



CHAVEREYS

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MONTHLY FARMING UPDATE

December 2017



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I Policy issues

- 1 The Defra budget, which was £3.1 billions in 2008 but fell to £1.6 billions in 2017/18, has been further cut to £1.5 billions for each of the years 2018-20.
- 2 Defra Secretary Michael Gove has announced plans to “simplify support for farmers to protect and enhance our landscapes and countryside ... and, over the coming weeks and months ... we (will) design a new approach and realise our vision for the future of UK food and farming outside the EU.” An Agriculture Bill is expected to be published next year.
- 3 The Government has announced that “any necessary changes required to UK law are made in a rigorous and comprehensive way to ensure animal sentience is recognised after we leave the EU.” Primary legislation has been proposed to increase maximum sentences for animal cruelty from 6 months to 5 years. A new statutory, independent body is to be created to uphold environmental standards.
- 4 Defra Secretary Michael Gove, has announced plans to create an environmental regulator following Brexit.
- 5 With effect from April 2019, the Scottish Government will take on full responsibility for Scottish national forests.
- 6 Amaeth Cymru - Agriculture Wales has produced ‘The future of agriculture in Wales : the way forward.’

II CAP (etc.) support details/payments

- 1 The Rural Payments Agency has published the official Basic Payment Scheme entitlements as being Non-Severely Disadvantaged Areas €180.46 per hectare, Upland Severely Disadvantaged Areas excluding moorland €178.90 and Upland Severely Disadvantaged Areas covering moorland €49.63. The greening rates are Non-Severely Disadvantaged Areas €77.69 per hectare, Upland Severely Disadvantaged Areas excluding moorland €76.92 and Upland Severely Disadvantaged Areas covering moorland €21.32. The exchange rate is €1 : £0.8947.
- 2 In 2018, four new Countryside Stewardship schemes will be introduced, the Online Arable Offer, the Lowland Grazing Offer, the Upland Offer and the Mixed Farming Offer. The schemes are non-competitive so all farmers who meet the eligibility requirements will be accepted.
- 3 The Welsh Government has forecast that 91 per cent of Basic Payment Scheme claims will have been paid in full on 1 December.
- 4 The Countryside Stewardship Woodland Creation Grant will open on 2 January providing grants of up to £6,800 per hectare to plant and protect trees.
- 5 Additional funding is to be made available for the Hedgerows and Boundaries Grant with an increased application limit of £10,000.

III Grants/regulations/legislation/environment

- 1 New rules will be introduced next April which will require farmers to protect water quality by standardising good farm practices. Farmers will be required to keep soil on the land, match nutrients to crop and soil needs and keep livestock fertilizers and manures out of water.

- 2 Figures to 2016 reveal there has been a 57 per cent fall in the farmland bird population in the last 45 years and an 8 per cent fall in the last 5 years. While the woodland bird population has fallen 25 per cent in the past 45 years, during the past 5 years it has stabilised. Grey partridge, turtle dove and tree sparrow populations have fallen by 90 per cent or more relative to 1970 levels but stock dove and goldfinch populations have more than doubled in the same period. Wood pigeon and jackdaw populations have also doubled but the yellow wagtail has declined by 65 per cent.
- 3 Over 600,000 trees are to be planted at Doddington North Moor, Northumberland over the next two years. The largest planting scheme in decades will cover 350 hectares. In addition, the planting of 200,000 trees covering 170 hectares on the Lowther Park Estate in the Lake District has received approval.
- 4 The National Lottery is to provide £2.3 millions to the project 'Our Common Cause : Our Upland Commons' to conserve and protect common land by preserving wildlife, habitats and architectural features in Dartmoor, Yorkshire Dales, Lake District and the Shropshire Hills Areas of Outstanding Natural Beauty.

IV Other matters of farm finance and tenure

- 1 Revised estimates have been published which show that Total Income from Farming fell by 7.8 per cent between 2015 and 2016 to £3,862 millions. Outputs fell by 4.8 per cent to £23,267 millions caused by volume and price falls in cereals and milk but the weaker exchange rate compensated by an 18 per cent increase in the Basic Payment Scheme. Total Income from Farming per annual work unit fell by 7.1 per cent to £19,168. The contribution of agriculture to the national economy fell by 6 per cent to £8,237 millions.
- 2 The Agricultural Price Index for all outputs in September rose by 8 per cent compared to a year earlier but fell by 0.8 per cent compared to August. The index for inputs rose by 6.4 per cent compared to a year earlier and by 1.8 per cent compared to August.
- 3 Revised estimates have been published for total factor productivity of UK agriculture. Total factor productivity is estimated to have fallen by 2.2 per cent between 2015 and 2016. The volume of all outputs fell by 2.5 per cent as a result of a fall of 7.9 per cent for all crops and a fall of 2.2 per cent for livestock products but this was compensated to a degree by an increase of 2.4 per cent in the output of livestock meat and the volume of inputs by 0.3 per cent.
- 4 In 2016, the agri-food sector contributed £112 billions to national Gross Value Added; it employed 3.9 million people, 13.1 per cent of national employment; the total consumer expenditure on food, drink and catering was £203 billions; and the value of food and drink exports totalled £20.1 billions. Of the Gross Value Added of £112 billions, agriculture and fishing contributed £9 billions and it employed 430,000 people.
- 5 The latest survey conducted by the Association of Labour Providers has revealed that only 30 per cent of members had been able to meet their clients' requirements in the past 3 months and 36 per cent expected to be unable to supply enough workers for the Christmas peak.
- 6 The new style Modern Limited Duration Tenancy came into force in Scotland at the beginning of this month.
- 7 Promar has reported that the profitability of dairy farms in the year to March fell to £13,000 from £26,000 the year before while average debt rose from £2,752 per cow to £2,812 per cow.

- 8 Farmcare, bought by Wellcome Trust from Co-operative Farms for £249 millions in 2014, is to cease operational farming in 2018 and focus on partnerships with agricultural businesses.

V Product prices

A Market background

- 1 The volatility of Sterling against the Euro was even more pronounced this month, from its opening position of 88.4p per €, the rate bounced between 87.9p and 90.1p per € before closing, marginally stronger at 88.1p per €. The US Dollar / Sterling exchange rate performed very differently: from a 75.2p per \$ starting point, and ignoring the daily peaks and troughs, Sterling gained throughout the month to close at 73.9p per \$, 1.3p stronger overall. Crude oil prices, whilst remaining volatile, continued the trend of improvement this month. Brent crude climbed from \$60.44 per barrel to peak early on at \$64, before dropping back below \$62 mid-month but eventually closed at \$63.73 per barrel.

B Crops

- 1 Wheat price movements this month have been small but unpredictable as Sterling exchange rates fluctuated differently against the Euro and Dollar. Argentine weather patterns have shifted from 'too wet' to 'too dry' but without material effect so far, except for raising initial concerns that 'La Niña' might rear its head this year, whilst Australian weather conditions are looking more favourable for the wheat crop. Milling premiums are marginally lower at £14 per tonne, whilst barley prices have improved and pulse prices have continued to tail off steadily. Oilseed prices gained some traction early on, following Soya improvements, but an unexpected increase in Indian import tariffs saw the gains wiped out. LIFFE feed wheat futures fell by a notable margin over the course of the month, with added volatility as it dropped. In late November, deliveries for November 2018 and 2019 stood at £142/tonne (-5) and £143/tonne (-4) respectively. Average spot prices in late November (per tonne ex-farm): feed wheat £136 (+1); milling wheat £150 (+1); feed barley £125 (+3); oilseed rape £310 (-); feed peas £135 (-1); feed beans £144 (-1).
- 2 The average potato price dropped further in the first half of the month but made improvements thereafter. By late November, with harvest finished for the vast majority, growers were taking stock of their crop quality and assessing it for storage viability; it appears many are happier to keep excess crop longer than the market had previously thought which, combined with buyers preparing for 'the Christmas period', has led to recent price improvements. The average price dropped initially from its opening position of £121 per tonne, but eventually improved to a late November close £8 up overall at £129 per tonne, whilst the free-buy average was less affected, climbing marginally from an opening position of £86 per tonne by £3, to a late November close of £89 per tonne.
- 2017 crop prices for grade 1 in late November (per tonne ex-farm): Maris Piper opened up a wide spread of between £70 and £230, whilst Desiree were holding steady at between £110 and £150. King Edward had weakened at the lower end but pushed higher at the top to between £100 and £165, whilst Estima and other white varieties were slightly improved at between £45 and £110.

C Livestock

- 1 Cattle price movements for steers and heifers remain very different. The average finished steer price replicated last month's movements (dropping back materially early on, from the opening position of 193p/kg lw to 186p/kg but spending the remainder of the month recovering) however this month the improvements then continued, reaching a closing average of 197p/kg lw (4p up in the month and 9p/kg above the closing average a year earlier). The average finished heifer price dropped back by 1p from its opening average of 204p/kg lw but then improved for the remainder of the month to close the month 7p higher at 211p/kg lw (7p above the price a year earlier). The average dairy cow price improved from £1,081 per head to £1,221, where it stayed for most of the month, closing at £1,216 (£1,121 at the end of November 2016).
- 2 The lamb market demonstrated further improvement this month. The average new season finished lamb price (SQQ live weight), after dropping back marginally, improved from the opening price of 167 p/kg lw to peak first at 170p, then after dropping back to 168p to peak higher at 172p/kg lw where it closed the month (up 5p in the month but 1p/kg below the average a year earlier).
- 3 Whilst demand in the UK and Europe for pig meat remains steady and the breeding herds in UK and Denmark continue to grow, pig prices continue to fall; this is despite expectation that the Yule season will increase demand and erode the excess animal numbers. The average UK all pig price (APP) dropped from the opening position of 161.0p/kg dw to a closing position of 156.6p/kg dw (down 4.4p/kg, to sit 3.8p/kg above the closing average a year earlier).
- 4 The UK average milk price for September, published in late November, reported further improvements, reaching 30.13ppl (up 0.50p, to sit 7.43ppl above the price a year earlier) well above the 5 year average of 27.35ppl. In comparison to the 'EU28' farmgate milk price, the UK's ranking for September remained static at 18th with the average of 30.13ppl being well below the EU28 weighted average of 33.89ppl).

VI Other crop news

- 1 The International Grains Council has lowered its 2017/18 estimate of global corn stocks by 5 million tonnes to 203 million tonnes, the lowest figure since the end of the 2013/14 season. The cause is believed to be the expansion of the ethanol industry in China.
- 2 The Agricultural Price Index for September rose by 15 per cent for cereals, compared to a year earlier, and by 1.3 per cent compared to August; the index for wheat rose by 15 per cent and 0.8 per cent respectively; the index for barley rose by 15 per cent and 1.9 per cent respectively; and the index for crop products rose by 3.4 per cent compared to a year earlier but fell by 1.9 per cent compared to August. However, the index for potatoes fell by 15 per cent compared to a year earlier and by 13 per cent compared to August.
- 3 In the three months to September the milling, starch and bioethanol industries used 1.807 million tonnes of wheat, up 2.7 per cent on the same period a year earlier. Of the total 1.565 million tonnes was home produced. Brewers, maltsters and distillers used 466,000 tonnes of barley and 212,000 tonnes of wheat, up 4.3 per cent and 19 per cent respectively on a year earlier.
- 4 Vivergo Fuels is to close its plant in Hull which has used 1.1 million tonnes of wheat.
- 5 A Rabobank report 'Watch out ... or they will steal your growth' has suggested the growth of alternative proteins, including plant-based meat substitutes, emerging insect or algae-based products, will increasingly compete with traditional animal proteins.

- 6 The North-Western European Potato Growers group has increased its estimate of the harvest in the UK, France, Germany, Belgium and the Netherlands to 28.9 million tonnes, 17.7 per cent up on last year and 15.6 per cent higher than the five-year average.
- 7 According to WRAP, 5.8 million potatoes are thrown away each year, a total of 730,000 tonnes representing 46 per cent of the total purchased by consumers.
- 8 The number of UK wine producers has increased from 352 in 2015 to 397 in 2016.
- 9 The East Malling Rubens Breeding Consortium has revealed two new varieties of raspberry, Malling Charm and Malling Bella.
- 10 The Honeyberry Cooperative has been formed by growers in Scotland.
- 11 County Armagh based Button Farm Mushrooms has entered administration.

VII Other livestock news

- 1 The Agricultural Price Index for September for animals and animal products rose by 12 per cent compared to a year earlier but fell by 0.2 per cent compared to August; the index for pigs rose by 15 per cent compared to a year earlier but fell by 1.7 per cent compared to August; and the index for milk rose by 34 per cent and 4.4 per cent respectively. The index for compound feeding stuffs rose by 9 per cent compared to a year earlier but fell by 0.5 per cent compared to August.
- 2 Slaughterings of UK prime cattle in October were unchanged from a year earlier at 168,000 animals; beef and veal production fell by 1.4 per cent to 78,000 tonnes; sheep slaughterings fell by 3.9 per cent to 1.12 million animals; mutton and lamb production fell by 4.8 per cent to 25,000 tonnes; pig slaughterings rose by 4 per cent to 909,000 animals; and pigmeat production rose by 7.3 per cent to 80,000 tonnes.
- 3 Defra has confirmed plans that CCTV will be installed in all slaughterhouses in England in 2018. The Food Standards Agency's Official Veterinarians will have unfettered access to the last 90 days of footage.
- 4 PBD Biotech has developed Actiphage TB, a TB vaccination which can detect bacteria in blood or milk after 6 hours. At present it is illegal to vaccinate cattle as it has not been possible to distinguish between a vaccinated and an infected animal.
- 5 A study by University College, Dublin has suggested the BCG vaccine has had little or no effect in reducing infectiousness in vaccinated badgers.
- 6 The number of new bovine TB incidents in the year to August rose by 2 per cent in England with increases of 2 per cent in the High risk area and 4 per cent in the Edge area but a fall of 9 per cent in the Low risk area. There was a fall of 8 per cent in Scotland but a rise of 8 per cent in Wales. The number of herds not officially TB free in England rose by 11 per cent with increases of 10 per cent in the High risk area, 13 per cent in the Edge area and 33 per cent in the Low risk area. There were also increases of 13 per cent in Scotland and 11 per cent in Wales.
- 7 Figures from Defra reveal a 28 per cent reduction in sales of antibiotics in the period 2014-2016 surpassing the 2018 limit set by the Government. Sales of colistin, the 'antibiotic of last resort', fell by 83 per cent.
- 8 The Global Dairy Trade index fell by 3.4 per cent to its weakest level in the past 8 months.
- 9 Milk production in October was almost static at 1,109 million litres compared to both September and a year earlier.
- 10 The butterfat content of milk produced in October rose by 0.07 per cent compared to September but was down 0.02 per cent on a year earlier. The protein content rose by 0.02 per cent compared to September but was down 0.02 per cent on a year earlier.

- 11 During September, dairies used 813 million litres of milk, a fall of 1 per cent on August and down 0.9 per cent on a year earlier. Of the total, 50 per cent was used in liquid milk production, 27 per cent in cheese production, 2.5 per cent for butter and 2.2 per cent for cream.
- 12 Muller has reduced its liquid milk price by 1.5ppl.
- 13 During September, animal feed production rose by 28 per cent for sheep, 10 per cent for cattle and 3.8 per cent for pigs but fell by 5.4 per cent for poultry, all compared to a year earlier. The usage of wheat and barley increased by 3.3 per cent and 29 per cent respectively.
- 14 The European Commission has agreed that poultry keepers who produce free-range eggs may keep hens indoors for up to 16 weeks and retain free-range status if there is a risk of avian influenza.
- 15 Cranswick is to spend £54 millions building a new poultry facility at Eye in Suffolk.
- 16 In the third quarter of 2017 UK egg packing stations packed 7.6 million cases of eggs, up 0.8 per cent on the previous quarter and up 4.8 per cent on a year earlier. The average price was 69.4p per dozen, up 0.3 per cent on a year earlier but down 1 per cent on the previous quarter. The production of egg products rose by 4.4 per cent compared to the previous quarter to 23,000 tonnes but was down 10 per cent on a year earlier.
- 17 In October, UK commercial layer chick placings rose 6.6 per cent, compared to a year earlier, to 4.4 million chicks; broiler chick placings rose 4.4 per cent to 102.4 million chicks; turkey chick placings rose 5.6 per cent to 1.2 million chicks; turkey slaughterings fell 12 per cent to 1.6 million birds; broiler slaughterings rose 5.7 per cent to 102.9 million birds; and total poultry meat production rose 4.4 per cent to 190,800 tonnes.

VIII Inputs/Supply businesses

- 1 The EU has agreed to extend the use of glyphosate for a period of 5 years.
- 2 A report by the British Geological Survey has suggested that 180 million tonnes of nitrate are stored in rocks worldwide, that, over time, this will seep into aquifers and that increased nitrogen use efficiency is required and a reduction in soil nitrogen surplus.
- 3 Defra Secretary Michael Gove has indicated there will be a complete ban on the use of neonicotinoids following Brexit.
- 4 The Agricultural Price Index for September for energy and lubricants rose by 10 per cent compared to a year earlier and by 5.5 per cent compared to August.
- 5 The Chemicals Regulation Division has agreed to split an Emergency Authorisation for the use of Cuprokyt across two high-risk periods for Nectria canker on post-harvest apple and pear trees, at leaf fall in autumn and after bud burst in spring.

IX Marketing

- 1 Between 2007 and 2017 the price of food and non-alcoholic beverage rose by 4.1 per cent in real terms. Ignoring inflation, the price of milk, cheese and eggs rose by 17 per cent, vegetables by 18 per cent, meat by 26 per cent, bread and cereals by 28 per cent and fruit by 40 per cent.
- 2 A survey of consumers has revealed that 41 per cent are prepared to pay more for British food, 77 per cent feel it is important to support British farmers, 45 per cent believe British food tastes better, 48 per cent check the label for the country of origin, 44 per cent feel British food is more expensive than imported food while 60 per cent try to buy British food in preference to imported food.
- 3 While the total value of food and drink exports increased in 2016 to a record £20.1 billions, the trade deficit increased to £22.2 billions.

- 4 In 2016, 49 per cent of UK food consumption was produced in the UK while 30 per cent was produced in other EU countries.
- 5 Defra has launched a competition through its Food Innovation Network whereby micro, small and medium-sized food and drink businesses will be able to compete for one of 10 FIN vouchers worth £5,000 each. Industry will match the funding and the winners will be selected by a 'dragons den' panel of industry and technical experts. The criteria will be the need to demonstrate novel and achievable ideas which will support business growth.
- 6 Tesco has signed the NFU's Fruit & Veg Pledge.
- 7 The Leek Growers Association has initiated a new promotional campaign.
- 8 Waitrose is trialling new packaging which uses dried tomato leaves and recycled cardboard pulp to package tomatoes.

X Miscellaneous

- I Meurig Raymond is to step down as NFU president.

Postscripts

Golf club membership EU style

David Davis is at the golf club returning his locker key when Mr Barnier the Membership Secretary sees him.

"Hello Mr Davis", says Mr Barnier. "I'm sorry to hear you are no longer renewing your club membership. If you would like to come to my office we can settle your account".

"I have settled my bar bill" says Mr Davis.

"Ah yes Mr Davis", says Mr Barnier, "but there are other matters that need settlement".

In Mr Barnier's office Mr Davis explains that he has settled his bar bill so wonders what else he can possibly owe the Golf Club?

"Well Mr Davis" begins Mr Barnier, "you did agree to buy one of our Club Jackets".

"Yes" agrees Mr Davis "I did agree to buy a jacket but I haven't received it yet. As soon as you supply the jacket I will send you a cheque for the full amount".

"That will not be possible" explains Mr Barnier. "As you are no longer a club member you will not be entitled to buy one of our jackets"!

"But you still want me to pay for it" exclaims Mr Davis.

"Yes" says Mr Barnier, "That will be £500 for the jacket. There is also your bar bill".

"But I've already settled my bar bill" says Mr Davis.

“Yes” says Mr Barnier, “but as you can appreciate, we need to place our orders with the brewery in advance to ensure our bar is properly stocked. You regularly used to spend at least £50 a week in the bar so we have placed orders with the brewery accordingly for the coming year. You therefore owe us £2,600 for the year”.

“Will you still allow me to have these drinks?” asks Mr Davis.

“No of course not Mr Davis. You are no longer a club member!” says Mr Barnier.

“Next is your restaurant bill” continues Mr Barnier. “In the same manner we have to make arrangements in advance with our catering suppliers. Your average restaurant bill was in the order of £300 a month, so we’ll require payment of £3,600 for the next year”.

“I don’t suppose you’ll be letting me have these meals either” asks Mr Davis.

“No, of course not” says an irritated Mr Barnier, “you are no longer a club member”.

“Then of course” Mr Barnier continues, “there are repairs to the clubhouse roof”.

“Clubhouse roof” exclaims Mr Davis, “What’s that got to do with me?”.

“Well it still needs to be repaired and the builders are coming in next week. Your share of the bill is £2,000”.

“I see” says Mr Davis, “anything else?”.

“Now you mention it” says Mr Barnier, “there is Fred the Barman’s pension. We would like you to pay £5 a week towards Fred’s pension when he retires next month. He’s not well you know so I doubt we’ll need to ask you for payment for longer than about five years, so £1,300 should do it.

This brings your total bill to £10,000” says Mr Barnier.

“Let me get this straight” says Mr Davis, “you want me to pay £500 for a jacket you won’t let me have, £2,600 for beverages you won’t let me drink and £3,600 for food you won’t let me eat, all under a roof I won’t be allowed under and not served by a bloke who’s going to retire next month!”

“Yes, it’s all perfectly clear and quite reasonable” says Mr Barnier.

“P..s off!” says Mr Davis.

Monthly Farming Update

Fact not fiction!

Let's be frank. The Autumn Budget was about as dull as its presenter. Indeed, what was missing perhaps provoked more interest than what was included.

It is quite usual for professionals to give views in advance on subjects likely to be covered. This has been common practice for years, usually to drum up extra work.

This year some notably respected individuals forecast major changes to Agricultural Property Relief. Given that any such changes are unlikely without similar amendments to Business Property Relief and the latter relief is essential to the success of small and medium-sized enterprises, it would seem odd for Philip Hammond to adversely affect the lifeblood of the country. The result – no change.

So called pundits also suggested the VAT registration threshold would be dramatically lowered so as to encourage small businesses to grow. The result – no change.

It was also indicated that savings could be made by reducing research and development tax allowances on the grounds that relevant businesses would invest in any event. The result – allowances were effectively increased.

The lesson is don't act on the whims of others, they will reap the reward while you may pay the price.

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 at Imperial College London



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