'You' then you are in a position to worry about 'Them' and not before.

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

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