



CHAVEREYS

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MONTHLY FARMING UPDATE

March 2018



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I Policy issues

- 1 The Government has published a consultation document 'Health and Harmony: The Future for Food, Farming and the Environment in a Green Brexit'. In the document the Government is seeking views on options on phasing out direct payments, starting with the largest landowners, whilst developing a new environmental land management scheme; government funding for schemes such as high animal welfare standards, wildlife protection, public access and new technology; a relaxation of the penalty regime when errors are made by farmers and a more efficient inspection regime; and new business models and incentives to encourage innovation. The consultation will remain open until 8 May.
- 2 The Environment Secretary, Michael Gove, has challenged the water industry to improve business transparency, customer protection, pollution and leakage or "face the consequences."
- 3 Legislation has been presented to Parliament to make CCTV in slaughterhouses mandatory. It will come into effect in May and businesses will have six months in which to comply.
- 4 The Government has announced a comprehensive review of farm inspections under the auspices of Dame Glenys Stacey.

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

- 1 The latest round of applications has resulted in 37 new groups of farmers entering into agreements under the Countryside Stewardship Facilitation Fund.
- 2 Defra has published a timetable of events designed to help farmers make an application for Mid Tier Countryside Stewardship. The events are held between March and May and booking is necessary.

III Grants/regulations/legislation/environment

- 1 Defra has injected £60 millions into the Countryside Productivity Small Grant Scheme enabling farmers to obtain grants of between £3,000 - £12,000 towards the cost of farm equipment.
- 2 Household waste recycling in the UK increased from 44.6 per cent in 2015 to 45.2 per cent in 2016. There were increases of 0.3 per cent in England, 1 per cent in Northern Ireland, 0.8 per cent in Scotland and 1.2 per cent in Wales. Recycled or recovered packaging waste rose from 64.7 per cent to 71.4 per cent.
- 3 The Department for Business, Energy and Industrial Strategy is to provide £90 millions from the Industrial Strategy Challenge Fund to bring together the agri-food sector with expertise in robotics, AI and data science. The funding will be provided to the Transforming Food Production Challenge.
- 4 A survey conducted by Promar on behalf of Severn Trent Water has found that 94 per cent of farmers questioned in 2017 could identify water quality concerns in their area compared to 87 per cent in 2016. In addition 61 per cent confessed to having tried ferric phosphate as a slug pellet alternative to metaldehyde.
- 5 The Scottish Government is to provide a Food Processing, Marketing and Co-operation grant of £4 millions to Albert Bartlett to enable the business to diversify into the growing convenience and chilled potato market. It is expected 35 new jobs will be created.

- 6 Direct abstraction of water from non-tidal surface water and groundwater in England rose by 3 per cent in England in 2017.
- 7 Defra has announced a 'collaboration fund' of £10 millions to help farmers and small producers compete with larger businesses in the food supply chain.
- 8 Raptor persecution maps for England and Wales have been published covering the number of shootings, trappings, poisonings and nest destructions that occurred between 2011 and 2015.
- 9 Defra has agreed to fully fund a further five years of research and development by the Wheat Genetic Improvement Network.
- 10 The Welsh Government is to provide £3 millions to support 'Food Skills Cymru', which will provide technical and staff development training for food and drink businesses based in Wales.

IV Other matters of farm finance and tenure

- 1 Defra has published its forecast of Total Income from Farming for 2017/18. Incomes of cereal farms will increase by 48 per cent to £64,000 due to increases in yields and prices and the Basic Payment although the increase was negated by higher machinery costs. Incomes of general cropping farms will increase by 11 per cent to £78,000 with increases from cereals and sugar beet but lower potato prices and higher variable costs. Incomes of pig farms will increase by 5 per cent to £61,000, higher if the effect of the incomes of contract rearers is excluded, higher prices is the main reason negated somewhat by higher feed costs. Incomes of poultry farms will increase by 5 per cent to £57,000 due to increased production and prices but offset by a fall in egg prices and rising feed costs. Incomes of dairy farms will increase by 98 per cent to £99,000 due to higher production and prices. Incomes of lowland grazing farms will be static at £16,000 while incomes of farms in less favoured areas will fall by 8 per cent to £25,000 due to lower breeding sheep prices. Incomes of mixed farms will increase by 14 per cent to £33,000. Overall TIF is forecast to have increased by 45 per cent to £5,345 millions. The contribution of agriculture to the national economy is forecast to have risen by 20 per cent to £9,914 millions.
- 2 Defra statistics for 2016/17 have revealed that 83 per cent of farms in England undertook business planning, bench marking or management accounting with the majority being cereal or general cropping farms, larger units and those managed by the younger generation. 59 per cent of farms produced an informal business plan but this percentage has not changed in 5 years. The number of farms which produced budgets or detailed financial analysis has increased by 8 per cent in the past 5 years to 33 per cent. 75 per cent of farms undertook risk management practices, mainly cereal and dairy farms, larger units and predominantly in the East of England. Common practices involved the selling of commodities (38 per cent) and the buying of inputs on a contract basis (35 per cent). Almost all farms sourced business management and technical advice but the most common sources were free or subsidised and the media.
- 3 In 2016/17 there were 547,000 businesses registered in rural areas constituting 24 per cent of all registered businesses in England. Rural businesses employed 3.5 million people, 13 per cent of the total employed. Agriculture, forestry and fishing accounts for 15.1 per cent of registered businesses as does the professional, scientific and technical services sector followed by the wholesale and retail trade and repair of motor vehicles at 12.9 per cent and construction 11.5 per cent. The highest level of employment was in education, health and social work at 17 per cent followed by wholesale, retail and repair of motor vehicles at 13.2 per cent and manufacturing at 11 per cent. Agriculture, forestry and fishing made up 7.5 per cent.

- 4 The index of all agricultural outputs rose by 5 per cent in December compared to a year earlier and by 0.3 per cent compared to November. The index for inputs rose by 3.4 per cent and 1.3 per cent respectively.
- 5 Forestry Enterprise Scotland, Scottish Water, Highlands and Island Enterprise, East Lothian and Highland councils are to release about 1,000 hectares to 50 new entrants to farming.

V Product prices

A Market background

- 1 Sterling retained its high level of volatility against the Euro this month, with an underlying trend of weakness: from an opening position of 87.5p per €, the rate weakened (twice peaking above 89.0p) and gained (dropping back below 87.5p), before closing at 88.6p per € (1.1p weaker). Following a strong January, February saw Sterling more volatile, and weaker overall, against the US Dollar: from a starting point of 70.8p per \$, Sterling dropped to 72.5p per \$, recovered to 70.7p, before closing at 72.7p per \$, 1.9p weaker overall. Crude oil prices were also highly volatile in February, demonstrated by Brent crude dropping from its opening position of \$68.58 per barrel to below \$62.50, then peaking at \$67.28 before dropping again to close the month at \$63.84 per barrel.

B Crops

- 1 Wheat prices remained flat for most of the month (again) but with a small improvement to the feed wheat price in the latter stages: concerns of frost damage and winter-kill in a greater number of countries in Europe, particularly as a result of the sudden drop in temperatures seen in the last ten days saw the market strengthen; in addition Brazil and Argentina have both reported concerns over their maize output (planting delays and rain for the former / dry weather for the latter). However, milling premiums reduced at the same time, more than soaking up the feed price rises. Oilseed prices improved marginally this month, assisted by a weaker Sterling position and as a result of the same Brazilian and Argentine weather as is suppressing soya output predictions. LIFFE feed wheat futures, weakened early on in February but then changed to a trend of gentle improvement thereafter, with some volatility factoring in. In late February, deliveries for November 2018 and 2019 stood at £145/tonne (+3) and £146/tonne (+2) respectively. Average spot prices in late February (per tonne ex-farm): feed wheat £138 (+2); milling wheat £148 (-1); feed barley £131 (+5); oilseed rape £295 (+8); feed peas £142 (+3); feed beans £151 (+4).
- 2 Potato prices continued the trend of improvement started in November, albeit by small increments only. With the packing trade over-supplied by contracted crop, the market was largely flat; and with the bagging trade in a similar position the market shows little sign of potential for material future improvements. Whilst most crops are understood to be storing well, a few more instances of rots, silver scurf and black dot have been reported. The average potato price gained £10 over its opening position of £145 per tonne to reach a late February close of £155 per tonne (£57 below February 2017). Whilst the free-buy average made a material improvement early on (from £87 per tonne to £104) it relaxed a little thereafter to reach a late February close of £99 per tonne (£12 up in the month but £164 below February 2017). 2017 crop prices for grade 1 in late February (per tonne ex-farm): Maris Piper had tightened its spread at the lower end to between £220 and £250, whilst Desiree had weakened to between £100 and £135. King Edward had relaxed marginally to between £100 and £155, whilst Estima and other white varieties were steady at between £50 and £100.

C Livestock

- 1 Cattle prices demonstrated greater levels of volatility this month. The average finished steer price improved early on from its opening position of 189p/kg lw, to peak at 194p; a midmonth lull saw prices drop back to 191p before recovering to a closing average of 196p/kg lw (7p up in the month and 9p/kg above the closing average a year earlier). The average finished heifer price sought to recover some of the loss in January, gaining steadily, with the exception of a small mid-month 'blip', to close the month 4p up at 205p/kg lw (4p above the price a year earlier). The average dairy cow price dropped from its opening position of £1,238 per head to a low of £1,161 before recovering to peak at £1,255 and eventually closing the month at £1,231 (£58 above the closing average in February 2017).
- 2 The lamb market was far less volatile and far more buoyant than cattle. The average new season finished lamb price (SQQ live weight) opened at 191 p/kg lw and rose steadily throughout the month to close at 209p/kg lw (up 18p in the month to sit 38p/kg above the average a year earlier).
- 3 The average UK all pig price (APP), continued to drop back as would be expected at this point in the season but with smaller reductions; having opened at 151.0p/kg dw the average dropped to a closing position of 149.0p/kg dw (down 2.0p/kg, to sit 4.2p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for December, published in late February, reported a loss of 0.40p to give an average of 31.48ppl (5.42ppl above the price a year earlier and 3.37ppl above the rolling 5 year average of 28.11ppl). The UK's ranking against the 'EU28' farmgate milk price for December showed an improvement, gaining a place to reach 16th. The EU28 weighted average for December was 34.07ppl (0.52ppl below the November 2017 average).

VI Other crop news

- 1 With funding from the Scottish Government's Rural and Environmental Science and Analytical Services Division, a number of Scottish research organisations have joined forces to create a virtual Centre of Expertise for Plant Health.
- 2 The index for all crop products fell by 0.2 per cent in December compared to a year earlier but rose 1.4 per cent compared to November. The index for cereals rose by 6.3 per cent compared to a year earlier but fell by 0.5 per cent compared to November. The potato index fell by 29 per cent compared to a year earlier but rose by 3.3 per cent compared to November. The index for forage plants rose by 20 per cent and 8 per cent respectively and that for fresh fruit by 16 per cent and 6.6 per cent respectively.
- 3 Rank Hovis Milling is to heighten its interest in Group 2 KWS Siskin following its performance in large-scale milling trials.
- 4 The UK milling, starch and bioethanol industries used 1.701 million tonnes of wheat in the 3 months to December, a fall of 9.5 per cent on the same period in 2016. Brewers, maltsters and distillers used 470,000 tonnes of barley and 211,000 tonnes of wheat, up 1.1 per cent and 5.3 per cent respectively.
- 5 The European Union Council is to recalculate sugar production levies for the period 1999/2001 and refund overcharges to growers.
- 6 A report by Feedback has suggested that farmers being forced by supermarkets to overproduce results in 10-16 per cent of their fruit and vegetable production being wasted.

- 7 Scientists at the University of Maryland have identified a key gene which regulates berry and plant growth. It is hoped this will help with the development of new varieties which will enhance runner production.

VII Other livestock news

- 1 The Animal and Plant Health Agency, Defra, Scottish and Welsh Governments and the Department of Agriculture, Environment and Rural Affairs are to undertake Exercise Blackthorn, a simulation exercise to test contingency plans for a national outbreak of foot and mouth disease.
- 2 Four years into the 25 year Bovine TB strategy, Defra has commissioned a review to consider what actions might be necessary to ensure other tools and interventions are ready to be deployed in later phases.
- 3 Defra has issued a consultation document on the proposal to remove the 10 area cap limit for licensing badger culling activity. It is also consulting on the proposal to allow licensed badger control in the Low Risk area.
- 4 Defra has published details of livestock populations in England in December 2017. The number of cattle and calves totalled 5.3 millions, down 0.2 per cent from a year earlier; the number of pigs rose by 2.8 per cent to 3.7 millions; and the number of sheep and lambs rose by 1.8 per cent to 11.3 millions with the female breeding stock up by 132,000.
- 5 In the 3 months to September, pre-movement testing in England led to the identification of 168 Bovine TB reactors out of 134,827 tests; in Wales testing identified 37 reactors out of 45,267 animals tested; while of the 441 animals tested in Scotland which had arrived from England and Wales, no reactors were identified.
- 6 In January, the number of prime cattle slaughterings rose by 3.9 per cent compared to a year earlier to 170,000; beef and veal production was up 6 per cent at 81,000 tonnes; sheep slaughterings rose by 10 per cent to 1.092 millions; mutton and lamb production rose by 7.4 per cent to 24,000 tonnes; pig slaughterings rose by 8.2 per cent to 929,000; and pigmeat production rose by 9.5 per cent to 82,000 tonnes.
- 7 In the year to November, the number of new herd Bovine TB incidents increased by 3 per cent in England with increases of 2 per cent in the High Risk area, 7 per cent in the Edge area and 1 per cent in the Low Risk area. There was an increase of 16 per cent in Wales but a fall of 3 per cent in Scotland. The number of herds not officially TB free increased by 11 per cent in England with increases of 8 per cent in the High Risk area, 33 per cent in the Edge area and 41 per cent in the Low Risk area. There were increases of 5 per cent in Wales and 26 per cent in Scotland.
- 8 The agricultural price index for animal products rose by 8.4 per cent in December compared to a year earlier but fell by 0.6 per cent compared to November. The index for milk rose by 21 per cent compared to December 2016 but fell by 0.9 per cent compared to November.
- 9 Defra is to introduce compulsory milk contracts between producers and purchasers setting out matters such as the price for the delivery of milk, the timing of deliveries, the duration of the contract, details of payment procedures and arrangements for the collection and delivery of raw milk.
- 10 Arla has reduced the price of a manufacturing litre by 2.16ppl to 27.11ppl.

- 11 In December, UK dairies processed 1,149 million litres of milk, up 3.2 per cent on November and 3.4 per cent on a year earlier. Liquid milk production rose by 0.7 per cent and 0.3 per cent respectively, cheese production rose by 5.3 per cent and 0.2 per cent, milk powder production rose by 10.7 per cent and 2.2 per cent but butter production fell by 8.5 per cent and 0.3 per cent respectively.
- 12 First Milk has reduced all its pool prices by 1.25ppl.
- 13 In January, milk production rose by 0.9 per cent compared to December to 1,230.83 million litres and by 1.18 per cent compared to a year earlier. Butterfat content fell by 1.5 per cent compared to December but rose by 0.6 per cent compared to a year earlier. Protein content fell by 2 per cent compared to December but rose by 0.6 per cent compared to a year earlier.
- 14 Muller has reduced the price paid to Muller Direct farmers by 1.5ppl to 26.5ppl.
- 15 Stable, a new company in which farmers have a 60 per cent shareholding, is to offer an insurance based product to protect dairy producers against volatile milk prices.
- 16 Barbers has reduced the price of a Barber's Assured standard litre by 1ppl to 28.05ppl.
- 17 Muller is to manufacture its own fresh milk packaging in the UK.
- 18 Arla has acquired Yeo Valley Dairies.
- 19 Morrisons has bought free-range egg supplier Chippindale Foods.
- 20 Positive outbreaks of Schmallenberg virus have been reported in Northern Ireland.
- 21 Defra is to introduce a requirement that slaughterhouses use a standard grid for the classification of sheep carcasses to give more transparency to payments to farmers.
- 22 McDonald's has announced plans to increase the use of British chicken threefold by 2020 by which time it would be using 10 times the amount consumed in 2013.
- 23 In the 3 months to December, 7.5 million cases of eggs were packed, up 4.5 per cent on a year earlier but down 0.5 per cent on the 3 months to September. The average farm-gate price was 69.7p per dozen, up 0.5 per cent on the 3 months to September but down 1.4 per cent on a year earlier. The production of egg products totalled 23,000 tonnes, 4.3 per cent down on the previous quarter and 1 per cent down on a year earlier.
- 24 In January, UK commercial layer chick placings rose by 18 per cent compared to a year earlier to 3.8 million chicks; broiler chick placings rose by 6.9 per cent to 101.6 millions chicks; turkey chick placings rose by 11 per cent to 1.2 million chicks; turkey slaughterings rose by 3.8 per cent to 100.3 million birds; and total poultry meat production rose by 1.4 per cent to 182,200 tonnes.
- 25 Meadow Foods has acquired Roil Foods of Wrexham which produces edible dairy-based oils.

VIII Inputs/Supply businesses

- 1 Gleadell has reported shortages of imported fertilizer. Ammonium nitrate is said to be short already, CF sulphur and NPK grades are showing limited availability while stocks of granular urea are 'dwindling'.
- 2 AHDB is to collect, validate and publish fertilizer price data on a monthly basis.
- 3 The new government in Germany has agreed to ban the use of glyphosate.
- 4 The European Food Safety Authority has updated its risk assessments of clothianidin, imidacloprid and thiamethosan and has confirmed that most uses of neonicotinoid pesticides represent a risk to wild bees and honeybees.

- 5 The agricultural price index for energy and lubricants for December rose by 8.5 per cent compared to a year earlier and by 4.2 per cent compared to November. The index for other goods and services rose by 7.4 per cent and 1.9 per cent respectively.
- 6 The 31st edition of the UK Pesticide Guide has been published by BCPC Publications.
- 7 BASF has launched Charm, a specialist fungicide for the control of powdery mildew in outdoor and protected strawberries.

IX Marketing

- 1 Saudi Arabia has lifted its ban on the import of British lamb. It is estimated the market will be worth £5 millions a year to British producers.
- 2 Following a period of consultation, Defra has concluded that a formal extension of the remit of the Groceries Code Adjudicator 'would not be appropriate at this time'.
- 3 The Competition and Markets Authority is to consider whether more grocery retailers could come under the remit of the Groceries Code Adjudicator.
- 4 Exports of food and drink in 2017 reached a record £22 billions. Products are now sold to 217 markets with sales of milk and cream up by 61 per cent, salmon by 23 per cent and pork by 14 per cent. Exports of gin reached £500 millions while exports of cheese to France rose by £85 millions, chocolate to Belgium rose by £21 millions and tea to China rose to £2 millions. By country the top exports were the Irish Republic at £3.7 billions, France £2.3 billions, USA £2.3 billions, Netherlands £1.5 billions and Germany £1.4 billions.
- 5 Asda is to replace all single-use plastic bags with reusable ones by the end of 2018.
- 6 Total Produce has acquired Bradford-based wholesaler Burbank Produce.

X Miscellaneous

- 1 Defra and the Department for Digital, Culture, Media and Sport have struck an accord with the National Church Institutions of the Church of England to allow church buildings to be used to improve broadband, mobile and WiFi connectivity for local communities.
- 2 Minette Batters has been elected as President of the NFU supported by Guy Smith as Deputy President and Stuart Roberts as Vice President.

Postscripts

A letter a father found in his daughter's bedroom

Dearest Mummy and Daddy,

It is with regret and sorrow that I'm telling you that I've eloped with my new boyfriend. I've found real love and he is so nice and I am getting used to all his piercings, scars, tattoos and I love his big American motorcycle.

But it's not only that, I'm pregnant and Ahmed said that we will be very happy in his caravan near Dover. He wants to have many more children with me and that's one of my dreams, too. I've learned that marijuana does not hurt anyone and we'll be growing it only for us and Ahmed's friends. They're the ones providing us with all the cocaine and ecstasy we could ever want. In the meantime, we'll pray for science to find a cure for AIDS so Ahmed can get better. He really deserves it.

Don't worry about money. Ahmed has arranged for me to be in films that his friends Leroy and Jahmal make in their basement. Apparently I can earn £200 per scene, and I get a £200 bonus if there are more than 3 men in the scene and an extra £100 for any animals.

Don't worry, Mummy, now that I'm 15 I know how to take care of myself. Someday we'll visit you and Daddy so that you can meet your grandchildren.

Your loving daughter,

Sarah XX

P.S. Daddy, it's not true – I'm watching television with Jessica and her parents next door. I just wanted to show you that there really are far worse things in life than England losing The Ashes!

Monthly Farming Update

Keep promises to yourself!

Is it true that disputes involving family farming businesses are more prevalent than any other sector? It may not be although it does seem that way, perhaps because farming is very much a generational based business and all the property “eggs” are in one basket making it difficult to have share outs.

Then bring into the equation ‘proprietary estoppel’. One can hear the legal fraternity salivating at the use of the term while us lesser mortals (or as they think we are) merely wonder what they are talking about. Proprietary estoppel is a legal claim which may arise in relation to rights to use the property of the owner. It can transfer rights if someone is given a clear assurance they will acquire a right over a property, they reasonably rely on the assurance, they act to their detriment on the strength of the assurance and it would be unconscionable to go back on the assurance.

Take the case of Habberfields farm in Somerset. It comprised 220 acres and was bought in the period 1961 to 1989 by Frank and Jane, unusually as joint tenants. They ran the farm as a partnership until Frank died age 74.

The youngest daughter Lucy had worked on the farm since her childhood and, in 2007, was joined by her partner Stuart. Working full time Lucy claimed her late father had assured her she would take over the whole farm when he retired and so she brought an action in proprietary estoppel.

Her claim was disputed by her mother, her brother and her two sisters. However, evidence was produced in the form of a letter written by a land agent employed by Frank and Jane. This stated that a new limited partnership would run the farm and that, following the death of her parents, Lucy would inherit the property subject to some elements passing to her siblings.

While not awarding Lucy the whole farm, her mother was still alive, the judge awarded her a substantial sum in lieu.

The moral is be careful if you make promises. Not everybody’s memory deteriorates with age!

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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