



Chavereys

CHARTERED
ACCOUNTANTS

Monthly
Farming
Uppdate

October 2011

I Policy issues

- 1 Defra has announced new food labelling guidance for food and drink manufacturers whereby food packaging should only carry either a “use by” or “best before” date.
- 2 Euro MPs have supported a European Commission proposal to increase spending on research into ways to increase food production by 46 per cent to €80 billions in the 2014-2020 budget period.
- 3 The Soil Association has published “The Road to 2020”, its strategy for the next decade emphasising innovation to ensure research is translated into practice and policy.
- 4 The NFU has published “The Principles of Good Practice” which outlines plans to develop a Europe-wide code of practice to fight food chain bullies.

II CAP (etc.) support details/payments

- 1 A slight surge in the £ on the final day of the Single Payment year left the € at 86p.

III Grants/regulations/legislation/environment

- 1 The Rural Payments Agency is making available grants to fresh produce trade organisations to fund up to 50 per cent of marketing and promotional costs. The organisation must fund at least 20 per cent of the costs itself with the balance either financed by the applicant or via an industry levy.
- 2 Collaborative research projects announced by the Technology Strategy Board involving funding of £16 millions include high value protein concentrates from wheat-bioethanol through recovery of yeast protein, and reducing the fibre content of distiller’s dried grains; improving the sustainability and quality of DDGS, the high-protein animal feed co-product from bioethanol production, by using triticale as a biofuel feedstock; the development of lupins as a sustainable protein source for UK Agriculture and Aquaculture; fish food innovation by substituting sustainable plant-sourced proteins for fishmeal; development of protein-rich and starch-rich fractions from faba beans for salmon and terrestrial animal production; production of leaf-protein concentrate; increasing sustainable protein production from oilseed rape and optimising the use of high protein rapemeal for animal feed.
- 3 A survey undertaken by Voluntary Initiative and Catchment Sensitive Farming has shown that 85 per cent of all respondents had undertaken a soil protection review; 75 per cent had soil management plans; 88 per cent considered compaction to have taken place on their farms; 69 per cent considered drainage to be reasonably effective; 63 per cent did not consider the risks of pesticides reaching watercourses through erosion, run-off or drainage to be significant; 47 per cent had tramlines running up and down slopes; 60 per cent would avoid spraying when the weather and soil conditions could lead to pesticide loss; 73 per cent admitted spraying in less than ideal conditions to overcome work backlogs.
- 4 The Health Protection Agency has revealed that 250 people were diagnosed with E.coli O157 between December 2010 and July 2011 yet the outbreak was kept secret. Of those taken ill 74 had hospital treatment. The suggestion is that the outbreak was linked to raw loose leeks and potatoes from sacks but the source of the outbreak has not been identified.
- 5 The Campaign for the Farmed Environment is asking growers for support to meet targets for Voluntary Measures by leaving stubble to green up over winter before applying glyphosate in Spring and not ploughing before February 14.

- 6 The Vion food group has been awarded £2 millions by Scottish Enterprise and Skills Development Scotland to invest in skills and training at its pork processing facility in West Lothian.
- 7 Research from AB Sustain shows that more than half of consumers believe major food businesses are only “playing at being green”. As many as 80 per cent of those polled want retailers and producers to commit to tackling climate change.

IV Other matters of farm finance and tenure

- 1 Rabobank has forecast that the world is facing a period of significant agricultural commodity scarcity that is set to last for at least 10 years and that prices will inevitably move upwards.
- 2 Although the deadline for payment was 1 October, the RPA processed payments totalling £566,000 to all 22 claimants by mid-August in respect of compensation for losses caused by the German E.coli outbreak.
- 3 The latest Knight Frank “Farmland Index” reports the average value of English farmland fell by 1 per cent in the 3 months to September.

V Product prices

A. Crops

- 1 With the Northern Hemisphere harvest largely complete the market is clearer on the results of the 2011 crop: yields for wheat and barley were down, but not as bad as previously expected and with the upside of good milling/malting quality (unfortunately resulting in reducing premiums); oilseed rape, pea and bean yields are thought to be above the five year average. Elsewhere, spring wheat yields in the US are reported to be below expectation and the US maize crop estimates have been revised heavily downwards. However, eyes are now turning to the planting conditions of the 2012 harvest: The International Grains Council currently predicts the 2012 wheat area up by 1.5% on 2010 and the Ukraine is suffering from dry planting conditions which are leading to concern over the crop’s strength to last the harsh winter. In its September report, the International Grains Council predicted the 2010/11 harvest total grains yield marginally up at 1,750 million tonnes (41 million tonnes below the expected consumption) and the 2011/12 harvest yield is now estimated half of one per cent lower at 1,806 million tonnes (14 million tonnes below expected consumption). The Greek debt crisis and associated concerns over other countries is dragging prices down whilst commodity market traders and currency fluctuations are adding an additional element of unpredictability to the market. LIFFE feed wheat futures have weakened significantly this month as the true harvest outcome (ie not as bad as originally predicted) became clearer. In late September, deliveries for November 2011, 2012 and 2013 stood at £151/tonne (down £20), £143/tonne (down £12) and £151/tonne (down £5) respectively. Average spot prices in late September (£/tonne ex-farm): feed wheat 151; milling wheat 166; feed barley 150; oilseed rape 358; feed peas 184; feed beans 190.
- 2 The average potato price has fallen further this month, dipping to an unsustainable level. By late September, the weekly average was down to £109/tonne, £11 below prices a month earlier and £38 below those in September 2010. It was the free-market price that showed the true picture, which was of a volatile but weak market; having jumped 10% at the start of September, the price has again tailed off over the remainder of the month to close up overall £5 at £95/tonne. The high 2011 crop yields that are generally being reported, combined with favourable harvesting conditions, short supply of long-term storage and a declining public demand are all contributing to the current flat price levels.

Growers that can store, are doing so, with the result that further saturation of the market later on in the season is entirely possible – expect volatility.

By late September: King Edward prices were down to between £125 and £165/tonne for grade one. Desiree prices were back even further at £100 to £130/tonne for grade one; the prices for other red varieties were similar. Estima prices were back to between £65 and £85/tonne for grade one and Maris Piper prices were also down by similar levels to between £100 and £120/tonne for grade one.

B. Livestock

- 1 Steer prices improved marginally during September, the average peaked at 180p/kg before dropping back to close at 179p/kg lw, up 2p/kg (1 per cent) above late August and 38p/kg above the price a year earlier. The average heifer price improved on the opening position over the course of September, out-performing steer prices, but again dropping back late on. By the end of September the premium over steers had increased to 5p/kg, giving an average price of 184p/kg lw, 34p/kg above prices a year ago. Average dairy cow prices dropped back this month, to a closing position of £1,202 (£1,047 a year earlier). Prices are still volatile.
- 2 Finished lamb prices continued to weaken this month, dropping throughout the month by a total of 10p/kg lw (5 per cent). Prices remain above those seen in previous seasons albeit to a lesser extent than in recent months. By the end of September the average stood at 166p/kg lw; 14p/kg above the price a year earlier.
- 3 The average pig price returned to seasonal expectation, dropping back a further 4p/kg over the course of September but remaining above the price a year earlier. The average price by the end of September was 145p/kg lw, 5p/kg above the average in September 2010.
- 4 The average UK farmgate milk price for July (reported in September) was 0.58ppl above the June close and well above the seasonal average of recent years; the July average of 27.20 ppl is 12 per cent higher than the average price a year earlier. Milk quota has also gained a bit of strength as the average price for clean 4 per cent butterfat holdings at the end of September stood at 0.44ppl. Leased quota (also 4 per cent butterfat) remained static at 0.07ppl.

VI Other crop news

- 1 Defra has granted approval to Rothamsted Research to undertaken field trials of genetically modified wheat grown to repel aphids.
- 2 Agreement has been reached whereby mycotoxin tests will not be required for the remainder of the 2011 crop marketing year.
- 3 The June 2011 Scottish agriculture census shows that the cereals area increased by 4.9 per cent to 1,104,000 acres; wheat increased by 9,869 acres; barley by 44,789 acres; oilseed rape increased by 6.7 per cent to 94,856 acres.
- 4 Scientists at the University of Edinburgh have uncovered what is happening inside cells and have found an enzyme NADPH oxidase which reduces cell deaths. It is hoped the research will help produce disease resistant varieties.
- 5 ADAS has warned of an early release of phoma spores which will affect oilseed rape crops.
- 6 The 2011 potato planted area for Great Britain is 312,160 acres, down 0.4 per cent on 2010.
- 7 Nematicide maximum residue exceedances in some potato crops are being linked to the fosthiazate-based nematicide Nemathorin which is used to control potato cyst nematode, wireworm and spraing vectors in potatoes.

- 8 Taypack and Pseedco have agreed a 5-year contract with the James Hutton Institute's Mylnefield Research Service to continue a potato breeding programme that started in 2005.
- 9 Harper Adams University College and the James Hutton Institute have joined forces to investigate whether temperature and climate change affect the growth of potato cyst nematodes.
- 10 Research carried out by the University of Warwick on behalf of the Horticultural Development Council has suggested that yields of Brussels sprouts could double if varieties are grown that are less susceptible to turnip yellow virus. In the 2010/11 season, up to 60 per cent of cauliflower crops and 55 per cent of Brussels sprouts were infected with the virus.
- 11 Elsoms Seeds has developed Shiraz, the first commercially available purple mangetout.
- 12 Research undertaken by the National Trust has shown that 53 per cent of the UK population eat at least one apple per week but, of those, 41 per cent cannot identify home-grown varieties. Of the total, 61 per cent believed the Granny Smith was grown in the UK while 23 per cent thought Pink Lady was too.
- 13 English Apples & Pears has forecast that the 2011 bramley crop will be 17 per cent down on 2010.
- 14 Marks & Spencer has commissioned the commercial breeding of Bambinella, a "micro pear", the size of a large cherry.
- 15 The Horticultural Development Council has published a new guide on how growers can avoid pesticide residues on raspberry crops.
- 16 The July takeover of Sussex Mushrooms by Monaghan Mushrooms is being investigated by The Office of Fair Trading.
- 17 Trials at East Malling Research have shown that wild solitary bees and bumblebees are key to high-yielding blackcurrant harvests and larger, more uniform berry size, especially during poorer weather.
- 18 Data from British Summer Fruits suggests that the UK blueberry crop could reach 1,000 tonnes this year compared to 700 tonnes in 2010.
- 19 Waitrose has marketed the first commercial crop of grapes grown in the UK, Muscat of Alexandria, grown at Chatsworth House.
- 20 Peterborough Renewable Energy Limited is in talks with Dutch partners to create a 100 hectare glasshouse complex using waste heat and carbon dioxide which could create 1,500 jobs. A 3 hectare trial glasshouse is to be built in 2012 to determine the options for different crops. The firm is also considering an even larger glasshouse complex alongside a 48MW energy park in Sutton Bridge, Lincolnshire.
- 21 Hargreaves Plants has bought the Huntingdon glasshouse site of RA Meredith & Son. The 18 acre site will be used to grow soft-fruit plants.

VII Other livestock news

- 1 Services at 8 of the 16 regional veterinary centres run by the Animal Health and Veterinary Laboratories Agency will close over the next 2 years. Bristol, Thursk and Truro will close by April 2012 while Aberyswyth, Carmathen, Luddington, Preston and Winchester will close in the following year.
- 2 The June 2011 Scottish agriculture census shows the number of cattle decreased by 1.2 per cent to 1.8m; the dairy herd decreased by 1.2 per cent; sheep numbers rose by 0.7 per cent to 6.8m; pig numbers fell 5 per cent to 389,995; layers were up by 10.2 per cent.

- 3 The latest Defra figures relating to bovine TB for the first 6 months of the year show 18,840 cattle were slaughtered as TB reactors, inconclusive reactors and dangerous contacts compared to 17,365 in the same period in 2010; new herd incidents rose by 3.9 per cent to 2,713.
- 4 A team from Warwick University has concluded that livestock farmers should be made to tell buyers whether they have problems in their herds such as Johne's Disease or Infectious Bovine Rhinotracheitis.
- 5 The Food Standards Agency has decided to advise the Government not to lift a ban on the use of processed animal protein in non-ruminant feed.
- 6 Foot-and-mouth disease in domestic cattle has been confirmed in Paraguay.
- 7 Rabobank has forecast the international dairy commodity market will deteriorate in the final quarter of 2011 as a result of reduced demand in the US and the EU and lower imports by China and Russia.
- 8 The Defra June survey shows the number of dairy animals over 2 years fell by 2.7 per cent over the past year, possibly, according to DairyCo, due to the high cull cow price. The number of younger dairy bred females less than one year old increased by 2.3 per cent suggesting some longer term herd rebuilding.
- 9 Tesco had increased its milk price to 30.21ppl for those participating in Promar and 29.771 for other producers. Meadow Foods has increased its producer milk price by 1.67 ppl to 28.38ppl for all areas other than Cumbria where the price is 28.46ppl.
- 10 Milk Link is to increase the capacity of its Lockerbie creamery by 12,000 tonnes of cheese to 37,000 tonnes requiring an additional 120 million litres of milk.
- 11 First Milk has increased its liquid pool producer price by 1.5ppl from 1 October to 27.9ppl. Milk for cheese will increase by 1ppl to 27.5ppl.
- 12 Arla has been granted planning consent for its new £150 millions processing dairy in Aylesbury.
- 13 Irish-owned Dawn Meats has acquired Duerden Wholesale Meats abattoir at Ulverston.
- 14 The council of the National Sheep Association has agreed in principle to support the creation of a movement database for sheep.

VIII Inputs/Supply businesses

- 1 The global price for granular urea appears to have peaked at £345 per tonne with bagged delivered prices in the £390-£420 per tonne range. AN34.5 for November will be 20 per cent up on 2010 at £320-£330 per tonne.
- 2 SOLA approval has been granted for DuPont's insecticide Explicit on soft and top fruit.
- 3 The Metaldehyde Stewardship Group has produced a new slug pellet machinery settings chart.
- 4 The Horticultural Development Company has been granted an extension of permission for the use of Rocket EC to control powdery mildew in protected cucumber crops.
- 5 A decision of the Appeals Committee in Brussels has confirmed the sale of asulam will cease on 31 December and all stocks must be used by 12 months thereafter. Asulam is used for bracken control.

IX Marketing

- 1 Kantar Worldpanel figures for the 12 weeks to the beginning of September show Morrisons recording growth of 5.3 per cent in the grocery market; Sainsbury's 4.8 per cent; Tesco 3 per cent; Asda 2.2 per cent.

- 2 The UK's first Potato Week takes place between 1-7 October to educate consumers about the vegetable.
- 3 The European Court of Justice has ruled that honey containing even small traces of pollen from genetically modified plants must receive prior EU authorisation before it can be sold as food.
- 4 Agrovista has formed a strategic alliance with Openfield.
- 5 A survey of 3,000 people in July revealed that 31 per cent of consumers had no idea when British runner beans were in season. In 2010 only 12 per cent of households bought British runner beans, down by a quarter on the previous 5 years.
- 6 Florette is planning a £5 millions marketing campaign in 2012 for its bagged salad range.

X Miscellaneous

- 1 Lord Taylor of Holbeach has been appointed a Defra Minister in the House of Lords replacing Lord Henley.
- 2 The Royal Agricultural Society's Research Medal has been awarded to Professor Keith Edwards of the University of Bristol for his work using genomics-based technologies to identify, map, isolate, manipulate and express different genetic variants in wheat quality and performance.
- 3 Professor Tim Benton of Leeds University has been appointed co-ordinator and spokesperson of the Global Food Security programme which brings together the UK's main public funders of food security related research.
- 4 Christine Tacon of The Co-operative Farms is to leave the business and join the Government's Strategic Regulatory Review Panel.
- 5 FW "Buddy" Mansfield has died age 86, having created the largest fruit grower and packer in the UK.
- 6 Proven Energy, which has a manufacturing facility in Ayrshire and has about 500 wind turbines operating in Scotland, has gone into administration.

Postscripts

Economy Recovery Plan

Dear Mr Cameron,

Herewith a suggestion for fixing the UK's economy, the Patriotic Retirement Plan:

There are about 10 million people over 50 in the work force.

Pay them £1 million each severance for early retirement with the following stipulations:

- 1) They **MUST** retire.
Ten million job openings – unemployment fixed
- 2) They **MUST** buy a new British car.
Ten million cars ordered – Car industry fixed
- 3) They **MUST** either buy a house or pay off their mortgage –
Housing crisis fixed

Monthly Farming Update

- 4) They MUST send their children to school/college/university –
Crime rate fixed
- 5) They MUST buy £100 WORTH of alcohol/tobacco a week ...
And there's your money back in duty/tax etc.

It can't get any easier than that!

Also ...

Let's put the pensioners in jail and the criminals in a nursing home.

This way the pensioners would have access to showers, hobbies and walks.

They'd received unlimited free prescriptions, dental and medical treatment, wheel chairs etc. and they'd receive money instead of paying it out.

They would have constant video monitoring, so they could be helped instantly, if they fell, or needed assistance.

Bedding would be washed twice a week, and all clothing would be ironed and returned to them.

A guard would check on them every 20 minutes and bring their meals and snacks to their cell.

They would have family visits in a suite built for that purpose.

They would have access to library, weight room, spiritual counselling, pool and education.

Simple clothing, shoes, slippers, PJ's and legal aid would be free, on request.

Private, secure rooms for all, with an exercise outdoor yard, with gardens.

Each senior could have a PC a TV radio and daily phone calls.

There would be a board of directors to hear complaints, and the guards would have a code of conduct that would be strictly adhered to.

The criminals would get cold food, be left all alone and unsupervised. Lights off at 8pm and showers once a week. Live in a tiny room and pay £600.00 per week and have no hope of ever getting out.

Monthly Farming Update

Vitamin C (hina)?

Dear Edward M & Edward B,

Subject – Cheer Up!

I realise that things are hard, the global economy is suffering and your party is too. Unlike Mr Blair with his five star lifestyle you two are confined to the Travelodge in Liverpool with nothing more than a soggy ham sandwich and Harriet Harman to tuck you in.

A word of advice though, being miserable doesn't help. A smile and some positive words may actually improve your lot. Even Mr Cable looks cheerful compared to you two.

Yours

N Holmes

Enough with politics, let's talk China, or Chinese oranges to be precise. Whilst thumbing a copy of a well known investment journal I came across 'Asian Citrus', the largest grower and operator of orange plantations in China.

It is fascinating for any number of reasons. Firstly its share price has bombed yet its growth prospects and financial position appear very strong.

It also operates in Renminbi and therefore provides exposure to a currency that one assumes has to strengthen.

These are the positives.

The negatives that are coming to the fore are the fact it seems to be controlled in some shape or form by too few and there are questions marks over the accuracy of its accounts. All of this is alleged.

Indeed as I write its shares have bombed further because of its ties to another Chinese company which is being investigated for insider trading.

So with a company like this you have some massive upsides but also some massive downsides. I believe the same is true of many of these emerging economies (and French Banks).

Can we actually believe what we are being told, how reliable are the numbers? I have no reason to believe that Asian Citrus results are anything but accurate but it does concern me.

Over the next few years we will learn that some growth is real and some is made to look real. Just like the banking crisis.

The banking crisis may be coming to a head but the next one will be yet another crisis, this time in emerging economies, caused by creative and in some cases fraudulent accounting.

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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