

Chavereys

**CHARTERED
ACCOUNTANTS**

*Monthly
Farming
Update*

July 2010

I Policy issues

- 1 In the Budget announced on 22 June, the Government announced that “unprotected departments” such as Defra would be required to cut budgets by 25 per cent by 2014/15, on top of savings of £162 millions announced earlier this year. Full details of the cuts are expected to be published in October.
- 2 The Government has announced that Rural Development Agencies are to be replaced by Local Enterprise Partnerships, joint local authority – business bodies to promote local economic development. The NFU is concerned that the change could impact on £600 millions worth of programmes to be delivered between 2007 and 2013.
- 3 The Government is to create “The Task Force on Farming Regulation” under the leadership of Richard Macdonald to reduce the level of red-tape and bureaucracy in the farming industry.
- 4 European MEPs have voted in favour of rules which would require all meat, poultry, dairy products, fresh fruit and vegetables to carry labels clearly indicating the country of origin. The proposed rules will be considered by the Council of Ministers later this year.
- 5 The European Commission’s Advisory Group on fruit and vegetables has called upon the Agriculture Commissioner to create greater efficiency and transparency in the fruit and vegetable chain to move the sector forward. The group’s resolution stresses the important role played by the sector in terms of employment, rural development and the environment.
- 6 Zerocarbonbritain 2030, published by the Centre for Alternative Technology, proposes that the UK could cut greenhouse gas emissions to zero by 2030 but massive changes in diet would be needed involving increased horticultural production in the UK and a reduction in fresh produce imports. It argues for a reduction in meat and dairy production and a significant fall in imports of bananas, avocados, melons and mangoes.

II CAP (etc.) support details/payments

- 1 A Defra funded study carried out by the Dutch LEI research institute has ranked the UK as one of the worst affected countries should the Single Payment Scheme be scrapped. More than half of UK farmers would struggle to stay in business.
- 2 The Agriculture Committee of the European Parliament has voted overwhelmingly in favour of a report which calls for a “fair, sustainable and green CAP after 2013”.

III Grants/regulations/legislation/environment

- 1 The Soil Association is giving consideration to the banning of fossil fuels for heating glasshouses as part of a new range of standards for growing organic crops.
- 2 Four farms have been selected by the Scottish Government to be “Climate Change Focus Farms” to demonstrate and test climate friendly farming methods. Torr Farm, a dairy at Castle Douglas, Glenkilrie Farm, a livestock enterprise at Blairgowrie, Milton of Mathers, an arable farm at Montrose and Stewart Tower Farm, a demonstration farm at Stanley, will work to reduce emissions, improve efficiency and boost productivity.
- 3 The Scottish Rural Development Programme has awarded £1.646 millions to former Grampian Country Food founder Fred Duncan to convert pig units into an enriched colony system for 225,000 laying hens at Fortrie, Aberdeenshire while a dairy farm in Nairn will receive £1.092 millions to increase its cow numbers from 700 to 1,200.

- 4 The EU Environment Committee has voted to ban up to 95 per cent of rat poisons but has included a derogation for key anticoagulant rodenticides to be used where no alternatives are available and public health is at risk.
- 5 Natural England has postponed plans to reintroduce sea eagles to Suffolk in response to fears that they could prey on livestock.

IV Other matters of farm finance and tenure

- 1 The latest Knight Frank farmland index shows that English farmland values rose by 6.9 per cent in the second quarter of 2010 taking growth over the past 12 months to 19.7 per cent. The average price of farmland is now £5,769 per acre, the highest recorded level.
- 2 Somerset County Council has resolved to review the future of its 60 county farms on a case by case basis. It is expected this will lead to sales generating up to £40 millions.
- 3 The High Court has ruled that Herefordshire County Council made an “error of law” in granting planning permission for polytunnels covering 255 hectares of land by failing to require an environmental impact assessment from the grower. An appeal against the ruling will be heard by the Court of Appeal in November.
- 4 S&A has been granted planning permission to erect 18 hectares of polytunnels at its site near Faversham.

V Product prices

A. Crops

- 1 Grain prices have fallen back over the course of June, as would be expected at a time when parts of the Northern Hemisphere, such as China and Ukraine, are mid harvest. Early yield reports are good. The improvement of Sterling against the Euro to its strongest position since November 2008 and a marginal improvement against the Dollar have also been instrumental in eroding prices. Meanwhile, the International Grains Council has revisited its estimates for the 2010/11 harvest adding a slightly more “bullish” slant on the market, increasing expected maize consumption by almost 0.5 per cent to leave the closing stock position at a four-year low and predicting wheat production and consumption higher than previously expected. Oilseed rape is the only commodity to show an improvement in price, partly attributable to the fact that the EU 2010 harvest yield is expected to be lower than that of 2009 despite a larger planted area. LIFFE wheat futures in late June were weaker than a month earlier: deliveries in November 2010 and 2011 and May 2012 stood at £104/tonne (down £2), £113/tonne (down £3) respectively and £121/tonne (down £2).
Average spot prices in late June (£/tonne ex-farm): feed wheat 96; milling wheat 110; feed barley 78; oilseed rape 272; feed peas 125; feed beans 126.
- 2 Potato prices, as the 2010 main crop season approaches, have been slightly bolder over the course of June as buyers have adjusted strategies to cover their positions until the fresh crop arrives, but this blip was seen to tail off by the end of the month. The true price lift has been dampened by the effect of the Jersey crop, which has taken a fair amount of shelf space, and the tardy harvest of early crops which are now freely available. Average prices rose 16 per cent to peak mid-month at £148, but then relaxed towards the end of the month. The average price in late June was £140/tonne, up 10 per cent on late May levels and 7 per cent above prices in late June 2009.

The free market price tracked a similar path, rising to a peak of £122 but then dropping back by £11 to close at £111/tonne, up 9% on May prices, but still short of June 2009 prices by 6%.

By late June, many varieties of 2009 crop were starting to run dry. King Edward trades were few and far between but generally comprised higher quality samples around the £270/tonne mark; Estima prices were up to between £140 and £170/tonne for grade 1, whilst bakers were achieving anywhere between £130 and £200/tonne. Desiree prices were improved at £140 to £160/tonne for whole crop, up to £180/tonne for best quality; Maris Piper prices had not improved to the same extent, ranging from £140 to £190/tonne for general pack.

B. Livestock

- 1 Average steer prices showed a little more strength this month. By the end of June the average price had regained 7p (5 per cent) since late May to stand at 148p/kg lw, 3.5 per cent below prices in late June 2009. The average heifer price followed suit, ending the month at 153p/kg lw; the premium over steers holding steady at 5p/kg. The average price for dairy cows in late June, having been as low as £1,100 during the month, stood at £1,289 per head, on a par with the May close.
- 2 Lamb prices fell back quite materially over the course of June, in line with seasonal expectation. The biggest drop (20p/kg in under a week) occurred mid-month. By late June the average UK lamb price was down by 35p from its opening position, to stand at 170p/kg lw, down 17 per cent in the month. This is still 10 per cent above prices a year earlier.
- 3 The average pig price continued to rise, albeit marginally. The overall gain of 1p/kg over the course of the month to close at 146.5p/kg lw puts the average 5 per cent below prices a year earlier.
- 4 The average UK farmgate milk price for April (reported in June) dropped back by a further 0.53ppl from the March average to stand at 23.55ppl (down 2 per cent). The average price a year earlier was 1.3 per cent lower at 23.25ppl. Milk quota prices dropped back a further 0.07ppl over the course of June. By the end of June clean 4% butterfat holdings were commanding 0.30ppl and leased quota (also 4% butterfat) remains unchanged at 0.07ppl.

VI Other crop news

- 1 The John Innes Centre for crop research has advised that an inability to transfer scientific research into commercial production is holding back UK arable farmers. The average UK wheat yield is about 8 tonnes per hectare but the Centre believes the genetic potential to be nearer 18 tonnes per hectare.
- 2 Robobank has reported that, while global wheat production may be 8 million tonnes less than US Department of Agriculture estimates, this year's harvest is still expected to be the third largest on record.
- 3 Warburtons, the UK's biggest baker, has offered a 2012 to 2016 extension to its contract growers. The company sources 180,000 tonnes of wheat each year from the UK, about 50 per cent of its total requirement.
- 4 Syngenta has launched two new malting barley varieties. Winsome has the highest UK treated yield of all winter malting varieties while Purdey is ranked joint second.
- 5 Defra has issued a new guide "Managing weeds in an arable rotation." It brings together the latest information on a range of weed management issues for autumn-sown crops.

- 6 Great Tew Estates, in association with Glencore Grain UK, is to build a 35,000 tonne grain processing facility at Chipping Norton.
- 7 The Insect Pollinators Initiative, launched by Defra, The Scottish Government, BBSRC, Wellcome Trust, Natural Environment Research Council and Living with Environmental Change, is to develop strategies to ensure the pollination of agricultural and horticultural crops is protected. As part of the Initiative, thousands of bees will be fitted with tiny 'barcode' devices and scanned as they fly in and out of hives. The aim is to investigate the effect on their health of pesticides.
- 8 Following the cold winter and early season drought, Jersey Royals suffered further problems when a fire aboard a Condor Ferries service gutted three trailers and severely damaged others destroying 250 tonnes of potatoes destined for Tesco.
- 9 Lincolnshire-based QV foods has bought Perthshire-based potato packing business Tayside Potatoes.
- 10 *Dickeya solani*, which causes blackleg and tuber rot-like symptoms, has been found in a newly-planted crop of ware potatoes near Coupar Angus.
- 11 The Welsh Assembly has launched a new strategic action plan to improve and expand the horticulture industry in Wales which represents only 2 per cent of total Welsh agricultural output.
- 12 The NFU and the East Midlands Development Agency are running a joint project to collect data concerning the importance of the horticultural and potato sector to the region.
- 13 An ADAS report, commissioned by BASF to study the impact of increasing temperatures on horticultural crops, has suggested that the severity of disease outbreaks will increase and that brassicas, carrots, lettuce and potatoes could be among the worst affected.
- 14 Thatchers, the Somerset-based cider producer, has acquired 180 acres of new orchards in the Mendip Hills as part of a process to double its orchard capacity.
- 15 Orchard World has planted a new concept orchard at Maidstone to trial Delsanne, Gourmande, Verdi and Elliott, new varieties of pear.

VII Other livestock news

- 1 The European Commission has agreed to reclassify Britain to a Lower Risk Zone for BTV8, bluetongue virus. Any bluetongue susceptible animals brought in from other countries affected by BTV8 will have to meet more stringent vaccination conditions prior to import.
- 2 Quality Meat Scotland's latest "Red Meat Industry Profile" shows the volume of cattle available to kill in 2009 was down by 1 per cent while the size of the suckler herd fell by 7 per cent. The survey found that livestock prices contributed to a 38.5 per cent increase in Scottish agricultural output; average farmgate prices increased by 8 per cent for beef, 21 per cent for lamb and 15.5 per cent for pork; the average breeding ewe flock size fell by 3.5 per cent; the average sow herd size fell by 12 per cent.
- 3 The Government's Food and Environment Research Agency has launched Cows (Control of Worms Sustainably), to slow development of anthelmintic resistance on beef and dairy farms.
- 4 Animal Health, Defra and the Scottish and Welsh Assemblies are to participate in "Silver Birch" in November, an exercise to test the country's "state of readiness" should there be another outbreak of foot-and-mouth disease.
- 5 The start of the West Wales badger cull has been delayed until the outcome of the Badger Trust's High Court appeal is known.

- 6 Gloucester Old Spot pork has been awarded EU protected food and drink name status.
- 7 Midland Pig Producers is seeking planning permission for a 2,500-sow pig farm with an associated biogas plant next to Foston Prison in Derbyshire.
- 8 Spending on RSPCA Freedom Food pre-packed pork products rose by 64 per cent to £46.8 millions in the year to May 2010.
- 9 The Environment Agency has announced that more than 75 per cent of pig and poultry farmers eligible for The Pig and Poultry Assurance Scheme have joined.
- 10 Animal Health has launched a pilot scheme in Exeter, Gloucester and the West Midlands whereby livestock producers will no longer have to wait for a visit from Animal Health to find out the level of compensation for TB reactor cattle.
- 11 First Milk is to increase its liquid pool price by 0.6ppl; balancing pool by 0.4ppl; cheese pool by 0.25ppl. All increases are effective from 1 July.
- 12 DairyCo and the National Association of Cattle Foot Trimmers are to build a national foot lesion database to discover the prevalence of different lesions.
- 13 Milk Link has increased members prices by 0.75ppl taking the standard litre price to 24.5ppl and the liquid price to 24.72 ppl.
- 14 Plans for a 3,000-cow “super dairy” in Lincolnshire announced by Irish group Velmur have been dropped following opposition from local residents and animal welfare campaigners. Nocton Dairies is intending to resubmit its application for an 8,100-cow dairy unit in Lincolnshire following North Kesteven District Council expressing environmental concerns.
- 15 Meadow Foods is to increase its milk producer price by 1ppl with effect from 1 July.
- 16 Defra has published the latest version of RB209 which, it is hoped, will allow farmers to target nutrient use to improve uptake and reduce losses, thereby reducing water pollution.
- 17 The Veterinary Medicine Directorate is drawing up new rules whereby pharmaceutical firms would be banned from advertising antibiotics to farmers.
- 18 Pfizer is to stop selling Pregsure BVD following concerns it may be associated with the increase of cases of bovine neonatal pancytopenia or bleeding calf syndrome.
- 19 AquAdvantage Salmon has been created by Aqua Bounty, a US biotech firm. It is the first genetically modified salmon and converts feed into energy far more quickly than conventional fish. It has passed 5 of the 7 tests carried out by the US Centre for Veterinary Medicine.

VIII Inputs/Supply businesses

- 1 Growhow has announced 34.5 per cent Nitram prices of about £210 per tonne, nearly 20 per cent higher than the same time last year. Imported AN is trading at £195-£200 per tonne.
- 2 NIAB trials have discovered that 38 per cent of septoria isolates taken from a crop of Oakley on a site in Warwickshire were found to be resistant to all triazole fungicides.
- 3 Dow AgroSciences has launched Broadway Sunrise, containing pyroxsulam and pendimethalin, to provide contact and residual activity against wild oats, rye grass, bromes, black-grass and a range of broad-leaved weeds.
- 4 The Chemicals Regulation Inspectorate has given approval for the use of potato blight fungicide Valbon on outdoor crops of onions, shallots and garlic.
- 5 Becker Underwood is to launch a new biopesticide, Nemasys, to control codling moth.
- 6 Approval has been given for the use of insecticide Calypso to control asparagus beetle on outdoor crops.

IX Marketing

- 1 Asda is to buy Netto Foodstores from Dansk Supermarked for £778 millions.

X Miscellaneous

- 1 Conservative MP Anne McIntosh has been elected as the new chairman of the Environment, Food and Rural Affairs committee.
- 2 The Griffin Report, following the investigation into the E.coli outbreak at Godstone last year when 93 visitors fell ill, has recommended that Britain's open farms should comply with a tough new code of practice and accreditation scheme.
- 3 Defra's chief scientific adviser, Professor Bob Watson, has won this year's Blue Planet Prize in Japan, awarded for outstanding achievements in scientific research that contribute to solving global environmental problems. Professor Watson received the award for his work on ozone depletion which led to the Montreal protocol on reducing ozone-harmful emissions.
- 4 CWG, the Stamford-based farming supplies business, is to sell its retail business to Mole Valley Farmers.
- 5 In the Queen's Birthday Honours, Professor Shirley Martin, director of the Institute for Animal Health, was awarded a CBE; Paul Conway, senior vice-president of Cargill Inc, an OBE; Angus McCall, for services to tenant farming in Scotland, a MBE, Margaret Stewart, for Services to the Scottish red meat industry, a MBE.
- 6 BHGS, the trading arm of Evesham-based Littleton & Badsey Growers, has acquired Cornish firm Pure Supplies, which trades as JFC Monro.
- 7 Sandsfields Farms has bought the Evesham packhouse of Simms & Woods from administrator KPMG.

Postscripts

More signs!

In a Nairobi restaurant:

Customers who find our waitresses rude ought to see the manager.

In a City restaurant:

Open seven days a week and weekends.

In a cemetery:

Persons are prohibited from picking flowers from any but their own graves.

Tokyo hotel's rules and regulations:

Guests are requested not to smoke or do other disgusting behaviours in bed.

On the menu of a Swiss restaurant:

Our wines leave you nothing to hope for.

In a Tokyo bar:

Special cocktails for the ladies with nuts.

Hotel, Yugoslavia:

The flattening of underwear with pleasure is the job of the chambermaid.

The future is ...?

It is fair to say that business life is not going to get any easier over the next few years. Higher taxes, yes. Higher interest rates, almost certainly. Higher inflation, highly likely although some forecast deflation. Higher unemployment, undoubtedly. Higher FTSE 100, you're a brave man! Reduced bureaucracy for farmers, poor Richard Macdonald must be on a hiding to nothing!

Yet all difficulties present opportunities. "Business Box" has been banging on about structure for years and we're not going to stop now. The recent Budget highlighted once again the need to have a proper business structure.

Structure underpins everything in business. On an individual basis, financial structure dictates the solidity and certainly of the business; personnel structure dictates the efficiency of the business; buildings and machinery structure dictates efficiency and timeliness of the business. Organisational structure dictates the ability of the business to grasp opportunities.

The tax structure of a business dictates the impact of direct and indirect taxes. Flexibility is the key word. Do not commit yourself to a structure which may be appropriate today and sounds impressive only for it to be wholly inappropriate in tomorrow's world. Vision is important. Too many advisers can advise on what is put in front of them but have no vision and fail to look to the future to see if their advice will stand the test of time. While the farming industry is more stable than most, its most important constituent is people, the families which own and run the farming unit and probably will do so for decades to come.

How many farmers know which son or which daughter will carry on the family tradition? It is so easy to accept what seems to be good advice today only to find the farm, or part of it, in the wrong hands at some point in the future.

The media has jumped on reports that the recent Budget has sounded the death knell for trusts. Wrong. In this industry, nothing has happened to change the view that trusts have a massive role to play in passing property through generations. Trusts, properly drafted, bring flexibility. Do not be persuaded otherwise.

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

Would you like more information on a particular item?

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