

# Monthly Farming Update

Chavereys

CHARTERED  
ACCOUNTANTS



September 2011

### **I Policy issues**

- 1 The industry has reacted with concern at the contents of a leaked document which purports to set out proposals to reform the Common Agricultural Policy. The “document” suggests that 30 per cent of direct payments would be conditional on farmers complying with compulsory environmental measures including crop diversification – farmers with more than 7.5 acres of arable land would be required to grow at least 3 crops each covering more than 5 per cent of land but none more than 70 per cent; permanent grassland; ecological focus area – farmers would be required to devote at least 5 per cent of land excluding permanent pasture, to ecological purposes. In addition capping is proposed for those farms in receipt of payments over €150,000. It is estimated that 837 farms in the UK would be affected. This has led some commentators to propose that potentially affected farms instigate “avoidance” measures despite warnings that “abusive” “avoidance” measures will risk severe penalties.

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

- 1 As many as 27 of the UK’s Producer Organisations are reported to have been de-recognised following a review by the Rural Payments Agency although no public announcement has yet been made. The main criteria for de-recognition appears to have been the use of independent marketing agents.
- 2 The Rural Payments Agency is investigating incidences of dual use payment claims, for example when one person claims the Single Farm Payment and another Entry Level Stewardship in respect of the same parcel of land as it has been suggested that the EU may end the practice.

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

- 1 The Pan-European Common Bird Monitoring Scheme, which has studied population figures for 145 common bird species in 25 European countries between 1980 and 2009, has found that farmland birds account for half of the top ten most threatened birds across Europe and were at an all time low. The grey partridge has declined by 90 per cent in the UK while the linnet has declined by 57 per cent; the wheatear by 69 per cent; the black-tailed godwit 55 per cent; the meadow pipit 51 per cent; the lesser grey shrike 50 per cent.
- 2 Figures released by the Environment Agency and the NFU suggest that, of the two-thirds of farmers who have checked whether their land is in a Nitrate Vulnerable Zone, only half have taken measures to ensure they have enough slurry storage to avoid nitrate pollution incidents.
- 3 The area used to grow organic vegetables has fallen by 5 per cent to 18,000 hectares according to Defra while the overall organic area has fallen by 3 per cent between 2009 and 2010. The number of organic producers fell 4 per cent to 7,300.
- 4 The NFU has launched its 5-yearly water survey to ascertain water use on farms.
- 5 Organic Recycling, the UK’s largest composting firm, is to build an anaerobic digestion plant and biomass boiler at its energy and recycling park between Peterborough and Spalding.

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

- 1 Despite the EU creating a budget of £200 millions to compensate growers hit by the E.coli crisis, British salad businesses have only claimed £574,500. The small amount is due to the UK Government having to put in place systems for the scheme including the establishment of a designated authority to regulate dumped produce which other European countries already had in place.

- 2 RICS figures for the first 6 months of the year report an average farmland value of £6,115 per acre. All areas of the UK have seen increases apart from the North West and Wales which recorded falls. Demand was primarily from commercial farmers seeking to expand production on the back of higher commodity prices.
- 3 An NFU survey has shown that about 20 per cent of farming businesses expect an increase in profits this year compared to 13 per cent last year although 30 per cent report a worsening situation or said they had fears about survival. In the dairy sector 42 per cent reported worsening profits.
- 4 The East Malling Trust has established East Malling Short Courses to provide courses and workshops for land-based businesses.

## V Product prices

### A. Crops

- 1 Harvest in parts of the Northern Hemisphere has had significant disruption from rainfall this month, particularly in Germany. Less affected, the French wheat harvest is reported to be complete, with good protein and specific weight results, whilst in the US there are concerns over the outcome from the spring wheat harvest. The International Grains Council's August release estimates the 2010/11 harvest total grains yield fractionally down at 1,748 million tonnes (42 million tonnes below expected consumption) and estimates the 2011/12 harvest grains yield as slightly lower at 1,808 million tonnes (8 million tonnes below expected consumption). Concerns over the quality of the German crop following the persistent rain are adding a further bullish factor to the mix, whilst knock-on from the predicted poor outcome of the US maize harvest is having a positive effect on other grain prices. Meanwhile the ongoing global economic issues are still stirring in the background. LIFFE feed wheat futures have been somewhat fluctuant this month; overall futures have strengthened in the short and medium term, whilst the longer term futures have dropped back by a small fraction. In late August, deliveries for November 2011, 2012 and 2013 stood at £171/tonne (up £6), £160/tonne (up £5) and £148/tonne (down £1) respectively.  
Average spot prices in late August (£/tonne ex-farm): feed wheat 159; milling wheat 175; feed barley 149; oilseed rape 359; feed peas 182; feed beans 190.
- 2 The average potato price has continued to tumble, leaving many growers reeling. By late August, the average price was down to £120/tonne, £23 below prices in late July and £50 below those a year ago. This however hides the grim reality, due to the level of movement under contract (and therefore pre-agreed prices). The free-market average price has dropped to £90/tonne; only just above half the £171/tonne seen a year earlier. The predominant reason is that the current year harvest is progressing well, marginally ahead when compared to this last season and the season before and good yields and quality appear to be predicted across the UK. By late August: King Edward prices were slightly lower at between £200 and £220/tonne for grade one. Desiree prices were down by a greater margin to between £160 and £190/tonne for grade one, whilst the prices for other red varieties were lower still at between £140 and £170/tonne. Estima prices have somewhat collapsed, ranging from £70 and £100/tonne for grade one and Maris Piper prices have similarly dropped to between £100 and £120/tonne for grade one.

## B. Livestock

- 1 Steer prices improved further this month, peaking at 178p/kg lw in the latter stages but closing slightly below. By the end of August the average finished steer price was 177p/kg lw, up 6p/kg (3 per cent) from last month's close and 29p/kg above the price a year earlier. The average heifer price tracked a similar path and by the end of August the premium over steers had gained a penny to 4p/kg, giving an average price of 181p/kg lw, 26p above prices a year ago. Average dairy cow prices varied considerably over the course of the month dropping as low as £1,213, but closing marginally down on last month at £1,393 (£1,267 in late August 2010).
- 2 Finished new season lamb prices weakened overall during August. Having gained 5p/kg early on, the price then dropped over the remainder of the month to close 8p/kg lw down. Whilst prices are well above those seen in previous seasons, the poor New Zealand market has been bolstered by a favourable lambing period and the resulting high lambing rates. By the end of July the new season average stood at 176p/kg lw; 18p/kg above the price a year earlier.
- 3 The average pig price has reverted back to seasonal trend, dropping back in line with last year's prices, albeit tracking slightly higher. The average price by the end of August was 149p/kg lw, remaining 6p/kg above the average twelve months ago.
- 4 The average UK farmgate milk price for June (as reported at the end of August) was 0.23ppl higher than May, exceeding the last peak seen in March. The June average of 26.61ppl sits 11 per cent higher than the average price a year earlier. Milk quota continued to slide this month with the average price for clean 4% butterfat holdings at the end of August down to 0.31ppl. Leased quote (also 4% butterfat) held steady at 0.07ppl.

## VI Other crop news

- 1 In reporting on the results from its trial sites, HGCA has advised that soil types in the East of the country have had more influence on winter wheat yields than dry weather conditions. Crops in the West are close to the 5-year average while those in the East are below average particularly those grown on shallow and sandy land. Later maturing varieties such as Invicta have performed better than early maturing varieties indicating that they have benefited from late rains.
- 2 The UK Cereal Pathogen Virulence Survey has announced that Group 3 winter wheat Warrior and Group 4 variety Stigg have become susceptible to a new race of brown rust.
- 3 Simpsons Malt of Berwick-upon-Tweed has bought grain merchant John Guthrie of Forfar, Angus.
- 4 Winter-sown linseed is expected to increase from 11,000 acres to 20,000 acres this season in response to increased demand for use in livestock rations, in particular the introduction of a linseed-based feed by BOCM PAULS.
- 5 The latest Potato Council estimate of 2011 plantings shows that Maris Piper remains the dominant variety at 17 per cent of the planted area although its area has fallen by 6 per cent. Estima remains second favourite although the planted area is down 11 per cent while the area of Desiree is up 36 per cent and Melody is up 27 per cent.
- 6 The Scottish Government's Science and Advice for Scottish Agriculture has downgraded 8 per cent of this season's potato seed crop and rejected a further 1.5 per cent as a result of blackleg infection, double the incidence of last year.
- 7 The EU standing committee has concluded that the Epitrix potato flea beetle poses a serious risk to the UK potato industry and is to introduce emergency measures to prevent the spread of the beetle from Spain and Portugal.

- 8 La Bonnotte, reputedly the world's most expensive variety of potato, traditionally grown on the French island of Noirmoutier, has gone on sale in Tesco having been grown on Jersey by The Jersey Royal Company.
- 9 A unique collection of information about the disease resistance of 96 of the world's onion varieties has been developed by the Warwick Crop Centre in the School of Life Sciences at the University of Warwick.
- 10 Tesco is to stock a "rainbow pack" of orange, emerald green, pink and white varieties of cauliflower grown by Clements of Benington in Lincolnshire.
- 11 The UK 2011/12 apple crop is forecast to be about 219,000 tonnes, up 5 per cent on its 3-year average. The EU crop is also forecast to be up 5 per cent but this is still 5 per cent below its 3-year average. Poland, the biggest producer, is forecast to be 10 per cent down on its 3-year average; France is 4 per cent up on average; Italy 1 per cent up; Germany 9 per cent down; Greece 4 per cent down; Hungary 39 per cent down; Romania 11 per cent down.
- 12 The annual Horsmonden Hard Fruit Sale auctioned 335 acres of top fruit with Conference and Comice averaging £2,335 per acre while Gala, Queen Cox and Braeburn averaged £2,118 per acre.
- 13 Storms hit Belgium in the middle of last month affecting 20 per cent of the country's orchards and damaging 10 per cent of the top-fruit crop.
- 14 The overall winter of the 2011 prestigious Goudhurst and Paddock Wood NFU orchard competition was Bardsley and Sons near Maidstone.
- 15 Sainsbury's is expected to sell 10,000 fruits of Chanterais and Cantaloupe melons grown on 4.5 hectares in Kent.
- 16 S & A Produce has secured an agreement with Italian fruit growers Salvi Vivai and Vivai Mazzoni and plant breeder Consorzio Italivano Vivaisti to grow the strawberry variety Capri in the UK.
- 17 APS salads of Cheshire has purchased the 28 hectare former Europa site near Canterbury. The site includes 7 hectares of glass.
- 18 An outbreak of the Potato spindle tuber viroid has hit a tomato nursery in the north of England, only the second ever outbreak in the UK.
- 19 Countrywide has acquired grain trader Heart of England Grain Co as well as Heart of England Country Feeds.

## **VII Other livestock news**

- 1 An independent survey has revealed that 60 per cent of the general public support badger culling as a means of controlling bovine TB. Over two-thirds of those surveyed were aware that cattle contract TB and 50% agreed badgers could spread the disease.
- 2 The Camelid TB Support Group has signed contracts with AHVLA Weybridge to conduct a study to examine whether technology could improve diagnosis of bovine TB in alpacas.
- 3 The London School of Hygiene and Tropical Medicine has successfully assembled the bluetongue virus outside a cell which could provide the tools to develop better vaccines.
- 4 Initial analysis of the annual Eblex Business Pointers costs-of-production benchmarking data shows that beef and sheep producers in the top-third are showing positive margins and that physical performance has improved for most of the seven types of enterprise under examination. Only lowland suckler herds saw a worsening physical performance.

- 5 Latest data shows that worldwide exports of beef from the UK were up 40 per cent from January to June compared to the same period last year. Lamb exports, which account for about 30 per cent of production, rose by 5.8 per cent. In value terms beef exports were up 33 per cent and lamb 13 per cent. This is in contrast to imports where beef was down 3 per cent and sheep meat down 18 per cent.
- 6 The latest Eblex half-year beef market outlook reports an increase in beef and veal production levels of 8 per cent; a reduction in the national suckler herd to 2009 levels by the end of 2011; lower carcass weights for all prime cattle and cows as producers seek to mitigate high feed costs and limited winter forage supplies; lower imported fresh and frozen beef volumes.
- 7 Marks & Spencer has increased its standard milk price by 2.307ppl to 31.737ppl.
- 8 The 2011 DairyCo farmer intentions survey shows 13 per cent of dairy farmers are planning to leave the industry in the next 2 years compared to 9 per cent last year.
- 9 Robert Wiseman is to increase the price of liquid milk by 1.85ppl from October to 28.425ppl.
- 10 A new abattoir, Leicestershire Quality Meat, has opened at Six Hills near Melton Mowbray.

### **VIII Inputs/Supply businesses**

- 1 A shortage of metazachlor-based products is forecast this season as a consequence of the increased oilseed rape acreage, a breakdown at a major manufacturing plant and increased demand from Europe.
- 2 The Chemicals Regulation Directorate has given approval for the full-rate use of herbicide Lexus SX in sequence with other sulfonylurea herbicides for black-grass control in cereals.
- 3 United Agri Products Ltd has been acquired by Masstock Arable (UK) Ltd, part of Origin Enterprises plc.

### **IX Marketing**

- 1 In an adjudication on advertisements placed by Birds Eye, the Advertising Standards Authority has ruled that comparative nutrition claims between frozen and fresh vegetables must be supported by appropriate evidence.
- 2 Market research agency acting for the Crop Protection Association has revealed that shoppers want the UK to become more self-sufficient in food production and believe that the Government should take the lead in using science to maintain a reliable supply of high-quality, affordable food.
- 3 Arla, Dairy Crest, McLelland, Safeway, Sainsbury's Tesco, The Cheese Company and Wiseman have been fined a total of £50 millions by the Office of Fair Trading for infringing the Competition Act in respect of dairy product retail pricing in 2002 and 2003.
- 4 An independent study has revealed that the Safe & Local Supplier Approval is the most reliable food safety standard for micro and small food businesses in the UK.
- 5 Riverford Organic Produce has taken over West Midlands-based Boxfresh-Flights.

**X Miscellaneous**

- 1 NFU Mutual has revealed a 17 per cent increase in “agricrime” over the past 2 years costing nearly £50 millions.
- 2 Tractor registrations in July were 1,419, down 4.3 per cent on last year but overall this year registrations are up 1.7 per cent at 9,415 units.
- 3 One of the largest solar photovoltaic systems in the UK, covering 30 acres, has been grid connected at Ebbsfleet in Thanet by a partnership of St Nicholas Court Farms and Vogt Solar of Germany.
- 4 HRH the Duchess of Cornwall is the new president of the United Kingdom Vineyards Association.
- 5 The Institute of Food Science & Technology is to host a conference entitled “The Changing Face of Auditing” at the Eastwood Park Conference Centre in Gloucestershire on 13 October.

## Postscripts

### More examples of the impact of the teaching profession!

#### HOLIDAYS

On our activity holiday Dad wanted to ride the horses, but mom said they were too ekspensiv.

#### MATHS

If it is less than 90 degrees it is a cute angel.

#### SCIENCE

Helicopters are cleverer than planes. Not only can they fly through the air they can also hover.

#### GEOGRAPHY

In Scandinavia, the Danish people come from Denmark, the Norwegians come from Norway and the Lapdancers come from Lapland.

# Monthly Farming Update

## Wet Dreams

It was about this time last year that everyone decided they would explore an investment in Renewables.

Sadly, but predictably, the dreams of fabulous long term inflation proof income streams have evaporated for most and as a sector we have realised that many projects have less chance of succeeding financially than Colonel Gaddafi's bid for The Nobel Peace Prize.

A more measured approach to renewables seems to be now taking place and the feeding frenzy has died down. We should now (hopefully) be left with the solid advisers and installers who we can trust to provide sustainable and financially viable projects which is a large positive as far as we are concerned.

But what alternatives are out there for those serial diversifiers. Renewables have gone for most, the commercial market is dead and residential is too much hassle on the planning front .... well what about two atoms of hydrogen and one of oxygen.

Water has obviously had a lot of attention this year driven by drought and the realisation that maybe the ability to produce water hungry crops is something of a strategic need for the UK. This brings us to the concept of virtual water.

**Virtual water** is the amount of water that is embedded in food or other products needed for its production. For example, to produce one kilogram of wheat we need about 1,000 litres of water, i.e. the virtual water of this kilogram of wheat is 1,000 litres. For meat, we need about five to ten times more.

**Virtual water trade** refers to the idea that when goods and services are exchanged, so is virtual water. When a country imports one tonne of wheat instead of producing it domestically, it is saving about 1,300 cubic metres of real indigenous water. If this country is water-scarce, the water that is 'saved' can be used towards other means. If the exporting country is water-scarce, however, it has exported 1,300 cubic metres of virtual water since the real water used to grow the wheat will no longer be available for other purposes. This has obvious strategic implications for countries that are water-constrained.

This is a concept that has been around for some years and, as of yet, has not really focused too much attention but it doesn't take much imagination to see that this could become a measure as relevant (or more) as carbon emissions. Some countries are already discouraging exports of water hungry fruit and vegetables and one assumes this will only be on the increase.

Whether or not you need the water yourself, the ability to control a reasonable quantity is going to pay dividends over the coming years. Our prediction is that run of the mill irrigable land will hit £1,000 an acre in the next 10 years. Now is the time to invest.

Sweet dreams.

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 Gleed

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