



CHAVEREYS

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MONTHLY FARMING UPDATE

November 2018



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### I Policy issues

- 1 Defra is to create an independent advisory panel to consider what factors should determine the distribution of agriculture funding throughout the UK. The individual circumstances of each country will be taken into account along with environmental, agricultural and socio-economic factors as well as farm numbers and farm sizes. The review will be conducted by Lord Bew of Donegore and will not simply apply the Barnett formula.
- 2 The Government has published the Fisheries Bill which will dictate who may fish in UK waters and on what terms. It will empower the UK to implement new arrangements negotiated with the European Union and other coastal states and manage fisheries sustainably.

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

- 1 The Basic Payment Scheme exchange rate for September has been set at €: £0.89281.

### III Grants/regulations/legislation/environment

- 1 The Government has called for views on how the National Parks and Areas of Outstanding Natural Beauty meet the needs of the nation and whether there is scope for the current network to expand. The evidence called for will consider how access can be improved, how communities can be better supported and which areas of the country could benefit from greater protection.
- 2 Defra is to allocate £15 millions to a pilot scheme to reduce food waste. The scheme will address surplus food from retail and manufacturing.
- 3 Defra has announced further funding of £30 millions to the Countryside Productivity Small Grants Scheme with applications opening in early 2019. The scheme was initially designed to benefit equipment specific to cattle, sheep and pig farmers and precision farming equipment for arable farmers but is to be expanded to include fruit ripeness spectrometers and nitrogen-measuring devices.
- 4 In 2016, the UK recycling rate for waste from households was 45.2 per cent, up from 44.6 per cent in 2015. In England the rate was 44.9 per cent, Northern Ireland 43 per cent, Scotland 42.8 per cent and Wales 57.3 per cent. Packaging waste recycling increased to 71.4 per cent, up from 64.7 per cent in 2015.
- 5 The Government has issued a consultation concerning a ban on the use of plastic straws, plastic stirrers and plastic stemmed cotton buds. The ban is expected to come into place in about a year's time.
- 6 Defra is to fund £60,000 towards testing bee pollinator habitat mapping. It is also to contribute towards The Bumblebee Conservation Trust's "West Country Buzz" project in North Devon which is designed to grow a partnership of land managers, farmers and other organisations to improve the habitat for bees.
- 7 More than 50 companies have become parties to the 'Ready to Burn' scheme whereby consumers are encouraged to burn more efficient products.
- 8 In the last month sighting of an Asian Hornet has been reported in Kent.
- 9 An 'Urban Tree Manual' has been launched to provide advice on selecting the right tree for the right place in towns and cities.

- 10 The Government has launched a pilot Forestry Investment Zone in Cumbria. New investment will concentrate on productive forestry, landscape enhancement, farming and local employment.

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

- 1 Provisional figures show that the UK utilised agricultural area as at June rose by 0.1 per cent, compared to a year earlier, to 17,487,000 hectares; the total croppable area rose by 1.2 per cent to 6,203,000 hectares; the area of arable and horticultural crops rose by 0.5 per cent to 4,771,000 hectares; the area of uncropped arable land rose by 11.5 per cent to 269,000 hectares; the area of temporary grass less than 5 years old rose by 1.6 per cent to 1,163,000 hectares; but the area of permanent grassland fell by 0.6 per cent to 10,080,000 hectares. The utilised agricultural area represents 72 per cent of the UK land area.
- 2 The Knight Frank farmland index for the quarter to September has indicated that the average value of bareland in England and Wales fell by 1.8 per cent leading to a fall of 4 per cent in the past 12 months to an average of £17,410 per hectare.
- 3 The Agricultural Price Index for all outputs in August rose by 1.9 per cent compared to July and by 3.5 per cent compared to a year earlier. The index for inputs rose by 0.8 per cent and 7.2 per cent respectively.
- 4 Strutt & Parker has reported that 20,000 hectares of land has been put to the market in the past 3 months taking the total in 2018 to 39,000 hectares compared to 31,500 hectares in 2017.

#### **V Product prices**

##### **A Market background**

- 1 Sterling strengthened marginally against the Euro in the early part of October but then lost ground to close the month where it started. Opening at 89.1p per €, the rate peaked at 87.3p weakened to 89.3p but eventually closed the month back at 89.1p per €. Sterling fared less favourably against the Dollar this month: initially strengthening from an opening rate of 76.7p per \$ to peak early on at 75.4p before spending the remainder of the month losing value to close at 78.5p per \$ (1.8p weaker). Brent Crude oil prices had a reversal of fortune this month as the price dropped by over 7 per cent, with limited volatility, from its opening position of \$82.85 per barrel to close the month at \$76.77 per barrel.

##### **B Crops**

- 1 Average wheat prices started the month with continued buoyancy, before falling sharply as the month closed. Initially prices gained strength on the back of reports of export logistical problems in Russia (possible suspension of numerous grain loading zones due to suspected phytosanitary breaches) and ongoing dry conditions in Australia. However, whilst the Australian concerns remain, the weakening Euro (against the rest of the world) and the increase in estimated world wheat production per the International Grains Council together reined prices back. LIFFE feed wheat futures were broadly pessimistic with weaker prices seen across the board: In late October, deliveries for November 2018, 2019 and 2020 stood at £172/tonne (-5), £160/tonne (-4) and £160/tonne (-4) respectively. Oilseed prices remained steady as the high expectations for the US soya harvest were countered by news of lower than expected 2019/20 plantings in Europe and further-reduced expectations for the Australian canola harvest.

Average spot prices in late October (per tonne ex-farm): feed wheat £165 (-5); milling wheat £174 (-4); feed barley £163 (-3); oilseed rape £320 (+4); feed peas £210 (+14); feed beans £215 (+14).

- 2 The average potato price continued to drop this month as lifting progressed in more favourable conditions and a larger proportion of UK production was laid down in storage. Whilst bruising and splitting was reduced by the more pliable soils, scab and secondary growth continue to affect crop quality. By late October the average potato price had fallen £16 from its opening position of £189 per tonne, to close at £173 per tonne (£52 above October 2017). The free-buy average, from a starting position of £273 per tonne, dropped a further £20 to close the month at £253 per tonne, to sit £167 above the October 2017 close).

2018 crop prices for grade I in late October (per tonne ex-farm): Salad varieties had spread wider still, achieving between £300 and £450; Maris Piper had improved at the top end to between £280 and £355; King Edwards were achieving between £280 and £420; Estima and other white varieties had dropped to between £230 and £280, whilst red skin varieties (Mozart and Camel) had improved at the lower end to between £230 and £250.

## C Livestock

- 1 Cattle prices remained under pressure this month and, despite what appeared to be the beginning of an upward trend at the end of September, average prices fell further. The average finished steer price, from its opening position of 189p/kg lw dropped back to 184p/kg mid month; the subsequent improvement to 186p was short-lived as the closing average was 181p/kg lw (8p down but 4p/kg above the closing average a year earlier). The average finished heifer price, from an opening position of 202p/kg lw dropped back throughout the month, with a mid-month partial recovery and ended up at 199p/kg lw, where it closed (3p down and 5p below the price a year earlier). The average dairy cow price dropped from its opening position of £1,154 per head to £921 early on and then spent the remainder of the month recovering to close at £1,161 per head (£7 above late September levels and £80 above the average a year earlier).
- 2 Lamb prices fell for a further month in succession, albeit by small margins this month. The average new season finished lamb price (SQQ live weight) fell from its opening position of 171p/kg lw to a close of 165p/kg lw (down 6p overall to sit 2p/kg below the average a year earlier).
- 3 The average UK all pig price (APP) returned to the expected seasonal decline this month, opening at 151.7p/kg dw and dropping to 149.4p/kg where it closed (down 2.3p/kg and sitting 11.6p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for August, published in October, reported a further material increase (1.18p) giving an average of 29.73ppl (0.67ppl above the average in August 2017 and 1.90ppl above the rolling 5 year average of 27.83ppl). The UK's ranking against the 'EU28' farmgate milk price for August, also published in October, placed the UK 14<sup>th</sup> (one place higher) against an improved EU28 weighted average of 30.72ppl (up 0.84ppl in the month).

## VI Other crop news

- 1 Provisional figures show that the 2018 harvest has resulted in a 5.1 per cent fall in wheat production, compared to a year earlier, to 14.1 million tonnes; spring barley production fell by 7.7 per cent to 3.9 million tonnes despite a 1.1 per cent increase in cultivated area with average yields falling from 5.6 tonnes per hectare to 5.1 tonnes; winter barley production fell by 8 per cent to 2.7 million tonnes mainly as a result of a 6.7 per cent reduction in cultivated area; the overall barley yield was 5.7 tonnes per hectare, well below the 5-year average of 6.2 tonnes per hectare; the planted area of oats rose by 7.8 per cent to 174,000 hectares but a 9.2 per cent yield reduction to 4.9 tonnes per hectare resulted in a 2.1 per cent reduction in production to 900,000 tonnes; the planted area of oilseed rape rose by 6.8 per cent but the average yield fell by 11.4 per cent to 3.4 tonnes per hectare resulting in a production fall of 5.3 per cent to 2.1 million tonnes; and the total area of horticultural crops fell by 0.3 per cent to 167,000 hectares. Within the EU the UK is the 6<sup>th</sup> largest cereal producer.
- 2 While there has been little change in the overall area of horticultural crops in the year to June, the area of orchards has fallen by 1 per cent to 24,200 hectares while the area of soft fruit has increased by 0.5 per cent to 10,800 hectares with a fall in the area of strawberries of 3 per cent but an increase of 2 per cent in the area of other soft fruit.
- 3 EU wheat exports are currently down 23 per cent on 2017 mainly due to competition from Russia while US exports are 40 per cent down on a year ago.
- 4 The Ukraine is expected to have a record corn crop of 32 million tonnes.
- 5 The Agricultural Price Index for crop products in August rose by 1.7 per cent compared to July and by 8.8 per cent compared to a year earlier; the index for cereals rose by 7.9 per cent and 20 per cent respectively; the index for potatoes rose by 26 per cent and 30 per cent respectively; the index for fresh vegetables rose by 1.6 per cent and 22 per cent respectively; but the index for fresh fruit fell by 25 per cent and 22 per cent respectively.
- 6 Hovis has announced plans to close its plant at Southampton Docks at the end of the year with the loss of 71 jobs. There would also be closures at Bawtry and Belfast.
- 7 The Ensus ethanol plant in Teeside is to pause production at the end of November due to 'difficult market conditions'.
- 8 A study published by the University of Newcastle has suggested that climate change will result in the production of fewer, lighter seeds in crops and that, while pests will increase, natural predators will not.
- 9 Research by the University of Reading has revealed that apple varieties are flowering, on average, 17 days earlier than 60 years ago leading to the belief that this could result in a change in varieties grown by growers.
- 10 AHDB Horticulture has reported that *Phytophthora infestans*, or late tomato blight, has been identified earlier than usual this year.

## VII Other livestock news

- 1 A report published by the Veterinary Antimicrobial Resistance Sales and Surveillance has revealed that sales of anti-biotics for use in food-producing animals fell by 40 per cent between 2013 and 2017 and by 18 per cent between 2016 and 2017. The report refers to a 94 per cent reduction, compared to 2016, in the use of colistin, an antibiotic of last resort for use in people. Sales of the highest priority critically important antibiotics fell by 29 per cent to 0.8 per cent of total sales.

- 2 Provisional figures show that the number of cattle and calves in the UK at June was 9.9 millions, the breeding herd fell by 1.1 per cent, compared to a year earlier, to 3.4 millions; the number of pigs increased by 1 per cent to 5 millions with a 1.3 per cent increase in fattening pigs; and the sheep flock fell by 1.5 per cent to 34.3 millions with falls of 1 per cent in the female breeding flock and 2.3 per cent in the number of lambs. Within the EU, the UK is the largest producer of sheep and the 3<sup>rd</sup> largest producer of cattle.
- 3 A case of Bovine Spongiform Encephalopathy (BSE) has been confirmed on a farm in Aberdeenshire and, as a result, Scotland has lost its 'Negligible Risk' status.
- 4 Dechra veterinary products and Meadow Quality claim to have found an alternative to prophylactic antibiotic usage in young calves by using a non-steroidal anti-inflammatory product with the active ingredient sodium salicylate.
- 5 In the year to July the number of new herd bovine TB incidents in England fell by 7 per cent compared to the previous year with a fall of 9 per cent in the High risk area but rises of 1 per cent in the Edge area and 14 per cent in the Low risk area. There was a rise of 35 per cent in Scotland but a fall of 2 per cent in Wales. The number of herds not officially TB free fell by 2 per cent in England with a fall of 4 per cent in the High risk area but rises of 9 per cent in the Edge area and 20 per cent in the Low risk area. There was a rise of 11 per cent in Scotland.
- 6 Following a spike in the number of bovine TB incidents in the Intermediate TB Area North in Wales, the Welsh Government is to extend the use of contiguous testing.
- 7 A Centre of Excellence for bovine TB in Wales will open at Aberyswyth University later this year to provide a hub for international research into the disease.
- 8 Milk production in September fell by 2.5 per cent, compared to August, to 1,165 million litres but was up 0.8 per cent on a year earlier.
- 9 In September, average butterfat content rose by 1.2 per cent, compared to August, to 4.09 per cent but fell by 1.1 per cent compared to a year earlier. Average protein rose from 3.33 per cent to 3.39 per cent.
- 10 The Agricultural Price Index for animals and animal products in August rose by 1.8 per cent compared to July but fell by 0.8 per cent compared to a year earlier; the index for pigs fell by 0.6 per cent and 9.7 per cent respectively; the index for milk rose by 4.1 per cent and 2.3 per cent respectively; and the index for veterinary services rose by 0.7 per cent and 14 per cent respectively.
- 11 Slaughterings of prime cattle in September fell by 2.5 per cent, compared to a year earlier, to 158,000; beef and veal production fell by 1 per cent to 74,000 tonnes; sheep slaughterings fell by 9.5 per cent to 1,109,000; mutton and lamb production fell by 8.3 per cent to 25,000 tonnes; pig slaughterings fell by 3.1 per cent to 843,000; and pigmeat production fell by 4.8 per cent to 73,000 tonnes.
- 12 During August, dairies processed 1,140 million litres of milk, down 1.8 per cent on July and 0.1 per cent down on a year earlier. Liquid milk production rose by 0.4 per cent, cheese production by 0.5 per cent and butter production by 4 per cent but milk powder production fell by 9 per cent.
- 13 Aldi has created the Aldi Dairy Farm Partnership whereby farmer members will receive a premium to the milk price in return for enhancing production standards including animal welfare and protection of the environment.

- 14 The Welsh Government's EU Transition Fund has supported a project managed by Hybu Cig Cymru to enable farmers to better understand the technical and financial performance of their business.
- 15 Bluetongue virus has been detected in a consignment of four sheep imported from France to Lancashire.
- 16 Defra has issued a reminder that catering waste of any description must not be fed to pigs to prevent the risk of African Swine Fever.
- 17 In September, commercial layer chick placings fell by 7.6 per cent, compared to a year earlier, to 2.8 million chicks; broiler chick placings rose by 4.7 per cent to 85.3 million chicks; turkey chick placings rose by 6.1 per cent to 1.7 million chicks; turkey slaughterings rose by 4.4 per cent to 1 million birds; broiler slaughterings rose by 2.7 per cent to 84.4 million birds; and total poultry meat production fell by 0.4 per cent to 142,500 tonnes.
- 18 The British Free Range Egg Producers Association is to produce a model contract for members to use when dealing with packers including a commitment to the egg price for the duration of the contract or terms linked to the price of feed.
- 19 Banham Poultry of Norfolk has been sold to Chesterfield Poultry.

## **VIII Inputs/Supply businesses**

- 1 The Health and Safety Executive and the UK Expert Committee on Pesticides has recommended that applications by the British Beet Research Organisation for emergency authorisations of neonicotinoids as a seed treatment should be rejected.
- 2 The Agricultural Price Index for August for energy and lubricants rose by 0.7 per cent compared to July and by 17 per cent compared to a year earlier.
- 3 The Chemicals Regulation Division has yet to confirm the sell-by and use-up periods following the decision of the EU to withdraw the use of herbicide diquat.
- 4 Research undertaken by ADAS Boxworth has indicated that some populations of sterile brome have developed resistance to glyphosate.
- 5 The Chemicals Regulation Division has approved the use of flonicamid insecticide Teppeki, developed by Belchim, for use in oilseed rape and sugar beet.
- 6 Defra has approved the use of Sequoia, which contains the active ingredient Sulfoxaflor, for use in greenhouses.

## **IX Marketing**

- 1 The Scottish Grocers Federation has launched the Food to Go fund. Independent convenience stores will be able to claim from a fund of £300,000 to help improve food culture and reduce packaging waste.

## **X Miscellaneous**

- 1 A farming partnership in Cumbria has been fined £100,000 following the death of a farmworker after a tractor accident.

## Postscripts

### The mechanic

A Lexus mechanic was removing a cylinder head from the motor of a LS460 when he spotted a well known cardiologist in his shop.

The cardiologist was there waiting for the service manager to come and take a look at his car when the mechanic shouted across the garage, "Hey, Doc, want to take a look at this?"

The cardiologist, a bit surprised, walked over to where the mechanic was working. The mechanic straightened up, wiped his hands on a rag and asked, "So Doc, look at this engine. I opened its heart, took the valves out, repaired and replaced anything damaged, and then put everything back in, and when I finished it worked just like new. So, how is it that I make £20,000 a year and you make £1m when you and I are doing basically the same work?"

The cardiologist paused, leaned over, and then whispered to the mechanic ... "Try doing it with the engine running."



# Monthly Farming Update

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:

**Karen Blackiston**

**Nick Holmes**

**Iain Morris**

**Henry Mullens**

**Ben Wilkinson**

**South**

Mall House  
The Mall  
Faversham  
Kent  
ME13 8JL

Tel: 01795 594495

Fax: 01795 594499

**East**

1 Penn Farm Studios  
Harston Road  
Haslingfield  
Cambridge  
CB23 1JZ

Tel: 01223 874693

Fax: 01223 874451

E-mail: [mfu@chavereys.co.uk](mailto:mfu@chavereys.co.uk)  
[www.chavereys.co.uk](http://www.chavereys.co.uk)

If you would like to add a friend or colleague's name to the mailing list please contact Lindsay Glead

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



**CHAVEREYS**

## Phil's philosophy!

Many puns have been applied to the Autumn Budget. Philip Hammond may seem to have pulled a very valuable rabbit out of the hat but don't forget that rabbit has been paid for by you and me in the form of a higher than expected tax take.

Here are the highlights:

- Annual Investment Allowance – this is increased to £1m with effect from 1 January 2019 (beware how the increase applies to accounting periods which straddle this date)
- Capital Allowances – the rate of relief on integral features of buildings and long-life assets is reduced to 6 per cent
- Structures and Buildings Allowance – expenditure on new non-residential structures and buildings used for the purpose of a trade and incurred or contracted for after 29 October will attract an annual allowance of 2 per cent
- Enhanced Capital Allowances – the ability to claim ECA on qualifying plant and machinery as listed on the Energy Technology List and the Water Technology List will be abolished from April 2020
- Entrepreneurs' Relief – all minimum qualifying periods extended to 2 years
- Vehicle Benefits – increase to scale charges from next April
- Personal Tax Allowance – increased to £12,500 from next April
- Higher Rate Tax Threshold – increased to £50,000 from next April (£12,500 @ 0 per cent + £37,500 @ 20 per cent)
- Capital Gains Tax Exemption – increased to £12,000 from next April
- Gift Aid Small Donations Scheme – limit on cash or contactless payment increased to £30
- Capital Gains Tax – the final ownership period for Principal Private Residence Exemption is reduced from 18 months to 9 months and the £40,000 lettings relief will be severely restricted
- Business Rates – rates reduction of one-third for premises with a rateable value of less than £51,000
- Minimum Wage – an increase of 4.9 per cent, from £7.83 to £8.21 per hour, for those over 25.

This report is intended as a general guide and although Chavereys have made every effort to ensure accuracy they cannot accept liability for any errors of fact or opinion.

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