

# Monthly Farming Update

Chavereys  
CHARTERED  
ACCOUNTANTS



December 2016

## Policy issues

1 The First Minister of Wales has proposed that the devolved nations should relinquish responsibility for agriculture to the UK Government so as to have "one coherent policy across Great Britain." Not surprisingly the proposal was not well received in Scotland whose leaders would like greater powers, not less.

2 Defra has confirmed that the UK will not relax the rules on the use of animal growth hormones in beef farming after departure from the EU.

## Reform

1 Natural England has reported a 45 per cent increase in Countryside Stewardship mid-tier applications to 3,800 but has failed to indicate how many have been accepted. Higher-tier applications are similar to last year at 954.

## Grants / regulations / legislation / environment

1 A report by the Food Foundation claims that Britain's dietary health faces a "perfect storm" of low vegetable consumption, rising prices of imported produce and the decline of home production due to labour costs and shortages. While the consumption of fruit has increased by 50 per cent over the past 40 years, the consumption of vegetables has remained static.

2 Household waste in the UK increased by 3.3 per cent in 2014 but overall the total has fallen 0.6 per cent since 2010. Approximately 15 million tonnes of food and drink was wasted in the food chain in 2013, equivalent to one-third of total purchases.

3 Led by Berry Gardens and NIAB East Malling Research, an industry consortium has been granted funding by the BBSRC towards a £1.9 million postgraduate programme for scientific research on fruit crops. The 6-year study will cover plant breeding, plant pathology, entomology, soil science, plant physiology and crop agronomy.

4 Scientists at the University of Bristol claim that domestic LED lights are less attractive to nuisance insects, such as biting midges, than traditional filament lamps.

5 Bathing water quality, tested at 413 beaches and lakes throughout England, is the highest on record with 98.5 per cent having met the required standard.

6 Nests of Asian hornets in Gloucestershire have been destroyed. No further sightings have been reported.

7 The Environment Agency has introduced free rod licences for junior anglers.

## Other matters of farm finance and tenure

1 Gross Value Added, which measures the contribution to the economy of each individual producer, industry or sector, from predominantly rural areas contributed 17 per cent to the total in 2014 at £229 billions. Agriculture, forestry and fishing contributed 2 per cent of the rural area GVA. The GVA per workforce job was £44,500 in rural areas compared to £45,100 in urban areas while rural productivity was about 90 per cent of that of England as a whole.

2 In September the monthly price for all agricultural outputs rose 2.3 per cent compared to a year earlier while the index for inputs fell 1.4 per cent.

3 A National Pig Association survey has found that 20 per cent of farms and businesses associated with the pig industry will struggle without migrant labour while 25 per cent expect it will be necessary to change their method of operating. In 8 per cent of cases, over half the workers employed came from overseas.

## Product prices

## A. Crops

1 Cereal prices strengthened this month, with most of the gains occurring in the first week. Prices held relatively static for the remainder of the month, despite the best efforts of Sterling to reverse the weakening seen against the Euro and Dollar in recent months, thereby making UK crop less favourable for export. The improved domestic market has been largely responsible for propping the market up. With global attention taken away from Brexit by the US elections, Sterling managed a notable recovery by the end of November, gaining just over 5p against the Euro to sit at 84.9p/€; and gaining 2p on the US\$ exchange to sit at 80.1p/\$. Milling wheat premiums, having improved to almost £11/tonne, are unlikely make much more ground due to the exceptionally high level of milling quality crop available. Oilseed prices, hampered by improved Sterling, high global soya yields and a reducing crude oil price, took less of a hit than one might expect. LIFFE feed wheat futures closed down across the board, but stood at a small premium over the current spot price. In late November, deliveries for November 2017 and 2018 stood at £135/tonne (-6) and £137/tonne (-5) respectively.

Average spot prices in late November (£/tonne ex-farm): feed wheat 133 (+4); milling wheat 144 (+8); feed barley 117 (+6); oilseed rape 337 (-6); feed peas 132 (static); feed beans 143 (+1).

2 2016 crop potato prices exhibited strong growth in November. The GB average rose from an opening position of £152 per tonne, making material gains week on week, albeit with growth tailing off at the close of the month. By late November the average was up to £188 per tonne (£36 above the previous month and £50 above the price a year earlier). The free-buy average retained its premium above the GB average and performed similarly, although with a slower initial growth that was recovered by the end of the month. From a starting point of £182 per tonne, the freebuy average remained strong, as buyers took advantage of top quality non-contract crop to supplement contracted purchases; by late November the average had reached £217 per tonne (£35 up on October's close, to sit £83 above the price a year earlier). 2016 crop is generally storing well, with the recent cold weather helping ambient storage.

2016 crop prices for grade 1 in late November: Estima had improved further to between £200 and £260 per tonne (with small tonnages of high baker content exceeding £300). King Edward prices had started to catch up, reaching between £210 and £250 per tonne; whilst Maris Piper prices had also improved, with a wide spread of anywhere between £200 and £300 per tonne. Desiree had bounced back from last month's drop to between £220 and £290 per tonne.

## B. Livestock

1 Cattle prices displayed a level of volatility this month, with a positive undertone as buyers and processors planned the lead up to Christmas. The average finished steer price, from its opening position of 180p/kg lw, dropped marginally early on before peaking at 186p/kg and eventually closing at 183p/kg lw (3p/kg up in the month, to sit 1p above the closing average a year earlier). The average finished heifer price was flat by comparison: dropping from its opening position of 197p/kg lw by 1p, only to gain it back by the end of the month; a closing average of 197p/kg lw (static for the month, sitting 3p above the price a year earlier). The average dairy cow price has finally rediscovered buoyancy, closing at its peak for the month of £1,267 per head (£1,030 in November 2015).

2 The average finished lamb price (SQQ live weight) was also volatile; even though production levels were up, the increased demand, partly driven by currency exchange rates, buoyed prices. From an opening position of 161p/kg lw the price peaked early at 167p/kg, fell to 163p/kg, but eventually closed at 168p/kg lw (a 7p improvement in the month, to sit 16p above the closing average a year earlier).

3 The average UK all pig price (APP) continues to improve, thanks to: the weak Sterling, reducing EU herd numbers and increased demand for pig meat in China. From an opening position of 147.3p/kg dw, the average price improved to a late November close of 151.5p/kg (a 4.2p/kg gain in the month to sit 21.5p/kg above DAPP from a year earlier).

4 The UK average milk price for September (published in late October) remains the most recent data available: reporting a continuation of the improvements of previous months, gaining 1.24ppl to reach an average of 22.58ppl, 1.14ppl below the price a year earlier. At an EU level, the UK gained one place in the EU farmgate milk price 'EU28' rankings for September (up to 20th) with an average of 22.58ppl, in comparison to an improved EU28 weighted average of 24.37ppl (up 1.12ppl).

## Other crop news

1 Strategie Grains has forecast the EU soft wheat area for 2017 at 23.4 million hectares, down from 24.2 million hectares this year with a small increase of 90,000 hectares in the area of oilseed rape.

2 The AHDB Cereals and Oilseeds Cereal Quality Survey has revealed that 45 per cent of 2016 harvest samples have met bread wheat specification, the highest for 13 years.

3 The Strutt and Parker Harvest Yield Survey has reported an average yield of winter wheat of 8.9 tonnes per hectare, down 13 per cent on 2015 but close to the 5-year average of 9.1 tonnes per hectare. Winter barley averaged 6.7t/ha, down 19 per cent on 2015 and down 11 per cent on the 5-year average; spring barley averaged 6.4t/ha, down 9 per cent and 3 per cent; oilseed rape averaged 2.9t/ha, down 23 per cent and 18 per cent; and spring beans averaged 3.9 t/ha, down 7 per cent and 2 per cent. The survey covered 54,000 hectares in East Anglia, the South East and the Midlands.

4 In the 3 months to September the milling, starch and bioethanol industries used 1,765,000 tonnes of wheat, an increase of 9.5 per cent on the same period in 2015, with 1,545,000 tonnes being home produced. Brewers, maltsters and distillers used 447,000 tonnes of barley, a fall of 0.3 per cent, and 176,000 tonnes of wheat, an increase of 2.4 per cent. Home grown wheat milled increased by 13 per cent while imported wheat milled fell by 9.3 per cent. Flour production rose by 8.2 per cent to 1,382,000 tonnes. The tonnage of oats milled fell by 1.2 per cent to 125,000 tonnes.

5 The AHDB Early Bird Survey has predicted the 2017 oilseed rape area to be 557,000 hectares, down 4 per cent on 2016 and the lowest area since 2004.

6 Rothamsted Research has forecast high levels of light leaf spot in winter oilseed rape crops, particularly those in the south western and south eastern regions.

7 The Association of Independent Crop Consultants has identified Hertfordshire as the county most adversely affected by the dry conditions this autumn when establishing oilseed rape crops. Total losses are estimated at 45 per cent with Essex suffering similarly and Bedfordshire enduring losses of 26 per cent. Hertfordshire has also suffered most at the hands of the Cabbage Stem Flea Beetle with losses of 33 per cent followed by Bedfordshire with 29 per cent and Essex with 16 per cent.

8 The monthly price index for all crop outputs in September rose by 5.1 per cent compared to a year earlier but fell 3.4 per cent compared to August. The cereal index rose by 9.7 per cent and by 2.1 per cent compared to August. The oilseed rape index rose by 18 per cent.

9 Rothamsted Research has applied for permission to investigate the altered agronomic performance of spring wheat.

10 The James Hutton Institute and Agrovista have developed Potato Size, a mobile app to help potato growers quickly grade a crop sample.

11 Cornerways Nursery, one of the largest tomato growers and owned by British Sugar, is to cease tomato production and concentrate on growing cannabis plants for use in epilepsy medicine.

12 A report prepared by Zion Market Research has forecast that the international mushroom market will grow from \$35 billions in 2016 to \$60 billions in 2021. While Europe accounts for 35 per cent of cultivation and processing, the main area of growth is expected to be the Asia Pacific region.

13 Avalon Produce is to launch Cabaret and Stardance in Tesco, two new apple varieties which will extend the season.

14 Brothers Drinks has bought the Shepton Mallet Cider Mill from C & C Group.

15 A new Japanese-bred yellow-skinned apple is being launched on the European market by VOG, a South Tyrol fruit co-operative.

16 Scientists at the Kazusa DNA Research Institute in Japan claim to have mapped the genome of a commercially-grown strawberry which could help develop new varieties.

17 A Brazilian Obama flatworm, which is already a threat to agriculture across France, has been found in a pot plant at an Oxfordshire garden centre.

## Other livestock news

1 Sales of antibiotics for use in animals in the UK fell by 9 per cent by weight in 2015 while sales for use in food-producing animals fell by 10 per cent to 56 mg/kg. The UK has a target of 50 mg/kg by 2018.

2 Figures for August on bovine TB show the number of new herd incidents fell by 2 per cent in England with a fall of 4 per cent in the High risk area but increases in the Edge area and the Low risk area of 17 per cent and 1 per cent respectively. In Scotland

there was a fall of 9 per cent and in Wales a fall of 23 per cent. The number of herds not officially TB free fell by 2 per cent in England with falls of 4 per cent in the High risk area and 21 per cent in the Low risk area but a rise of 23 per cent in the Edge area. In Scotland and Wales, both recorded falls of 14 per cent.

3 The monthly price index for animals and animal products rose by 0.1 per cent compared to a year earlier while the pig price rose 7.6 per cent and by 3.3 per cent compared to August. The sheep and lamb price index rose by 14 per cent but fell by 3.1 per cent compared to August. The index for animal products fell by 6.3 per cent but rose by 4.4 per cent compared to August. The milk price index fell by 1.6 per cent but rose by 5.2 per cent compared to August although it stands at its lowest seasonal level since February 2013.

4 The number of UK prime cattle slaughterings in October fell by 1.1 per cent to 168,000 compared to a year earlier; beef and veal production fell by 0.8 per cent to 79,000 tonnes; sheep slaughterings fell by 4.3 per cent to 1,200,000; mutton and lamb production fell by 5.9 per cent to 26,000 tonnes; pig slaughterings fell by 10 per cent to 865,000 tonnes; and pigmeat production fell by 10 per cent to 74,000 tonnes.

5 Defra has updated its guidance on animal inspections.

6 A further 283 outbreaks of bluetongue virus have been reported in France in November making the total 724 since August. The area affected now includes Loire Atlantique.

7 During September, dairies used 815 million litres of milk, a fall of 9.4 per cent compared to a year earlier. This is the lowest usage since late 2013. Of the total, 54 per cent was used for liquid milk production, 25 per cent for cheese, 2.3 per cent for butter and 2 per cent for cream.

8 Muller has increased the price paid to non-aligned producers by 2ppl to 24.3ppl.

9 Ornuia is to commit €10 millions toward expansion in Germany due to demand for its Kerrygold products.

10 Dairy Crest has increased the Davidstow price by 1.78ppl to 26 ppl.

11 Arla has increased its milk price by 1.49ppl to 24.63ppl.

12 A Northern Irish Farmers' Milk scheme has been created by Asda and Dale Farm which will result in an extra 25p on a two-litre bottle being returned to farmers.

13 Meadow Foods has increased its A litre price by 2.25ppl to 24.4ppl.

14 Muller has revealed proposals which may result in the closure of its processing plant at Chadwell Heath.

15 Research from Kantar Worldpanel and Hybu Cig Cymru has revealed that consumers under the age of 45 are 23 per cent more likely than others to cook with fresh red meat but are 19 per cent less likely to eat lamb.

16 In the 3 months to September, 7.2 million cases of eggs were packed in the UK, a fall of 0.1 per cent on the 3 months to June but a 3.5 per cent increase on the same period last year. The average farm-gate egg price was 69.9 per dozen, a 15 per cent fall on the same period in 2015. The production of egg products fell by 4.6 per cent compared to the June quarter to 25,600 tonnes but was up 0.9 per cent on the same period in 2015.

17 During October UK commercial layer chick placings rose by 14 per cent to 4.2 million chicks; broiler chick placings rose by 1.7 per cent to 97.9 million chicks; turkey chick placings fell by 6.2 per cent to 1 million chicks; turkey slaughterings fell by 10 per cent to 1.9 million birds; broiler slaughterings rose by 3.4 per cent to 95.8 million birds; and poultry meat production rose by 2.9 per cent to 181,000 tonnes.

18 There has been a significant increase in the number of outbreaks of H5N8 avian influenza in Europe although the areas affected remain limited to Austria, Croatia, Denmark, Germany, Hungary, Netherlands, Poland and Switzerland. The risk of infected wild birds migrating to the UK is rated as medium.

## Inputs / Supply business

1 AHDB's Crop Nutrient Management Partnership has updated the RB209 Fertiliser Manual while a new edition is to be published next May.

2 The price index for fertilizers and soil improvers fell by 19.2 per cent in September compared to a year earlier but rose by 0.6 per cent compared to August.

3 A study conducted by Rothamsted Research at sites in Lincolnshire, Suffolk and Scotland has found evidence of pyrethroid resistance in Diamondback moths which cause cosmetic and feeding damage in brassica crops.

4 During September animal feed production rose by 21 per cent for sheep, 11 per cent for pigs and 2.5 per cent for cattle but fell by 0.1 per cent for poultry compared to a year earlier. The industry used 2.4 per cent more wheat but 8.3 per cent less barley.

5 Agchem and Bayer has formed a collaboration business to provide Bayer's breeding programme with parent varieties suitable to breed hybrid wheat varieties for maritime markets.

6 Syngenta is to launch Solatenol (benzovindiflupyr) next Spring, assuming it is granted approval. It is a SDHI fungicide and is designed to protect against yellow rust and septoria.

## Marketing

1 The European Commission has increased the marketing budget available to agricultural products from €111 millions in 2016 to €133 millions in 2017. The principal targets will be China, the Middle East, North America, south-east Asia and Japan.

2 Figures from Kantar Worldpanel covering the 12 weeks to 6 November show that Tesco achieved year-on-year sales growth of 2.2 per cent taking its market share up 0.3 per cent to 28.2 per cent. Sales at Aldi rose 10.2 per cent and at Lidl 6.1 per cent giving the discounters market shares of 6.1 per cent and 4.6 per cent respectively.

3 Exports of pigmeat to China from the EU have increased from 377,400 tonnes in the 9 months to September 2015 to 873,100 tonnes in the same period in 2016. While exports from Germany rose to 263,000 tonnes, those from the UK increased from 23,700 tonnes to 32,800 tonnes.

4 The Co-op has announced it is to double the number of small producers it works with to 1,200.

5 Sales of Scotch whisky grew by 3.1 per cent in the first half of 2016 with an increase of 41 per cent in exports to India.

6 Applications for protected geographical status have been made by the Traditional Welsh Caerphilly Cheese Producer Group; by the Forfar Bridie Producers Association; by the Baker Trade Committee of Dundee in respect of Dundee cake; by the Denbigh Plum Group; by Cambrian Mountains Lamb Group; and in respect of Carmarthen Ham.

7 Sainsbury's has introduced new potato packaging which will prevent light reaching the produce which can make potatoes turn green and develop a bitter taste.

8 A new food hub costing £7 millions is to be built on the outskirts of Liverpool to house the city's fruit, vegetable and flower market.

## Miscellaneous

1 There were 900,000 fly-tipping incidents dealt with by local authorities in England in 2014/15. Of the total, 66 per cent was household waste.

2 Helen Whately, MP for Faversham and Mid Kent, has been elected chair of a new all-party parliamentary group for fruit and vegetable farming.

## Other Business

### Postscripts

A message from Queen Elizabeth II

To the citizens of the United States of America from Her Sovereign Majesty Queen Elizabeth II.

In light of your failure to nominate a competent President of the USA and thus to govern yourselves, we hereby give notice of the revocation of your independence, effective immediately.

Her Sovereign Majesty Queen Elizabeth II will resume monarchical duties over all states, commonwealths and territories.

Your new Prime Minister, Theresa May, will appoint a Governor for America without the need for further elections.

Congress and the Senate will be disbanded.

To aid in the transition to a British Crown dependency, the following rules are introduced with immediate effect:

1. The letter 'U' will be reinstated in words such as 'colour', 'favour', 'labour' and 'neighbour'. Likewise, you will learn to spell 'doughnut' without skipping half the letters, and the suffix '-ize' will be replaced by the suffix '-ise'. Generally, you will be expected to raise your vocabulary to accepted levels.

2. Using the same twenty-seven words interspersed with filler noises such as 'like' and 'you know' is an unacceptable and inefficient form of communication. There is no such thing as U.S. English.

3. July 4th will no longer be celebrated as a holiday.

4. You will learn to resolve personal issues without using guns, lawyers and therapists. The fact that you need so many lawyers and therapists shows that you're not quite ready to be independent. Guns should only be used for shooting grouse. If you can't sort things out without suing someone or speaking to a therapist, then you're not ready to shoot grouse.

5. All intersections will be replaced with roundabouts and you will start driving on the left side with immediate effect.

6. The former USA will adopt UK prices on petrol (which you have been calling gasoline) of roughly \$10/US gallon. Get used to it.

7. You will learn to make real chips. Those things you call French fries are not real chips, and those things you insist on calling potato chips are properly called crisps. Real chips are thick cut, fried in animal fat, and dressed not with ketchup but with vinegar.

8. The cold, tasteless stuff you insist on calling beer is not actually beer at all. Henceforth, only proper British Bitter will be referred to as beer and European brews of known and accepted provenance will be referred to as Lager.

9. Hollywood will be required occasionally to cast English actors as good guys. Hollywood will also be required to cast English actors to play English characters.

10. You will cease playing American football. There is only one kind of proper football; you call it soccer. Those of you brave enough will, in time, be allowed to play rugby (which has some similarities to American football, but does not involve stopping for a rest every twenty seconds or wearing full kevlar body armour like a bunch of nancies).

12. Further, you will stop playing baseball. It is not reasonable to host an event called the World Series for a game which is not played outside of America. Since only 2.1% of you are aware there is a world beyond your borders, your error is understandable. You will learn cricket, and we will let you face the South Africans first to take the sting out of their deliveries.

13. An internal revenue agent (i.e. tax collector) from Her Majesty's Government will be with you shortly to ensure the acquisition of all monies due (backdated to 1776).

14. Daily Tea Time begins promptly at 4 pm with proper cups, with saucers, and never mugs, with high quality biscuits (cookies) and cakes; plus strawberries (with cream) when in season.

God Save the Queen!

Howdi partner. Watch my gun!

The Autumn Statement has become quite interesting in recent years, giving advance notification of matters to be included in the March Budget. In theory it is to become even more interesting as it is intended to take the place of the eagerly anticipated spring event. One can only hope future "statements" are more interesting than that issued on 23 November which has evoked about as much excitement as a tee-totaler visiting the local beer festival.

However, do not be fooled. Where there is a Chancellor of the Exchequer there is a devil after your money. But as modern day devils are "decent" people, they give you prior warning. This comes in the form of a "consultation document". Such a document enables you to make representations and for the Government to not take a blind bit of notice but to claim it has.

One such document is entitled "Partnership taxation: proposals to clarify tax treatment." It amounts to 18 pages of fairly innocent

stuff much of which will have no impact on the average farming partnership. But see paragraph 6.5:

"A partner's share of a profit or loss is normally determined for tax purposes in accordance with the partnership's profit sharing arrangements during a period of account."

And then paragraph 6.6:

"the Government is concerned that this flexibility is seen by some partnerships as an opportunity to manipulate profit, loss and capital gains allocations for tax purposes."

Partnerships are already unfairly treated, to a material extent, for tax purposes when compared to limited companies. Is this to be another attack?