

Chavereys

CHARTERED
ACCOUNTANTS

Monthly Farming Update

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January 2010

I Policy issues

- 1 The French Agriculture Minister, Bruno Le Maire, has indicated his resolve to form a strong coalition of nations to protect farm subsidies beyond 2013 by inviting 21 EU member states to a high-level meeting. Britain has not been invited, nor have Sweden, Denmark, the Netherlands or Malta, the so-called “CAP reformist” nations.
- 2 A Government-backed report by the Sustainable Development Commission, “Setting the Table”, has concluded that reducing meat and dairy consumption, eliminating waste and cutting fatty and sugary foods from diets will make the biggest impact on human and environmental health. The report states that an estimated 70,000 premature deaths could be avoided if diets matched nutritional guidelines. Around 18 per cent of greenhouse emissions are related to food consumption and production.
- 3 The International Institute for Environment and Development and Oxfam have produced a report “Fair Miles: Recharting the food miles map” in which they warn that western consumer concern over climate change can do more harm than good if it cuts demand for food produced in developing nations.

II CAP (etc.) support details/payments

- 1 Parliament’s Public Accounts Committee has described Defra’s “complacent oversight” of the Single Payment Scheme as a “singular example of comprehensively poor administration on a grand scale”. The committee chairman, Edward Leigh, stated “it is an extremely serious charge from this committee that negligible attention has been paid to taxpayers’ interests.” It costs 6 times more to process a claim in England than in Scotland.
- 2 Government representatives have advised a closed meeting of producer organisation representatives that each of the 50 or so producer organisations will be investigated individually to assess whether the manner in which they use shared facilities is in accordance with the rules. No timescale has been indicated.
- 3 The Parliamentary Ombudsman has called on the Rural Payments Agency to pay £5,500 and £3,500 to two farmers as “modest financial remedy for substantive injustice” suffered by the farmers. However, Defra has refused and is offering £500 to each by way of an apology claiming there was “no basis” for making further payments.

III Grants/regulations/legislation/environment

- 1 Defra has provided a £500,000 aid package to help Cumbrian farmers get their land back in working order following severe flooding. Farmers can apply for grants of up to £6,800 to remove gravel and other debris from their land.
- 2 The Processors & Growers Research Organisation has secured funding for a 3-year test on vining peas including downy and powdery mildew tests. In addition, a broad bean project will study yield, pod length and pod/seed ratios.
- 3 Agricultural shows in the West Midlands have been advised they can claim Strategic Investment Grants to help improve their sites.

IV Other matters of farm finance and tenure

- 1 Andersons has published its Outlook for 2010. It forecasts wild variations in combinable crops production costs creating opportunities for those who improve performance; insufficient profitability in field vegetables and roots to support necessary investment; consolidation of growers of sugar beet; a continued fall in the number of dairy producers despite increased returns; positive outlook for beef and sheep; pig returns under pressure; positive outlook for poultry.
- 2 Defra has admitted that 25 per cent of farm households are “below the modified low income threshold”.
- 3 The Welsh Assembly has announced an increase of 18 per cent in farm incomes in Wales, compared to only a 6 per cent increase in England. The increase is due to strong beef, lamb and milk prices during 2008 and the impact of the exchange rate on the Single Payment.
- 4 The area of land publicly marketed in 2009 fell to 131,498 acres, down from nearly 185,000 acres in 2008.

V Product prices

A. Crops

1. Wheat and barley prices have dropped back this month; the combined result of multitude of factors, both positive and negative. On the downside: the US dollar is showing early signs of strengthening; the speculative commodities market traders are selling up, to close out their positions; Strategie Grains now estimate the EU wheat area for 2010 harvest to be up 3% on 2009. On positive side; the Ensus biofuels plant, with its annual appetite of 1.2 million tonnes, went on-line this month and the high world sugar price has led to grain-based biofuel becoming a more viable substitute. Oilseed prices have held steady, helped by drought conditions affecting the Argentine sunflower crop. LIFFE wheat futures in late December, for deliveries in May 2010 and November 2010 and 2011, all dropped back from November levels, standing at £110/tonne (down £3), £112/tonne (down £3) and £116/tonne (down £4) respectively.
Average spot prices in late December (£/tonne ex-farm): feed wheat 98, milling wheat 116; feed barley 78; oilseed rape 233; feed peas 132; feed beans 132.
2. Average potato prices improved this month as the demand for quality material increased, largely as a result of buyers stocking up for the expected demand in the Christmas period. Starting from late November’s average of £97 per tonne, prices strengthened in two steps, one at the beginning of the month and one mid-month. Prices in late December stood at £112 per tonne; up 15 per cent on last month, but still 6 per cent below Christmas prices a year earlier (just below £122/tonne). The free market price also improved by a similar margin but more uniformly throughout the month. The closing position of £93/tonne was 17% below the December 2008 price of £112/tonne. With Christmas being a critical period, most trading this month has been via contracts agreed months earlier, meanwhile the free market has all but dried up.
By late December, King Edward were achieving from £110 to £115 for general pack, up to £140/ tonne for top quality. Estima were obtaining between £55 to £65/tonne for general pack, up to £110 for best quality samples, whilst Romano prices held between £80 and £110/tonne. Desiree prices held steady and were achieving between £80 and £120/tonne; £140/tonne for top quality, whilst Maris Piper prices improved – ranging from £140, for average samples, up to £200/tonne for best quality.

B. Livestock

- 1 Average steer prices were volatile during the month, increasing by 13p/kg in the early part of the month but then dropping back by 6p/kg as the month progressed. The closing position was 157p/kg lw (up 5 per cent in the month, but on a par with prices a year earlier). The average heifer price tracked a similar path, closing the month at 163p/kg lw, increasing the premium over steers to 6p/kg. The average price for dairy cows in late November stood at £1,443 per head, up 5 per cent on the average a month earlier.
- 2 Lamb prices have remained very buoyant in the lead up to Christmas, gaining a further 13p/kg over the course of the month. By late December this put the average UK lamb price at 175p/kg lw, up 8 per cent on last month and 35 per cent above prices last Christmas.
- 3 The average pig price remained relatively steady (still in line with seasonal expectation). The price in late December stood at 139p/kg lw, which is 6 per cent above the average price (130p/kg lw) at the end of December 2008.
- 4 The average farmgate milk price for October (reported in December) showed further improvement on the back of the previous three months, up by a just over a third of a penny to 24.43ppl. The average price a year earlier was 2.93ppl higher (12 per cent). Milk quota prices by late December had dropped back to 0.40ppl for clean 4% butterfat holdings. Leased quota (4%) held steady for a further month at 0.10ppl.

VI Other crop news

- 1 The National Institute of Agricultural Botany has advised that more than half the winter wheat acreage in 2010 will be susceptible to yellow rust with nearly 60 per cent of that susceptible to the new Solstice yellow rust race.
- 2 The 2009 potato crop has increased by 3.5 per cent to 6.2 million tonnes with average yields of 47.2 tonnes per hectare compared to 45.7 tonnes per hectare in 2008. The planted area was unchanged.
- 3 A Glenside Group Farm trial has shown that correcting chemical imbalances and physical problems in the soil can help raise yields of good-quality, saleable potatoes by more than 60 per cent.
- 4 A report from the US Organic Centre claims that genetically modified seeds are expensive and cut average farm incomes. While non-GM soybean seed prices rose by 63 per cent between 1975 and 2000, since then prices have risen by 230 per cent.
- 5 The Food Standards Agency has established the GM dialogue steering group to discuss the potential benefits and risks of GM technology with consumers.
- 6 Huntapac Produce has developed a "Super A" carrot which is 40 per cent richer in beta-carotene than normal varieties.
- 7 Swedeponic UK, the specialist producer of potted herbs which supplies almost half of all the potted culinary herbs sold in the UK, has changed its name to Lincolnshire Herbs.
- 8 UK soft fruit production increased by 17 per cent in 2009 to 58,400 tonnes. Blueberries rose by 305 per cent to 1,139 tonnes; blackberries rose by 33 per cent; strawberries rose by 17 per cent to 48,770 tonnes; raspberries were up by 3 per cent to 7,011 tonnes.
- 9 Research undertaken by East Malling Research Station has found that management programmes designed to produce apples with zero-pesticide residues can work but carry greater risk of losses from mussel scale, fruit tree red spider and woolly aphid.

- 10 Figures published by Agrarmarkt Informations – Gesellschaft reveal an 8 per cent fall in European organic apple production from 82,900 tonnes in 2008 to 76,100 tonnes in 2009.
- 11 Research at East Malling Research Station has revealed that most eye and storage rot infection of apples caused by nectria occurs during the blossom period.

VII Other livestock news

- 1 Goat, sheep and cattle farmers in the Netherlands are suffering from the largest Q fever epidemic ever recorded. The Dutch Ministry of Agriculture has decided to slaughter thousands of goats after Q fever caused the death of 6 people and infected a further 2,300 during the past 12 months.
- 2 Animal Health has announced changes to the TB movement rules including a new option of Approved Quarantine Units. Calves under 10 months old from restricted herds will be held in isolated groups and, after two clear tests, movement restrictions will be lifted; an expansion in the scope of Approved Finishing Units. Units without grazing but with wildlife proof housing will increase testing intervals from 90 days to 6 months; the formalisation and extension of TB Isolation Units. Restricted farmers will be allowed to separate and isolate groups of cattle for further testing benefiting particularly high value or pedigree animals.
- 3 The H1N1 “swine flu” virus has been confirmed in a herd of pigs in Norfolk. It is the sixth case to be found in pigs in the UK in 2009.
- 4 Stock bulls at cattle breeding company Genus have contracted Infectious Bovine Rhinotracheitis. The infection, which can be transmitted via semen, can cause abortion if cows or heifers are infected during pregnancy.
- 5 Defra has agreed the results of scrapie genotyping tests carried out by SAC can be used for breeding sheep bound for export within the EU.
- 6 The Food and Agriculture Organisation of the United Nations is expected to announce the worldwide eradication of Rinderpest or cattle plague.
- 7 A Scottish meat industry group which includes all major meat traders, wholesalers and producers has called upon the Scottish Government to cull the Meat Hygiene Service, controlled by the Food Standards Agency, and set up a “standalone Scottish meat hygiene service”.
- 8 A draft code of practice agreed by the Pig Meat Supply Chain Task Force will result in only pigmeat from pigs born, reared and slaughtered in UK being labelled “British”.
- 9 Figures released in the latest biannual “Tetra Pak Dairy Index” reveal an increase in the consumption of milk and other liquid dairy products in the developed world of 0.6 per cent over the past year and a forecast compounded annual growth rate of 2.2 per cent through to 2012.
- 10 Dairy Crest has announced a two year “fixed” price contract, a large volume supplier contract and simplified milk supply contracts. The initiatives are intended to encourage an increase in its direct supply volumes.
- 11 Morrisons and Arla Foods Milk Partnership have published the results of a research project into cross-breeding in dairy cattle. The conclusions include that cross-breeding can help address animal welfare concerns from both a financial and ethical perspective; reduce welfare problems linked to reduced longevity and reproductive performance; improve survivability, increasing potential of heifer sales and reducing requirements for replacements; result in the same or lower milk volume; provide the opportunity to increase the solids content of milk; improve the opportunity to increase calf income.

- 12 A report published by Welsh Assembly's rural development sub-committee claims that a third of Welsh dairy farmers have quit the industry between 2003 and 2008 due to poor returns. It has called for the Assembly to establish an independent "Welsh Dairy Champion" to promote the industry's interests, a UK ombudsman to help protect the industry and for public bodies to increase the proportion of dairy products they procure locally.
- 13 Defra is planning to introduce a maximum stocking density of 39kg/m² for conventionally reared chicken in England.
- 14 The European Commission has authorised the import of genetically modified maize produce MIR604 from the US.
- 15 C&K Group is to invest £5 millions in a 40,000 sq ft abattoir and meat cutting plant near Eye, Suffolk.
- 16 Anglo Beef Processors has closed its abattoir in Blackburn.

VIII Inputs/Supply businesses

- 1 The International Fertilizer Industry Association has reported that nitrogen, phosphorus and potassium consumption worldwide was down 6.7 per cent to 156.4 million tonnes in 2008/09 with phosphorus down 10.5 per cent and potassium down 19.8 per cent.
- 2 Nitrogen prices have risen by up to £10 per tonne and compound prices have risen by £6-10 per tonne due to increased demand amid fears that world prices are rising with India short of 1 million tonnes and China set to levy an export tax.
- 3 Residual herbicide Dacthal W75 (chlorthal-dimethyl), which is used for pre-emergence weed control, is to be revoked on 23 March 2010 although growers will be allowed to use stocks during the following 12 months.
- 4 Bayer CropScience is making additional volumes of the fungicide Proline available for the barley market in anticipation of Fandango not being available early in the season as a result of quality formulation problems.

IX Marketing

- 1 The Organic industry has surpassed its initial target to raise funds to support a generic marketing campaign by receiving industry-pledged funding of £260,000 per year for 3 years. This should be matched by EU-funding.
- 2 The Potato Council is to recruit a team of 9 "potato ambassadors" from different regions around the country to get involved in marketing activity and help reinforce its campaign messages.
- 3 The European Union has chosen a shortlist of 3 logos out of 3,400 submitted entries as part of a competition which invited students to produce a new design for an organic logo. Voting can be done by visiting the EU website.
- 4 A marketing campaign has been launched by the Brassica Growers Association to attempt to halt the decline in the acreage of crops grown. Cauliflower has been hardest hit with the acreage falling by 20 per cent over the past 3 years.
- 5 The London Organising Committee of the Olympic Games has published "Food Vision". The report indicates that the 330 tonnes of fresh produce required for the Games should ideally be organic. The benchmark standard is that the produce should be "Red Tractor" assured and UK Grade I or II. The produce should be "British, where available, seasonal and of high quality, fit for purpose and free from damage or spoilage". All non-British produce should be fully "traceable".

- 6 “Markets21”, research published by the Retail Markets Alliance, has reported that retail and wholesale markets have outperformed supermarkets during the recession. It found that 58 per cent of market managers reported no change in the number of traders selling fresh produce while 30 per cent reported an increase.
- 7 The Co-operative is to build a huge market next to the Arndale shopping centre extending to 8 hectares of which up to 50,000 sq ft will be the market site itself.
- 8 Total Produce has acquired the trade and assets of Utopia UK from administrator Pricewaterhouse Coopers.
- 9 Fresh Direct UK Ltd has acquired The Personal Catering Company.

X Miscellaneous

- 1 Dacian Cioloş, a former Romanian Agriculture Minister, is to be the new EU Agriculture Commissioner.
- 2 At a recent meeting of the National Horticultural Forum, Neil Bragg, chairman of the Horticultural Development Company, forecast that the National Institute of Agricultural Botany would be among the research stations which will close in the next 5 years as a result of lack of funding.
- 3 NFU membership has increased by 1,000 to 56,000 members during the past 12 months.
- 4 New Holland is to make a donation to the British Beekeepers Association on every occasion one of its tractors is sold in 2010.
- 5 The seventh annual Farming Scotland Conference will be held in Carnoustie on 4 February. Tickets are available from EQ on 01307 474274.

Postscript

Christmas Carols!

The Rocking Song

Little Jesus, sweetly sleep, do not stir;
 We will lend a coat of fur,
 We will rock you, rock you, rock you,
 We will rock you, rock you, rock you:

Fur is no longer appropriate wear for small infants, both due to risk of allergy to animal fur, and for ethical reasons. Therefore faux fur, a nice cellular blanket or perhaps micro-fleece material should be considered a suitable alternative. Please note, only persons who have been subject to a Police Criminal Records check and have enhanced clearance will be permitted to rock baby Jesus. Persons must carry their Blue Card with them at all times and be prepared to provide three forms of identification before rocking commences.

Jingle Bells

Dashing through the snow
 In a one horse open sleigh
 O'er the fields we go
 Laughing all the way

A risk assessment must be submitted before an open sleigh is considered safe for members of the public to travel on. The risk assessment must also consider whether it is appropriate to use only one horse for such a venture, particularly if passengers are of larger proportions. Please note, permission must be gained from landowners before entering their fields. To avoid offending those not participating in celebrations, we would request that laughter is moderate only and not loud enough to be considered a noise nuisance.

While Shepherds Watched

While shepherds watched
 Their flocks by night
 All seated on the ground
 The angel of the Lord came down
 And glory shone around

The union of Shepherds has complained that it breaches health and safety regulations to insist that shepherds watch their flocks without appropriate seating arrangements being provided, therefore benches, stools and orthopedic chairs are now available. Shepherds have also requested that due to the inclement weather conditions at this time of year that they should watch their flocks via CCTV cameras from centrally heated shepherd observation huts. Please note, the angel of the Lord is reminded that before shining his / her glory all around she / he must ascertain that all shepherds have been issued with glasses capable of filtering out the harmful effects of UVA, UVB and Glory.

Rudolph the red nosed reindeer

Rudolph, the red-nosed reindeer
 had a very shiny nose.
 And if you ever saw him,
 you would even say it glows.

You are advised that under the Equal Opportunities for All policy, it is inappropriate for persons to make comment with regard to the ruddiness of any part of Mr. R. Reindeer. Further to this, exclusion of Mr R Reindeer from the Reindeer Games will be considered discriminatory and disciplinary action will be taken against those found guilty of this offence. A full investigation will be implemented and sanctions - including suspension on full pay - will be considered whilst this investigation takes place.

Little Donkey

Little donkey, little donkey on the dusty road
 Got to keep on plodding onwards with your precious load

The RSPCA have issued strict guidelines with regard to how heavy a load that a donkey of small stature is permitted to carry, also included in the guidelines is guidance regarding how often to feed the donkey and how many rest breaks are required over a four hour plodding period. Please note that due to the increased risk of pollution from the dusty road, Mary and Joseph are required to wear face masks to prevent inhalation of any airborne particles. The donkey has expressed his discomfort at being labelled 'little' and would prefer just to be simply referred to as Mr. Donkey. To comment upon his height or lack thereof may be considered an infringement of his equine rights.

We Three Kings

We three kings of Orient are
 Bearing gifts we traverse afar
 Field and fountain, moor and mountain
 Following yonder star

Whilst the gift of gold is still considered acceptable - as it may be redeemed at a later date through such organisations as 'cash for gold' etc, gifts of frankincense and myrrh are not appropriate due to the potential risk of oils and fragrances causing allergic reactions. A suggested gift alternative would be to make a donation to a worthy cause in the recipients name or perhaps give a gift voucher.

We would not advise that the traversing kings rely on navigation by stars in order to reach their destinations and suggest the use of satellite navigation, which will provide the quickest route and advice regarding fuel consumption. Please note as per the guidelines from the RSPCA for Mr Donkey, the camels carrying the three kings of Orient will require regular food and rest breaks. Facemasks for the three kings are also advisable due to the likelihood of dust from the camel's hooves.

Away in a Manger No Crib for a bed

This requires immediate involvement of social services.

Austerity versus Prosperity

You will find attached our analysis of the Pre-Budget Report.

Not that there is much to say ...

Some predictable attacks on pensions and stealth tax rises.

What is predictable is how every man, woman and their dogs are jumping on the tax planning bandwagon.

Suddenly professionals who specialised in the more glamorous yet, as it turned out, fictional sectors are jumping onto this one, particularly lawyers. Suddenly they are all experts in private client work!

This may sound like jealousy because they are trying to play in our field. In reality we are dying for more lawyers who understand the world of farming and landowning. The fact is it takes years to specialise and you cannot dip in and out.

However, the threat of tax rises and withdrawal of reliefs is an ideal time to sell services. So we see cash strapped lawyers and accountants trying to do what they are not qualified to.

It is a great time to prey on this sector as it contains generally high net worth families who are concerned about what may happen in the future.

Businesses in this sector cannot migrate, nor can they afford to sell assets to pay tax bills. They are long term – generational.

You would be naive if you were not concerned about the future tax environment. You must however, not act rashly.

We must fall back on the fact most businesses in this sector are generational. They outlast governments, advisers and everyone reading this.

This is why, when we approach the future, it has to be in a non-politic way. Politics is short term, most modern economics, life etc. is short term.

Let's break the mould and look long-term. Tuck this article away and revisit it in ten years time.

We will have a different government, a different tax environment and we may be reading the MFU via a hologram.

We will ignore the hype, advise our clients to act sensibly and not to do rash tax planning that saves tax but means you have to live in Outer Mongolia for the next twenty years.

There is a lot more to prosperity than just money.

Merry Christmas and a very happy new year.

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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