

Chavereys

CHARTERED
ACCOUNTANTS

Monthly Farming Update

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June 2009

I Policy issues

- 1 The NFU and the Country Land and Business Association have published a joint proposal for an industry-led Campaign for the Farmed Environment to retain the environmental benefits of set-aside in England. The campaign would encourage farmers to recapture the environmental benefits associated with former set-aside land through participation in the Entry Level Stewardship scheme and other voluntary measures. The proposal has the support of the Agricultural Industries Confederation, Linking Environment and Farming and the Farming and Wildlife Advisory Group but not the RSPB.
- 2 With effect from 2012, the five existing agri-environment schemes in Wales will be replaced by one scheme, Glastir. There will be one payment based upon a flat rate per hectare.
- 3 The Welsh Assembly has published “Farming, Food and Countryside – Building a Secure Future”. The report sets out a raft of challenges, lays down 118 action pledges covering the years up to 2020 and outlines plans to secure a sustainable future for farming in Wales.

II CAP (etc.) support details/payments

- 1 The EU agriculture commissioner, Mariann Fischer Boel, has announced plans whereby farmers could receive up to 70 per cent of their Single Farm Payment from October but the scheme would be at the discretion of individual member states. The plan is in response to the “serious financial and cash-flow difficulties” facing particularly Europe’s dairy farmers.
- 2 Defra has issued a consultation document seeking views on what the minimum acreage should be to qualify for the Single Payment Scheme, between a minimum of 1 hectare, called for by the Country Land and Business Association, and 5 hectares supported by the Tenant Farmers Association.
- 3 Single Farm Payment levels for England have now reached 96 per cent.
- 4 As a result of its mismanagement of the Single Payment Scheme, Defra has revealed that the Rural Payments Agency has had “financial corrections” totalling over £200 millions imposed by the European Commission since 2004/05. Over £140 millions of the total was imposed in 2008/09 for failing to meet deadlines relating to the 2005 Single Payment Scheme.

III Grants/regulations/legislation/environment

- 1 The latest Government figures on farmland bird numbers has revealed that the farmland bird index for England fell by 13 per cent between 1994 and 2007 including a 7 per cent fall between 2006 and 2007, the biggest single year decline since 1998. The North East and the Yorkshire and Humberside regions saw increases of 2 and 1 per cent respectively, the North West fell by 1 per cent but the remaining 5 English regions all registered falls in excess of 12 per cent with the South East worst at 27 per cent. The RSPB has claimed the overall downward trend “reflects the intensification of farming across England.”
- 2 The South West Farmland Bird Initiative has been launched by Natural England, the RSPB, the Farming and Wildlife Advisory Group and four Areas of Outstanding Natural Beauty. The aim is to reverse the decline of six key farmland bird species across 400,000 hectares, the grey partridge, lapwing, turtle dove, yellow wagtail, tree sparrow and corn bunting.

- 3 Defra has put forward proposals which could result in water abstraction licences granted before the Water Act 2003 being time-limited.
- 4 Defra has proposed that Regional Development Agencies should be able to increase grant funding from 50 per cent to 100 per cent in respect of projects which make farming more competitive and sustainable and enhance opportunities for diversification.
- 5 The Scottish Government has published the Crofting Reform Bill. If passed the legislation will introduce tough new rules on planning and residency of crofting land. Crofters would be required to be resident on or near the croft and to work the land.
- 6 The Scottish Government has announced that £10 millions will be made available to its Rural Priorities scheme for the August round of grants.
- 7 The Gangmasters Licensing Authority has published plans for consultation to work with leading supermarkets to combat labour exploitation in the food chain.
- 8 Woldgrain Storage has been awarded a £1.5 million grant from the Rural Development Programme for England to create an additional 26,000 tonnes of crop storage at its site near Gainsborough. It is hoped the project will be complete by 2012.
- 9 The Welsh Assembly has awarded RF Brookes a grant of £500,000 towards the £5 millions cost of a large-scale anaerobic digestion unit at its ready meals plant near Newport.

IV Other matters of farm finance and tenure

- 1 The Farm Fund, set up to offer investors the opportunity to invest in agricultural property, has raised £5 millions to date.

V Product prices

A. Crops

- 1 May finally saw prices for cereals and oilseeds strengthen after three months of uninspiring lethargy in the market. Counteracting market forces were again in play this month: the weakening of the Dollar against both Sterling and Euro, leading to the European crop becoming less competitive in the world market, was outweighed by fresh reports of dry conditions in Eastern Europe, lower expectations of the Ukrainian 2009 wheat output and erratic weather conditions throughout the northern hemisphere, particularly during spring planting in the US wheat belt. Strategie Grains reduced its prediction of the 2009 EU-27 wheat crop by 1.3% (now 129Mt) this month. LIFFE wheat futures made material gains early in the month, dropped back marginally mid-month but then bounced back up again. At the end of May, deliveries in November 2009 and 2010 respectively stood at £131 (up £9) and £126 (up £4). The oilseed market has been bolstered by the increase in the underlying crude oil price, high demand from China and increasingly poor assessments of output from Argentina. Average spot prices in late May (£/tonne ex-farm): feed wheat 109, milling wheat 148; feed barley 93; oilseed rape 274; feed peas 171; feed beans 175.

- 2 Average potato prices held relatively steady in May, moving marginally around the £130/tonne mark. Harvest of early crop commenced this month but, as this was in limited areas only, the effect on old crop sales has been minimal; the impact is expected to escalate throughout June. Demand for 2008 crop from the packing and processing sectors remains firm for those with contracted tonnages, but as the 2009 main crop harvest approaches the free market is dropping behind. Demand for top quality material holds strong for those who retained their best samples for the end of the season. Limited availability of King Edwards has led to a price spike for the variety, whilst Maris Piper prices also sat particularly strong at the end of the month for similar reasons. The average price closed at £129/tonne, 29 per cent below prices a year earlier, whilst the free market average price stood at £118/tonne (down 41 per cent on May 2008). At the end of May King Edward was achieving between £240 to £280/tonne. Desiree prices held steady, ranging from £135 to £145/tonne (£160 for quality samples). The price range for Estima remained wide, sitting between £110 and £165, due to differing baker contents within samples. Maris Piper prices for quality samples continued to hold steady at between £120 and £140/tonne, up to £200 for best.

B. Livestock

- 1 Average steer prices were far less volatile this month, gaining 2p in the first half of the month but then falling back slightly in the latter half to close at 155p/kg lw; 4 per cent above prices twelve months earlier. Average heifer prices maintained their 2p/kg lw premium over steers throughout the month. Dairy cows in late May were achieving an average price of £1,285 per head, down 7 per cent on prices at the end of April.
- 2 Lamb prices, having demonstrated a 20p (11 per cent) swing in April, made a similar sized movement in May. Prices rose materially from the start position of 175p/kg lw to close the month at a peak of 194p/kg lw; by comparison, prices a year earlier were only a penny lower at 193p/kg lw.
- 3 Average pig prices continued to grow but to a lesser extent than in previous months. By late May prices stood at 152p/kg lw (up 1 per cent on last month and 24 per cent on last May).
- 4 The average farmgate milk price for March (reported in May) showed further weakening, albeit not to the extent seen in February, dropping by 0.15ppl, to 24.37ppl. The price in March 2008 sat a full 1.36ppl (5.5 per cent) higher. UK prices currently sit below the EU-25 average of 24.41ppl, as has been the case for over half a decade, but the deficit has been reducing recently and it is thought that price reports for April and May will show the UK average as being higher. Average milk quota prices dropped back marginally during May, but strengthened in the latter stages to close the month back where they started at 0.25ppl for clean holdings (4% butterfat).

VI Other crop news

- 1 An ADAS report commissioned by the Government's chief scientific adviser Professor John Beddington has concluded that British arable farmers have the potential to more than double production of wheat and oilseed rape but only through targeted public investment into research and development. It estimates wheat could yield 13 tonnes per hectare and oilseed rape 5.7 tonnes per hectare by 2050 by means of genetic gains but also believes most growth would arise from bringing uncropped land and grassland into production.

- 2 A Defra-funded study at Harper Adams has concluded that plant health inspections should be aimed at produce imported from “emerging” source countries to protect UK growers from exotic pests and diseases.
- 3 A project funded by the Horticultural Development Company is aiming to help brassica growers predict disease risk from club root spores and control it more effectively.
- 4 A new multi-million pound malting facility has been opened by Muntons at its Flamborough site near Bridlington. The project was supported by a grant of £270,000 from Yorkshire Forward.
- 5 The Welsh Assembly is providing the National Bee Unit with £486,000 to help protect honey bees in Wales.
- 6 A new variety of strawberry particularly well suited for glasshouses, Sasha, has been developed by East Malling Research.
- 7 Greenvale AP is to close its Wisbech potato processing factory in June.

VII Other livestock news

- 1 The Scottish Government is to undertake an impact assessment on whether to declare the country a “blue zone” to increase protection against blue tongue disease. The “blue zone” allows countries which have not had a confirmed case of the disease to impose tight import restrictions to keep the disease at bay. If implemented any animals crossing the border would need to be vaccinated, subject to a 30-day standstill and be subsequently tested before movement was permitted.
- 2 Defra has reduced the cost of blue tongue vaccine by 50 per cent after it found it had 7.5 million doses unsold.
- 3 The European Commission has received an outline “TB eradication plan” for Britain but the document has not been made publicly available.
- 4 In 2008 119 cases of bovine TB were identified in 8 different non-bovine species in England, a four-fold increase on 2007 when 29 cases were identified in 6 species. The total number of cases is more than the total for the previous 5 years. The 2008 cases show big increases in goats and deer while there were 18 cases in domestic cats and 10 cases in pigs.
- 5 The European Feed Manufacturers Association has told the European Union that its policy of prohibiting feed imports showing any trace of non-authorized genetically modified material is crippling the livestock industry estimating an additional cost of £2.2 billions. New GM feedstuffs in the major exporting countries of Brazil, Argentina and the US mean that exporters cannot guarantee shipments are 100 per cent free of contamination and EFMA is calling for a tolerance level of 0.9 per cent.
- 6 The British Meat Processors Association has expressed concern at the decline in British livestock numbers in the past decade. Sow numbers have fallen by over 30 per cent since 2000, sheep numbers by 23 per cent, dairy cow numbers by 18 per cent and beef numbers by 11 per cent.
- 7 Researchers from Reading University estimate that the UK would need 1.5 million fewer cattle if the public followed Government healthy eating guidelines. If every member of the public ate five portions of fruit and vegetables every day the UK would need 240,000 extra acres of polytunnels.
- 8 Natural England has dropped plans to force pig and poultry farmers, currently regulation by Integrated Pollution Prevention and Control rules, to reduce ammonia emissions.

- 9 As a result of an agreement reached between a US trade representative and the EU trade commissioner, the amount of US beef sold into the European Union will increase almost five-fold in the next four years.
- 10 The latest Cattle Market Outlook from AHDB Meat Services economics division shows that, in the first quarter of 2009, prime cattle slaughterings were 2 per cent or 11,000 head lower than a year ago. Young bull slaughterings showed the biggest decline at 12 per cent but heifer slaughterings were 6 per cent higher.
- 11 The National Sheep Association has refused to support Defra's slaughter derogation which would exempt farmers from having to electronically tag sheep intended for slaughter before 12 months on the grounds that it would hit market prices.
- 12 Following an interim report of the Welsh Assembly - funded evaluation of sheep EID equipment, NFU Cymru has branded it "impractical, unworkable and too expensive".
- 13 The Veterinary Medicines Directorate has been asked to report to Defra on the possibility of reintroducing Cypermethrin dips for sheep. The dips were suspended from the market in 2006 as a result of evidence of misuse by farmers led to serious environmental pollution of watercourses.
- 14 An extensive study undertaken by Defra involving 132 farm workers with a history of using organophosphate sheep dips before 1991 has found they are suffering today from a range of physical, mental and emotional problems.
- 15 The Scottish Government has unveiled details of its independent Bull Hire Review Group which will make recommendations on how to replace the scheme when it comes to an end.
- 16 UK milk production for 2008/09 was 12,853 million litres, the lowest since 1971/72, 2.8 per cent down on 2007/08 and 8.6 per cent down on 2003/04.
- 17 Milk Link is to close its Kirkcudbright dairy in Scotland with the loss of 121 jobs. Production is to be transferred to its site in Crediton, Devon.
- 18 NFU Cymru is forecasting a 40 per cent shortage of egg supply in Wales in 2012 and a 30 per cent shortage across the UK as a whole when the change to EU cage regulations is implemented.
- 19 The Welsh Assembly is seeking views on the draft Welfare of Farmed Animals and Mutilations (Permitted Procedures) (Wales) (Amendment) Regulations. The draft regulations concern the requirements for keeping conventionally-reared chickens and views are sought on matters such as beak trimming and stocking densities.
- 20 The Health and Safety Executive has advised farmers to wear earmuffs when feeding pigs due to squealing exceeding acceptable noise levels. Bit of a pig's ear really!

VIII Inputs/Supply businesses

- 1 A court ruling in favour of crop protection company, United Phosphorus, will result in the continued availability of herbicides containing the active ingredient napropamide.
- 2 Updated guidelines for the assessment and control of orange wheat blossom midge have been published by HGCA.

IX Marketing

- 1 The latest English Farming & Food Partnerships food inflation forecast has predicted that the annual rate of food price inflation could fall from 10 per cent to zero by the end of 2009.
- 2 IGD's Evolution of Convenience Retailing report has indicated that the UK convenience store market has increased in value by 6.1 per cent in the past year. The fresh food element of store sales now represents 30 per cent of the total.

- 3 Tesco has started selling Edamame beans, grown in Guatemala. The beans are soya beans bred to be harvested green rather than dry and a project undertaken by the Processors & Growers Research Organisation has found they are suitable to be grown in the UK.

X Miscellaneous

- 1 Cumela, the Dutch contractors association, has reported that an increasing number of its members are experiencing problems with blocked tractor and machine fuel lines and filters as a result of the incorporation of biodiesel in ordinary diesel.
- 2 The National Institute of Agricultural Botany and The Arable Group are in merger talks to create an independent centre for applied crop research and information.
- 3 Meadow Foods of Chester has bought Nene Valley Foods from Dairy Farmers of Britain.
- 4 Fresh Start, the industry initiative to encourage new entrants into agriculture, is to be managed by the Royal Agricultural Society of England as a result of renewed support from Defra.
- 5 Barony College in Scotland is to introduce a new HNC level course in agriculture.
- 6 Profits achieved by Co-operative Farms hit a record £5.7 millions during 2008. The business is the largest farming and growing enterprise in the UK.
- 7 Soleco UK, part of Florette and owned by the Agrial Co-operative, has acquired prepared salads producer Salads to Go, creating a company with 20 per cent of the prepared salads market in the UK.

Postscript

The Fundamental Difference!

One day a florist went to a barber for a haircut. After the cut he asked about his bill and the barber replied, "I cannot accept money from you, I'm doing community service this week." The florist was pleased and left the shop.

When the barber opened his shop the next morning there was a 'thank you' card and a dozen roses waiting for him at this door.

Later, a policeman came in for a haircut and when he tried to pay his bill, the barber again replied "I cannot accept money from you, I'm doing community service this week." The policeman was happy and left the shop. The next morning when the barber opened up there was a 'thank you' card and a dozen donuts waiting for him at his door.

Later that day, a college professor came in for a haircut and when he tried to pay his bill, the barber again replied "I cannot accept money from you, I'm doing community service this week." The professor was very happy and left the shop. The next morning when the barber opened his shop, there was a 'thank you' card and a dozen difference books, such as 'How to Improve Your Business' and 'Becoming More Successful'.

Then, a Member of Parliament came in for a haircut and when he tried to pay his bill the barber again replied, "I cannot accept money from you, I'm doing community service this week." The Member of Parliament was very happy and left the shop.

The next morning when the barber opened up, there were a dozen Members of Parliament lined up waiting for a free haircut.

And that, my friends, illustrates the fundamental difference between the citizens of our country and Members of Parliament.

Get Ready to be Penalised

It is very easy for professionals to scare (persuade) clients into taking advice.

What do we mean by this?

Take the example of where we are today.

It doesn't take a genius to realise that tax rates are likely to increase and the ability to avoid tax in the future will be severely restricted.

Therefore persuading a client that, by altering their current structure to achieve flexibility and providing them with the ability to limit their effective tax rate, is relatively easy - or at least a lot easier than it was 18 months ago.

In short, many in this sector have unsurprisingly become scared about what is coming - this is a fairly strong statement but wealthy individuals are genuinely concerned that they will be taxed to the brink of extinction.

The problem is that it won't stop at tax and, unless you are absolutely clear in what you are doing, trying to avoid the tax could cost you a lot more in penalties if you get it wrong going forward.

Tax related penalties are not something that many of you will ever have been particularly concerned about. This is hardly surprising because it isn't something that most professionals have been particularly concerned about.

This is all about to change.

Luckily for you the details of this are far too long winded to get on one side of A4.

Unluckily for you we are of a very generous disposition and have attached our take on the new penalty regime.

The main points to take away from this

1. If you thought by getting it wrong all you had to lose was tax forget it - penalties are increasingly a revenue raiser for HMRC.
2. Employ an adviser who knows what they are doing - this could well be your get out of gaol card if things are challenged.
3. Ignorance is no defence

Watch this space - indirect forms of Revenue raising are firmly on the Government's agenda - good luck with the attached.

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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