



CHAVEREYS

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MONTHLY FARMING UPDATE

October 2018



I Policy issues

- 1 The Agriculture Bill has been published. The Bill itself contains little of interest, however, the associated briefing paper sets out the approach of the Government to the future of agriculture.
- 2 As part of Brexit, the UK and Welsh Governments propose to develop an administrative framework for co-ordinating agricultural support spending and changes to marketing standards.

II CAP/Brexit (etc.) support details/payments

- 1 Alongside the Agriculture Bill, the Government has published 'Brexit : Future UK Agriculture Policy.' The important elements are:
 - The Government has pledged to maintain the same cash funds as currently for CAP until the end of the Parliament, probably 2022
 - CAP direct payments will be under UK legislation from claim year 2020
 - detailed discussion will be required with devolved Governments to explore whether a 'legislative common framework' may be required for: agricultural support; fertilizer regulations; genetically modified organisms marketing and cultivation; organic farming; zootech; animal health and traceability; animal welfare; and chemicals regulation
 - post 2024 the Basic Payment Scheme, greening and cross-compliance will be replaced
 - agricultural tenancy laws will be reviewed so as to support succession planning
 - in the transition period it may be possible to receive direct payments without meeting land eligibility rules and even ceasing to farm
 - future funding is likely to be directed towards: environmental enhancement and protection; animal and plant health and welfare; improved productivity and competitiveness; preserving rural resilience, traditional farming and landscapes in the uplands; and public access to the countryside
 - direct payments may be reduced in the transitional period by applying progressive reductions with higher reductions for those in higher payment bands, by applying a cap to the largest payments or by a combination of the two
- 2 The Welsh Government has written to all farmers in Wales explaining why the Basic Payment Scheme will not be appropriate following Brexit despite the objection of the Farmers Union of Wales.
- 3 Applications have opened for the latest round of the Countryside Stewardship Woodland Creation Grant which provides grants of up to £6,800 per hectare. The funding will now be available throughout the year rather than via a time-limited application window as was previously the case.
- 4 Eligible Environmental Stewardship farmers who have claimed for 2016 and/or 2017 and have yet to receive at least 75 per cent of payments due should have received a bridging payment of up to 75 per cent of the total due by the end of September.

III Grants/regulations/legislation/environment

- 1 A study by the University of Cambridge has suggested that intensive agriculture which uses less land may also produce fewer pollutants, cause less soil loss and use less water. The study found high-yield systems in Poland, Brazil, Australia, Mexico and Columbia to be less ecologically damaging.
- 2 The Welsh Government has announced funding of £3.2 millions to prepare for the challenge of Brexit. Fisheries management has been awarded £1.2 millions, brand management will benefit from £700,000 and the quality control of wood packaging management has been awarded £550,000.
- 3 The Catchment Sensitive Farming partnership has been launched with funding of £3 millions. The partnership brings together Defra, the Environment Agency and Natural England. A team of experts will work with farmers and landowners to implement measures to reduce ammonia emissions as set out in the Code of Good Agricultural Practice for Reducing Ammonia Emissions.
- 4 Natural Resources Wales will receive £700,000 to assist with the provision of transitional Permitting and Licensing arrangements and £96,000 will support the possible need for Export Health Certification to export produce of animal origin from Wales.
- 5 The National Bee Unit has destroyed a second Asian hornet nest in Fowey, Cornwall.
- 6 Supported by government funding of £3 millions, Natural England has opened a new outreach centre at Humberhead Peatlands National Nature Reserve. The new outdoor laboratory facility includes an education centre for visitors, schools and universities.
- 7 Germany has reported two cases of West Nile virus in great grey owls.

IV Other matters of farm finance and tenure

- 1 The Government has announced a two-year pilot scheme to allow non-EU migrant workers to work on farms and then return after six months. The scheme will be run by two operators who will oversee the placement of the workers and will commence in the spring of 2019. It is expected to provide 2,500 workers.
- 2 Final figures have been released as regards land utilisation in England on 1 June. The utilised agricultural area increased by 1.5 per cent, compared to a year earlier, to 9.2 million hectares. The total croppable area increased by 2.1 per cent to 5 million hectares while permanent grassland was unchanged at 3.8 million hectares.
- 3 The Agricultural Price Index in July of all outputs rose by 0.8 per cent compared to June and by 1.2 per cent compared to a year earlier. The index for all inputs rose by 0.3 per cent and 7 per cent respectively.
- 4 In the year to May lending by banks to Scottish agriculture rose by 1 per cent to £2.34 billions.
- 5 In the three months to March, the average house price in rural areas rose by 0.8 per cent to £327,100. In the three months to June, the percentage of the rural population which was unemployed fell by 0.1 per cent to 2.6 per cent while the number of redundancies per 1,000 workers fell from 3.8 to 3.2.

V Product prices

A Market background

- 1 Sterling gained marginally against the Euro in September but retained a great deal of volatility. Opening at 89.5p per €, it dropped to 90.1p, rose to 88.5p and weakened to 90.0p but eventually recovered to close the month at 89.1p per € (0.4p stronger overall). Sterling also gained against the Dollar this month: having weakened from an opening rate of 77.1p per \$ to a low point 78.1p, it gained to peak at 75.3p before relaxing to close at 76.7p per \$ (0.4p stronger). Brent Crude oil prices were strong this month but with a small degree of volatility; despite a few peaks and troughs the price moved from its opening position of \$77.64 per barrel to close the month at a four year high of \$82.85 per barrel.

B Crops

- 1 Average cereal prices were volatile this month. Initially prices gained strength from reports of potential Russian export tariffs and the dry Australian spring suppressing yield but by mid-month the closure of the Vivergo bioethanol plant and the Russians announcing 'no duties for now' eroded that strength. The market bounced back in the latter part of the month as a result of: low EU grain maize yields, concerns over frost damage to the Australian crop and lowered expectations of Russian exports. LIFFE feed wheat futures saw vast swings this month, with November 2018 prices dropping by £11/tonne before recovering as the month went on: In late September, deliveries for November 2018, 2019 and 2020 stood at £177/tonne (-5), £164/tonne (-4) and £164/tonne (-3) respectively. The oilseed market, whilst still under pressure from high US soyabean crop expectations, also saw improved Canadian crop estimates adding to the mix; the impact on price was suppressed by improved global oil prices, but exacerbated by stronger Sterling.

Average spot prices in late September (per tonne ex-farm): feed wheat £170 (+1); milling wheat £178 (-3); feed barley £166 (-1); oilseed rape £316 (-5); feed peas £196 (+11); feed beans £201 (+11).

- 2 The average potato price dropped this month as more of the UK maincrop was lifted successfully. Harvest progress is clearly alleviating some concerns in the market but until the stores are filled there remains plenty of potential for volatility in the market. By late September the average potato price had dropped back by £22 from its opening position of £211 per tonne, to close at £189 per tonne (£53 above September 2017). The free-buy average, having opened at £300 per tonne, dropped a little further than the average to close the month at £273 per tonne (down £27 to sit £179 above the September 2017 close). The marked change in weather is leading to harvesting problems and concerns over secondary growth, slow skin-set, scab and even crop damage from frost. 2018 crop prices for grade I in late September (per tonne ex-farm): Salad varieties were wider spread, achieving between £350 and £450; Maris Piper had improved at the top end to between £285 and £330; Estima and other white varieties had dropped to between £250 and £300; early main crop red skin potatoes (Mozart and Camel) opened at between £180 and £250.

C Livestock

- 1 Cattle prices were generally under pressure this month, falling back across the board but with signs of a turn in fortune appearing at the end of the month. The average finished steer price, from its opening position of 195p/kg lw dropped back to 187p/kg but improved marginally as the month ended, closing at 189p/kg lw (6p down and 4p/kg below the closing average a year earlier). The average finished heifer price, from an opening position of 209p/kg lw dropped back throughout the month to 202p/kg lw, where it closed (7p down and 1p above the price a year earlier). The average dairy cow price spent most of the month in decline, dropping from its opening position of £1,164 per head to £958, only to recover in the final stages to a close of £1,154 per head (£10 below late August levels and £73 above the average a year earlier).
- 2 Lamb prices continued to fall despite the comparatively low number of animals coming to market, prices dropped back throughout the month but not to the extent seen a year earlier. The average new season finished lamb price (SQQ live weight) fell from its opening position of 182p/kg lw to 170 p/kg before a late, but minor, recovery saw the average close at 171p/kg lw (down 11p overall to sit 11p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) continued to decline in the first half of the month, opening at 149.6p/kg dw and dropping to 148.7p/kg but, contrary to expectation, the average jumped by 3.0p/kg in the latter half to close at 151.7p/kg dw (sitting 14.0p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for July, published in September, reported a substantial increase of 1.40p and an average of 28.56ppl (0.70ppl above the average in July 2017 and now exceeding the rolling 5 year average of 27.87ppl by 0.69p). The UK's ranking against the 'EU28' farmgate milk price for July, published in September, placed the UK 15th (up 6 places) against an improved EU28 weighted average of 29.88ppl (up 0.62ppl in the month).

VI Other crop news

- 1 The Government has published guidance on the import and export of plants and plant products if there is no Brexit deal. The UK would lose access to the EU plant passport regime and therefore, to export to the EU, UK businesses would need to apply for a Phytosanitary Certificate from the relevant UK plant health authority. Some commodities may require laboratory testing of samples while others may need inspections during the growing season. The majority of imports from the EU are considered low risk and should freely enter the UK. However, plants and plant products currently managed under the EU plant passport regime would be subject to import controls and require Phytosanitary Certificates. Consignments would not be stopped at the border but checks would be made remotely. A new UK plant passport regime would be established and plants currently covered by the EU regime when moved within the UK would be managed by the new UK regime.
- 2 Final figures as at 1 June show that the area of arable crops in England increased by 1.1 per cent, compared to a year earlier, to 4 million hectares. The area of cereal crops increased by 0.4 per cent to 2.7 million hectares, winter barley fell by 4.9 per cent to 343,000 hectares but the wheat area increased by 1 per cent and oats by 11 per cent. The oilseed rape area increased by 7.1 per cent to 589,000 hectares while the area of horticultural crops was unchanged at 140,000 hectares.
- 3 Results from the AHDB Recommended List winter wheat trials show average yields of 10.56t/ha, 0.67t/ha below the 5-year average.

- 4 At the end of June 2017 wheat stocks were 48 per cent lower than a year earlier at 1.4 million tonnes, barley stocks were 34 per cent lower at 510,000 tonnes while oats stocks were 80,000 tonnes and maize stocks were 280,000 tonnes.
- 5 The Vivergo Fuels plant in Hull has ceased production. At its height the plant consumed more than one million tonnes of feed wheat each year while its biofuels plant produced 500,000 tonnes of high-protein animal feed.
- 6 Initial results from the 2018 AHDB Recommended List trials suggest the average yield of spring barley is 7.33t/ha, 0.52t/ha below the 5-year average.
- 7 The Agricultural Price Index in July for all crop products rose by 5.6 per cent compared to June and by 4.1 per cent compared to a year earlier. The index for cereals rose by 1.3 per cent and 11 per cent respectively; the index for fresh fruit rose by 24 per cent compared to June but fell by 1.5 per cent compared to a year earlier; the index for fresh vegetables rose by 12 per cent and 15 per cent respectively; and the index for forage plants fell by 10 per cent compared to June but rose by 26 per cent compared to a year earlier.
- 8 The World Apple & Pear Association has forecast the EU apple harvest to be 12.611 million tonnes, a new record. UK production is forecast to be 8 per cent up on the 2009-13 average and 6.8 per cent up on last year. However, the Chinese crop is expected to be down by 12 million tonnes.

VII Other livestock news

- 1 With effect from 26 September, farmers are allowed to grow grass and edible forage in areas not usually allowed for grazing as a consequence of the dry weather.
- 2 Defra has published data which reveals there has been a decline in bovine TB incidence in Gloucestershire and Somerset with the rate of new confirmed breakdowns at half the level they were before culling began. In Gloucestershire TB incidence has fallen from 10.4 per cent to 5.6 per cent over the past 4 years while in Somerset the fall has been from 24 per cent to 12 per cent.
- 3 In the year to June, the number of new bovine TB herd incidents in England fell by 6 per cent, compared to a year earlier, with a fall of 9 per cent in the High risk area but a rise of 14 per cent in the Low risk area. There were rises of 41 per cent in Scotland and 2 per cent in Wales. The number of herds free of bovine TB fell by 9 per cent in England with falls of 10 per cent in the High risk area and 2 per cent in the Edge area but an increase of 9 per cent in the Low risk area. There was an increase of 60 per cent in Scotland but a fall of 1 per cent in Wales.
- 4 The post-import testing regime has identified two cattle in North Yorkshire infected with bluetongue virus. The cattle had arrived from an assembly point in Central France.
- 5 Final figures as at 1 June show that the number of cattle and calves in England fell by 0.8 per cent, compared to a year earlier, to 5.4 millions. The breeding herd fell by 0.9 per cent to 1.9 millions. The number of pigs increased by 1.7 per cent to 4 millions with the number of fattening pigs rising by 2.2 per cent to 3.6 millions while the number of breeding pigs fell by 1.9 per cent to 408,000. The number of sheep and lambs fell by 0.7 per cent to 15.7 millions, the female breeding flock was stable at 7.4 millions but the number of lambs fell by 1.4 per cent to 7.9 millions.
- 6 During August, slaughterings of prime cattle fell by 3.5 per cent, compared to a year earlier, to 160,000; beef and veal production fell by 2.3 per cent to 73,000 tonnes; sheep slaughterings rose by 2.1 per cent to 1,254,000; mutton and lamb production rose by 3.5 per cent to 28,000 tonnes; pig slaughterings rose by 4.1 per cent to 947,000; and pigmeat production rose by 4.5 per cent to 82,000 tonnes.

- 7 A report prepared by the Council for the Environment and Infrastructure has advised the Dutch Government that livestock numbers will need to be reduced if the Netherlands is to meet its climate change targets.
- 8 The 4th state-of-the nation review of cattle health and welfare has been published by the Cattle Health and Welfare Group.
- 9 A report from SAC Consulting has found that this year's silage contains a higher dry matter percentage and more energy with good fermentation characteristics with the result that animals are likely to want to eat more this winter.
- 10 The Agricultural Price Index for animals and animal products in July fell by 3 per cent compared to June and by 1.2 per cent compared to a year earlier. The index for sheep and lambs fell by 18 per cent and 5.4 per cent respectively but the index for milk rose by 5.2 per cent and 2.8 per cent respectively. The index for veterinary services rose by 14 per cent compared to a year earlier.
- 11 Milk production in August fell by 2.8 per cent on July, to 1,196 million litres, and by 0.7 per cent compared to a year earlier.
- 12 Arla has increased prices by 1.09ppl taking the manufacturing price to 32.47ppl and the liquid price to 31.21ppl.
- 13 The Pasture-Fed Livestock Association has started to certify UK dairy farms producing milk from cows that are only fed fresh and conserved grass and pasture.
- 14 During July, UK dairies processed 1,167 litres of milk, 3.4 per cent down on June but up 0.1 per cent on a year earlier. Liquid milk production rose by 1.4 per cent to 544 million litres but butter production fell by 1.7 per cent to 11,700 tonnes, cheese production fell by 9.7 per cent to 39,000 tonnes and milk powder production fell by 8.1 per cent to 7,400 tonnes.
- 15 Scientists at the Roslin Institute and Scotland's Rural College have identified a blood test for molecules in the blood of female calves could help predict their likelihood of developing diseases such as lameness, mastitis and inflammation of the udder.
- 16 Scawfell Genetics has opened a bovine semen processing laboratory.
- 17 Average butterfat content rose by 3.8 per cent in August to 4.04 per cent while average protein rose by 3.7 per cent to 3.33 per cent.
- 18 Belgium's food safety agency has reported a total of 18 cases of African Swine Fever in wild boar, the latest cases close to the border with France. The source of the virus is unknown although it is believed to be of the same type which is circulating in Eastern Europe.
- 19 African Swine Fever has been reported in several large commercial pig farms in Romania and Poland and the first outbreak has been reported in Bulgaria.
- 20 Japan has reported an outbreak of Classical Swine Fever in a farm of fattening and breeding pigs.
- 21 China has reported three further outbreaks of African Swine Fever in commercial pig farms.
- 22 A survey by the British Veterinary Association has revealed that 72.5 per cent of official veterinarians dealing with poultry exports are not planning to renew their qualifications when they expire while 47 per cent do not intent to revalidate their training.

- 23 During August, commercial layer chick placings rose by 19 per cent, compared to a year earlier, to 2.9 million chicks; broiler chick placings fell by 1.3 per cent to 85.1 million chicks; turkey chick placings rose by 13 per cent to 2.3 million chicks; turkey slaughterings rose by 11 per cent to 900,000 birds; broiler slaughterings rose by 2 per cent to 82.9 million birds; and poultry meat production rose by 7.4 per cent to 146,400 tonnes.

VIII Inputs/Supply businesses

- 1 The Government has published guidance on the manufacturing and marketing of fertilizer assuming there is no Brexit deal. The current domestic framework allowing fertilizers to be sold in the UK will remain place after March 2019 as it is separate from the EU framework. In the short term continuing both regimes in parallel will provide the greatest continuity. There would be a suitable time-limited adjustment period during which 'EC fertilizer' could be placed on the UK market to ensure continued supply, the period is not expected to exceed two years. There would be an option to use a new 'UK fertilizer' label. After the end of the transitional period, fertilizer placed on the UK market would need to comply with the current domestic regime or with the requirements of a new 'UK fertilizer' regime.
- 2 Similar guidance has been published for chemicals. The UK would establish a regulatory framework and a body to deliver the functions currently performed by the European Chemicals Agency. The legislation would preserve REACH (Regulation, Evaluation, Authorisation and Restriction of Chemicals) as far as possible. Existing standards of protection of human health and the environment would be maintained, monitored by the Health and Safety Executive. The new regulatory framework would facilitate the registration of new chemicals; provide specialist capacity to evaluate the impact of chemicals on health and the environment; and ensure sufficient regulatory and enforcement capacity in the Health and Safety Executive, the Environment Agency and other regulators, enabling them to recommend controls in response to the hazards and risks of substances.
- 3 Defra's chief scientific adviser, Professor Ian Boyd, has suggested that pesticides need to be 'designed out' of farming as 'there is an evolving public view which is fundamentally that we do not want pesticides.'
- 4 France has become the first country to ban the use of all five neonicotinoids.
- 5 Provisional estimates have been published of the 2017 soil nutrient balances. The nitrogen balance was a surplus of 90kg/ha, down 0.6 kg/ha on 2016 and 21kg/ha on 2000. The phosphorus balance was a surplus of 6.2 kg/ha, down 0.2kg/ha on 2016 and 3.8 kg/ha on 2000.
- 6 The AHDB has requested farmers and agronomists to submit live samples of cabbage stem flea beetle with suspected resistance to pyrethroid insecticides.
- 7 The Agricultural Price Index for energy and lubricants rose by 0.3 per cent compared to June and by 18 per cent compared to a year earlier.

IX Marketing

- 1 In the first half of 2018, UK food and drink imports totalled over £23 billions with fruit and vegetables making up more than £5 billions. Spain was the largest exporter with fruit and vegetables valued at £1.02 billions, Ireland exported beef valued at £425 millions and cheese valued at £196 millions, the Netherlands exported poultry valued at £168 millions while France exported cheese with a value of £110 millions.

- 2 IGD has predicted that the food-to-go sector will rise from £17.8 billions to £22.8 billions by 2023, a rate of growth twice that of the overall grocery market.
- 3 Tesco has launched Jack's, a discount chain to compete against Aldi and Lidl. It claims that 80 per cent of food and drink products will be sourced in the UK.
- 4 Produce Investments, which owns Greenvale AP and The Jersey Royal Company, has been bought by Bidco, a private equity vehicle owned by Promethean Investments.

X Miscellaneous

- 1 Assured Food Standards plans for the Red Tractor assurance scheme to become a 'one-stop shop' for farm assurance by creating a new tiered system of standards to reward those whose production methods set high standards for animal welfare and the environment.

Postscripts

Doctors' Patient notes ... Thank goodness for the NHS!

1. The patient has been depressed since she began seeing me in 1993.
2. Discharge status: Alive but without my permission.
3. The patient refused autopsy.
4. The patient has no previous history of suicides.
5. Patient has left white blood cells at another hospital.
6. Patient's medical history has been remarkably insignificant with only a 40 pound weight gain in the past three days.
7. Patient had waffles for breakfast and anorexia for lunch.
8. Between you and me, we ought to be able to get this lady pregnant.
9. On the second day the knee was better, and on the third day it disappeared.
10. She is numb from her toes down.
11. While in ER, she was examined, X-rated and sent home.
12. The skin was moist and dry.
13. Occasional, constant, infrequent headaches.
14. Patient was alert and unresponsive.
15. Rectal examination revealed a normal size thyroid.
16. She stated that she had been constipated for most of her life, until she got a divorce.

Monthly Farming Update

Partners today, litigants tomorrow!

Think about this carefully. You are a member of a farming partnership, possibly with your spouse and your children. Maybe also with your in-laws. Everything has been rosy in the garden but relationships are becoming increasingly fractious. Well, no worries, I still own all the farm, so I am safe if it all goes pear-shaped.

The recent case of *Wild v Wild*, in the High Court, has illustrated the mess that can prevail when matters do go pear-shaped and, if nothing else, the costs that can be incurred in resolving a dispute.

Quite simply, the dispute resolved around whether or not certain land and buildings were 'partnership property'.

In farming circles, it is not uncommon for land and buildings to be owned by a partner but occupied by his or her partnership under a gratuitous licence. Equally, it is common for such property to be an asset of the partnership in which the relevant individual has a 100 per cent equitable interest. But is it, or is it not, partnership property?

In the case of *Wild v Wild* it was decided that one partner cannot unilaterally decide that his or her property is a partnership asset, all partners must agree. In the same vein, the mere fact that a partnership pays the rent on tenanted land does not make the tenancy partnership property.

It may be that the partnership accountants have included property in the partnership accounts thereby deeming the property to be an asset of the partnership. The judge ruled that such evidence is persuasive but not conclusive. He went on to say that accounts are no more than evidence and if they do not reflect what was agreed they fall to be disregarded, even though all partners may have signed the accounts.

This is an illustration of the importance of all partnerships having a properly executed partnership agreement. There are significant taxation advantages in having property as being constituted property of a partnership but tax must always be secondary to reality.

It may seem like another element of bureaucracy but, if you want to be in partnership, document it. A little hassle today may save a tsunami tomorrow!

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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