Policy issues

1 The Government has announced that all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement, will be fully funded, even when such projects continue beyond the UK's departure from the EU. It has also guaranteed that the current level of agricultural funding under the CAP Pillar One will be upheld until 2020.

2 Reports from Germany suggest that the proposed Transatlantic Trade and Investment Partnership between the EU and the US has collapsed.

Reform

1 Defra has published updated versions of the Countryside Stewardship Higher and Mid Tier Manuals which are to apply to all agreements starting on or after 1 January 2017.

Grants / regulations / legislation / environment

1 Natural England has published its latest assessment on the state of the natural environment covering the period up to 2014. This shows the breeding farmland bird index in England reached its second lowest recorded level, 56 per cent lower than in 1970 and a decline of 8 per cent between 2008 and 2013; butterfly numbers on farmland have fallen by 27 per cent since 1990 and, while there was some improvement in 2013 and 2014, the trend since 2009 is that of a significant decline; the breeding woodland bird index is down 23 per cent on 1970 although slightly better than the lowest ever level in 2013; woodland butterfly numbers have fallen 51 per cent since 1970; and the breeding wetland bird index is 4 per cent lower than in 1975 but declined by 10 per cent between 2008 and 2013.

2 Figures up to 2013 show that the UK's carbon footprint rose by 3 per cent compared to 2012 but was 19 per cent lower than the peak of 2007 while the carbon dioxide footprint rose by 2 per cent.

3 The 2016 Farm Practice Survey has revealed that 9 per cent of farms consider it "very important" to consider greenhouse gas emissions when making decisions relating to land, crops and livestock while a further 39 per cent regard it as "fairly important". Both of these figures are slightly down on 2015. Overall 57 per cent were endeavouring to reduce emissions with larger farms more likely to take action than small farms, 73 per cent compared to 49 per cent. The most popular options are recycling waste materials, improving energy efficiency and improving nitrogen fertilizer application.

4 Waste from UK households rose by 3.3 per cent in 2014 but the recycling rate rose from 44.1 per cent to 44.9 per cent. Wales has the best record on recycling at 54.8 per cent.

5 A report commissioned by the Centre for Ecology and Hydrology has found that the decline in wild bees has been three times worse for species which regularly feed on oilseed rape on which neonicotinoid insecticides are used as a seed treatment.

6 The EU Horizon 2020 fund has awarded £6 millions to the Innovation for Sustainable Sheep and Goat Production in Europe to assess the key factors which will impact on the sheep and goat industry in the future.

7 Cranfield University, East Malling Research and the Universities of East Anglia and Oxford have been awarded £1.292 millions to research the resilience to water-related risks of fresh fruit and vegetable systems.

Other matters of farm finance and tenure

1 Creighton University has reported that US farm prices have fallen by 11 per cent in the past year with cattle prices down 22 per cent and all grains down 20 per cent. A further fall of 6.9 per cent is predicted over the next year.

2 The latest survey by the Royal Institution of Chartered Surveyors and the Royal Agricultural University has revealed that demand for commercial farmland fell by 48 per cent in the first half of 2016 while residential farmland interest fell by 19 per cent. The price of bare land fell by 4 per cent while average arable rents fell by 8.8 per cent and average grassland rents fell by 6.7 per cent.

3 Savills has reported that 123,000 acres of farmland came to the market in the first seven months of this year, similar to the

same period in 2015. However, the England area fell by 6 per cent, Scotland area rose by 8 per cent and the Wales area rose by 35 per cent.

Product prices

A. Crops

1 Crop prices strengthened further this month as more information concerning the 2016 harvest yields and quality became available, although as the end of the month approached the improvements in wheat price began tailing off. Sterling continued to fluctuate by some margin (83.6p/€ at its strongest / 87.1p/€ at its weakest) closing the month weaker than it started at 85.1p/€. The US$ mirrored this movement, closing marginally stronger against Sterling at 76.1p/$. With world wheat and maize production predicted at a five year high (particularly high outputs from the US and Russia) the poorer yields of Western Europe are somewhat dwarfed; the short term wheat market may also be suppressed by Russian exports due to insufficient storage. More locally, UK yields have dropped back to five year average levels but are demonstrating reasonable milling quality. Milling wheat premiums relaxed from £25/tonne to £15/tonne as more knowledge of the crop quality filtered through. Oilseed prices have improved significantly as initial concerns over yields have been proven valid, also reflecting the results from Canada and further buoyed by improving soya prices. LIFFE feed wheat futures closed up after yet another volatile month, with swings of as much as £9 on movements in the next six months. In late August, deliveries for November 2016, 2017 and 2018 stood at £127/tonne (+3), £134/tonne (+3) and £139/tonne (+3) respectively.

Average spot prices in late August (£/tonne ex-farm): feed wheat 119 (+9); milling wheat 134 (-1); feed barley 103 (+6); oilseed rape 311 (+31); feed peas 137 (+8); feed beans 145 (+8).

2 Potato prices for the 2016 crop have started the season in a very similar fashion to the previous year, albeit a little stronger. The GB average price opened at £212 per tonne but soon dropped back as harvest progressed and the availability of crop increased; by late August the price was back to £171 per tonne (£41 lower than the opening price but £7 above the price a year earlier). The free-buy average opened £24 above the GB average at £237 per tonne but dropped back more materially as the month progressed, reaching a late August close of £176 per tonne (£61 lower than the opening price but £2 above the price a year earlier). Development of the 2016 main crop is ‘average to good’ as unpredictable weather has given growers a lot of work. Initial reports suggest that yields will only be average and warn of issues with greening and growth cracking. Early main crop varieties are starting to be burnt off to set skins in advance of harvest, whilst many growers are irrigating in front of the harvester to avoid crop damage from hardened soil.

2015 crop prices for the minimal tonnages of grade 1 left in late August: Estima were materially lower, at between £180 and £235 per tonne and Maris Piper prices were also markedly weaker and tighter, at between £170 and £180 per tonne.

B. Livestock

1 Cattle prices retained a level of volatility this month. The average finished steer price, from its opening position of 184p/kg lw, gained 2p/kg early on before dropping back again a week later. A tightening of supplies in the latter half of the month led to improvement and a closing average of 188p/kg lw (a gain of 4p/kg in the month, to sit 3p/kg below the closing average a year earlier). The average finished heifer price was more buoyant; improving from the opening position of 196p/kg lw, with a small mid-month lull, to close at the month’s peak of 203p/kg lw (7p/kg up on the previous month, to sit on a par with the price a year earlier). The average dairy cow price spent the whole month above £1,000 per head for the first time in many months, closing at its peak of £1,160 (£1,204 in late August 2015).

2 The average finished lamb price (SQQ live weight) continued to plot a volatile path: dropping from its opening position of 183p/kg lw to 181p/kg, then improving to peak at 189p/kg, before dropping back to a closing position of 180p/kg (3p down in the month but 37p above the closing average at the end of August 2015).

3 The average UK all pig price (APP) continued to improve throughout August. From an opening position of 130.7p/kg dw, with the domestic market assisted by weak Sterling and tighter supplies, the average price improved to a late August close of 137.3p/kg (6.6p/kg up in the month and 0.6p/kg above DAPP from a year earlier).

4 The UK average milk price for July (published in late August) reported the first improvement (by 0.72ppl) since February 2014 with an average of 20.57ppl, 2.97ppl below the price a year earlier. The UK held its position in the EU farmgate milk price ‘EU28’ rankings for June (13th) with an average of 20.62ppl, in comparison to a steady EU28 weighted average of 20.96ppl (down 0.01ppl).

Other crop news

1 Stocks of wheat in the UK at the end of June were up 34 per cent compared to a year earlier at 2.7 million tonnes while barley stocks were 2.2 per cent lower at 770,000 tonnes. Stocks of oats were down 20 per cent at 70,000 tonnes while stocks of maize fell by 83 per cent to 50,000 tonnes.

2 First results from three trial sites of AHDB Recommended List wheat varieties show average yields of 4.27 tonnes per acre, equivalent to the 5-year average.

3 Results from trial sites of winter barley AHDB Recommended List varieties are indicating yields down 0.2 tonnes per acre on the five-year average.

4 The June Survey of Agriculture has revealed the 2016 area of wheat to be almost unchanged from 2015 at 1.7 million hectares; the barley area has increased by 6.6 per cent with spring barley up 13 per cent at 422,000 hectares and winter barley down 0.1 per cent at 376,000 hectares; the area of oilseed rape fell by 11 per cent to 546,000 hectares; and the area of uncropped arable land increased by 21 per cent to 216,000 hectares.

5 The June cereal price index fell 5.6 per cent compared to a year earlier and by 0.2 per cent between May and June; the potato price index rose by 51 per cent and by 5.1 per cent between May and June; and the fresh fruit price index fell by 3.9 per cent while the fresh vegetable price index rose by 2.6 per cent.

6 During June, the milling, starch and bioethanol industries used 524,000 tonnes of home produced wheat, 604,000 tonnes in total, up 0.6 per cent on a year earlier. Brewers, maltsters and distillers used 153,000 tonnes of barley and 60,000 tonnes of wheat, unchanged from a year earlier. The tonnage of wheat milled fell by 0.8 per cent for home grown and by 20 per cent for imported.

7 Final figures for the 2015/16 season show sales of dessert apples to the multiples of 112,781 tonnes, up 11.1 per cent on the previous year but Bramley sales fell by 17.8 per cent.

Other livestock news

1 The price index for all animals and animal products fell in June by 7.9 per cent compared to a year earlier; the pig price index fell by 8.3 per cent but rose 4.3 per cent between May and June; the price index for animal products fell by 15 per cent and by 1.7 per cent between May and June; and the milk price index fell by 16 per cent and by 2.3 per cent between May and June.

2 Slaughterings of prime cattle in July rose by 3.8 per cent compared to a year earlier at 167,000; beef and veal production rose 2.9 per cent to 76,000 tonnes; sheep slaughterings fell by 1.3 per cent to 1.1 millions; mutton and lamb production fell 3.9 per cent to 25,000 tonnes; pig slaughterings rose 0.3 per cent to 891,000; and pigmeat production rose 0.8 per cent to 75,000 tonnes.

3 The number of new herd bovine TB incidents in England rose by 4 per cent in the year to May compared to a year earlier; there were increases of 2 per cent in the High risk area, 26 per cent in the Edge area and 10 per cent in the Low risk area. In Scotland the number of incidents rose by 25 per cent but there was a fall of 17 per cent in Wales. The number of herds not officially TB free rose by 3 per cent in England with increases of 2 per cent in the High risk area and 25 per cent in the Edge area. In Scotland the herds affected rose by 8 per cent but there was a fall of 11 per cent in Wales.

4 The UK Farm Animal Genetic Resources Breed Inventory for 2015 has been published. This shows that 78 per cent of native cattle breeds have recorded increases in pedigree breeding female numbers since 2002. The Holstein-Friesian breed is the largest with 680,000 pedigree breeding females although numbers are down 32 per cent on 2002 while Limousin is second at 38,000, 125 per cent up on 2002. The largest increase has been in the Beef Shorthorn breed, up by 1,400 per cent. In sheep, 41 per cent of native breeds have seen increases with the largest breed being the Swaledale at 167,000 breeding females but recording a 78 per cent decrease since 2002. The Boreday breed increased by 293 per cent.

5 Genus has been ordered to pay damages of $2 millions to Inguran following a court ruling it had breached patents and confidentiality concerning technology used for sexing bull semen.

6 Milk production in July fell by 3.8 per cent compared to June and by 8.3 per cent compared to a year earlier at 1,162 million litres. Butterfat content was static at 3.94 per cent although up from 3.83 per cent a year earlier. Protein fell 0.01 per cent to 3.22 per cent, down from 3.31 per cent a year earlier.

7 Prices at the latest Global Dairy Trade auction increased by 12.7 per cent with increases of 18.9 per cent for whole milk powder and 14.1 per cent for butter.

8 During June, dairies used 851 million litres of milk, a reduction of 13 per cent on a year earlier. Of the total, 48 per cent was used for liquid milk production, 28 per cent for cheese production, 2.1 per cent for butter and 2.1 per cent for cream.

9 Dairy Crest has increased prices by 1ppl taking the Davidstow milk price to 22.72ppl.

10 The number of dairy farmers in Germany has halved since 2000 and continues to decline at a rate of 2.4 per cent per year.

11 Asda and Lidl have followed other supermarkets by committing to stop sourcing eggs from caged hens by 2025.

12 Euromonitor has reported that the global milk market fell by 9 per cent in 2015 with falls of 5.9 per cent in North America and 3.8 per cent in Western Europe.

13 Muller and Direct Milk have increased the standard litre price to 26.005ppl, up by 1.172ppl.

14 Poland has reported a further 8 outbreaks of African Swine Fever in domestic pigs since the end of June.

15 Dale Farm has opened a cheese processing and packaging facility in County Tyrone, Northern Ireland.

16 Egg packing stations packed 7.2 million cases of eggs in the second quarter of 2016, an increase of 0.5 per cent on the first quarter and an increase of 4.5 per cent on the same period in 2015. However, the average farm-gate price fell by 3.8 per cent on the first quarter to 69.9 per dozen, a 15 per cent decrease on the same period a year earlier. In the first quarter of 2016, the production of egg products totalled 26,000 tonnes, 14 per cent up on the same period in 2015.

17 Figures for July compared to a year earlier show that commercial layer chick placings fell 4.2 per cent to 3.9 million chicks; broiler chick placings rose 0.4 per cent to 94.2 million chicks; turkey chick placings fell 12 per cent to 2.1 million chicks; turkey slaughterings fell 24 per cent to 900,000 birds; broiler slaughterings fell 1 per cent to 94.1 million birds; and total poultry meat production fell by 5.4 per cent to 160,000 tonnes.

18 The Co-operative has launched a dedicated egg farming group comprising 17 flocks across northern England and Scotland which will be free-range and will be rewarded for meeting quality, welfare and environmental standards.

Inputs / Supply business

1 Latest figures show that the nitrogen surplus in agricultural land in England has fallen by 25 per cent since 2000 mainly due to reductions in the application of inorganic fertilizer, particularly to grass, and lower manure production. In 2015 the nitrogen balance fell by 4 per cent compared to the previous year.

2 Animal feed production in June rose by 2.6 per cent for poultry and 3.6 per cent for sheep but fell by 3.7 per cent for pigs and 9.1 per cent for calves compared to a year earlier. Wheat usage rose 0.5 per cent but barley usage fell by 5.5 per cent.

3 Fargro has been granted off-label authorisation for T34 Biocontrol for use as a biofungicide against fusarium and pythium in strawberry, cane and bush fruit grown under protection.

Marketing

1 In the eleven months to May, exports of UK wheat totalled 2.57 million tonnes, the highest for 5 years while barley exports reached 1.89 million tonnes, the highest for over 10 years.

2 Production of home-produced vegetables rose by 3.9 per cent in 2015 to £1.3 billions, with field vegetables worth £884 millions and protected vegetables £393 millions. Production of home-produced fruit rose by 9.6 per cent to £695 millions counting for 18 per cent of the total UK supply, 3.6 per cent more than in 2014.

3 The AHDB has reported a reduction in “volume driving” multi-buy offers resulting in reduced sales of meat, fish and poultry totalling £272 millions with red meat and sausages being the worst affected.

4 Marketline has reported the global agricultural market to be worth £1.7 trillions in 2015, 64.2 per cent of which is the Asia-Pacific market.

5 The British Social Attitudes survey has reported that 58 per cent of those surveyed trust farmers to ensure their food is safe to

eat while only 34 per cent trust supermarkets and 33 per cent trust the Government.

Miscellaneous

1 NFU Mutual has reported that the cost of rural crime increased by £4.7 millions in 2015 to £42.5 millions compounded by an increase in cyber-crime. Worst affected regions were the North East and the East of England but the largest increases were 10 per cent in the Midlands and 13 per cent in Northern Ireland. The South East recorded a fall of 9 per cent while Scotland had the lowest rate of crime at £1.7 millions, a fall of 6 per cent.

Other Business

The English Language – the language of the world!

1. The bandage was wound around the wound.

2. The farm was used to produce produce.

3. The dump was so full that it had to refuse more refuse.

4. We must polish the Polish furniture.

5. He could lead if he would get the lead out.

6. The soldier decided to desert his dessert in the desert.

7. Since there is no time like the present, he thought it was time to present the present.

8. A bass was painted on the head of the bass drum.

9. When shot at, the dove dove into the bushes.

10. I did not object to the object.

11. The insurance was invalid for the invalid.

12. There was a row among the oarsmen about how to row.

13. They were too close to the door to close it.

14. The buck does funny things when the does are present.

15. A seamstress and a sewer fell down into a sewer line.

16. To help with planting, the farmer taught his sow to sow.

17. The wind was too strong to wind in the sail.

18. Upon seeing the tear in the painting I shed a tear.

19. I had to subject the subject to a series of tests.

20. How can I intimate this to my most intimate friend?

Legislation by stealth!

The Budget is steeped in history and, not surprisingly, gleans all the attention from the media, professions and the general public. In recent years the impact of the Budget, usually announced in March, has been somewhat watered down by the publication of the preceding Autumn Statement. Many Budget announcements are therefore often known a few months in advance.

What is less well known is that it is becoming increasingly common for the Government to introduce new measures during the readings of the Finance Bill. This Bill usually receives Royal Assent by the end of July but the 2016 Bill has not even reached the Report Stage in the House of Commons.

Little noticed, the Government has inserted clause 78 which concerns transactions in the UK land. This brings into charge to Income Tax, not Capital Gains Tax, a “profit or gain from a disposal of any land in the UK” where “any of the conditions A to D is met ...”. These conditions are as follows:

• One of the main purposes of acquiring the land was to realise a profit or gain on disposal

• One of the main purposes of acquiring property deriving its value from the land was to realise a profit or gain on disposal of the land

• The land is held as trading stock

• Where land has been developed, one of the main purposes of developing the land was to realise a profit or gain on disposal

Note the fact that compliance with any condition renders any gain on disposal liable to Income Tax.

Take the simple case of investment in let property. If borrowing is involved it is difficult to generate an income surplus. One of the main driving forces, or “main purposes”, is to benefit from growth in the value of the property.

Does this mean that a gain achieved on the disposal of a buy-to-let property will, in future, be subject to Income Tax?

Watch this space!