

Monthly *Farming* *Update*

Chavereys

CHARTERED
ACCOUNTANTS



January 2017

Policy issues

1 A report by the Agricultural Biotechnology Council has stated that Europe risks "becoming the museum of world agriculture" if new technology continues to be stifled and that the "prolonged and shallow debate" around genetically modified crops is unsustainable.

2 The Government has published its "Greening Government Commitments" for the period up to 2020. This includes reducing its greenhouse gas emissions by 32 per cent from a 2010 baseline; reducing the number of business flights by 30 per cent from a 2010 baseline; reducing landfill waste to less than 10 per cent; reducing paper use by 50 per cent from a 2010 baseline; and buying more sustainable and efficient products.

Reform

1 Latest information indicates that 79 per cent of eligible claimants had received the Basic Payment by 24 December with the target being 90 per cent by the end of December.

2 An updated Countryside Stewardship Manual for the Woodland Management Plan Grant has been published. It applies to all agreements commencing in 2017.

3 Defra has published the Countryside Stewardship: woodland creation grant manual 2017.

4 Updated guidance on the Countryside Stewardship facilitation fund has been published. This fund supports people and organisations which bring farmers, foresters and other land managers together to improve the local natural environment at a landscape scale.

5 An updated application form for capital grants under the Countryside Stewardship scheme has been published.

Grants / regulations / legislation / environment

1 Statistics have been published which show there has been a long term decrease in the air emissions of ammonia, nitrogen oxides, non-methane volatile organic compounds, particulate matter and sulphur dioxide. Between 2014 and 2015 emissions of sulphur dioxide fell by 23 per cent to the lowest level since data was introduced in 1970. Emissions of nitrogen oxides fell by 4 per cent, also to the lowest level ever. However, emissions of ammonia rose by 1.7 per cent, the second year in succession an increase has occurred, against the trend of the previous 16 years.

2 The Government has published a consultation document on proposals to amend Environmental Impact Assessment regulations on forestry, agriculture, water resources, land drainage and marine works. The consultation closes on 30 January.

3 The UK recycling rate for waste from households fell from 44.9 per cent in 2014 to 44.3 per cent in 2015 compared to the target of 50 per cent for 2020. Biodegradable Municipal Waste sent to landfill fell to 7.7 million tonnes, 22 per cent of the 1995 baseline value compared to a 2020 target of 35 per cent of the baseline value. In 2014, 64.1 per cent of UK packaging waste was either recycled or recovered compared to 72.7 per cent in 2013 and compared to a target of 60 per cent.

4 Defra has published guidance on how to make an environmental claim for a product, service or organisation to be used for marketing purposes.

Other matters of farm finance and tenure

1 The first estimate of Total Income from Farming for 2015 has been published. There was a fall in England of 24 per cent to £3,023 millions yet agriculture contributed £6,887 millions to the economy and employed 1.07 per cent of the workforce. There were falls in all regions, the lowest being 13 per cent in the North East rising to 19 per cent in the West Midlands and the South East, 20 per cent in Yorkshire and the Humber, 25 per cent in the East, 26 per cent in the East Midlands, 27 per cent in the South West with the worst area being the North West with a fall of 34 per cent.

2 In the year to June, the total utilised agricultural area in the UK increased by 1.2 per cent to 17.4 million hectares. The total crop area fell by 0.2 per cent while the area of uncropped arable land increased by 22 per cent.

3 Updated figures for 2015 show that Gross Added Value, which measures the contributions to the economy of each producer, industry or sector, from predominantly rural areas, contributed 16.5 per cent of England's GVA at £237 billions. However, the decline in contribution from 17 per cent was influenced by a significant increase in the contribution from London, if this is excluded the rural contribution increased from 22.1 per cent to 22.5 per cent. About 2 per cent of the contribution from rural areas was from agriculture, forestry and fishing.

4 In October 2016, the monthly price index for all outputs rose by 3.5 per cent compared to a year earlier while the index for inputs rose by 1.2 per cent.

5 The National Living Wage for those aged 25 and over is to increase to £7.50 per hour from April.

6 The total number of people working on agricultural holdings in the UK in the year to June fell by 2.1 per cent to 466,000.

Product prices

A. Crops

1 Cereal prices weakened marginally this month as negative factors exceeded positive. The extreme cold in the US Midwest and Plains led to market concern, whilst elsewhere in the Northern Hemisphere crop conditions generally look good for the 2017 harvest. Having dipped lower mid month, feed wheat priced before the Christmas shut-down was just below the November close. Sterling was less volatile this month, despite movements of 1p per € either side of its opening position, it closed just above where it started at 85.3p/€ and gained 1p on the US\$ exchange to sit at 81.1p/\$. Concerns over world soya bean output and an improved crude oil price of \$55.72 per barrel (a 17-month highpoint) lent support to oilseed prices. Milling wheat premiums have dropped back to £8/tonne. LIFFE feed wheat futures closed marginally down in the medium term but improved by a small amount in the longer term. In late December, deliveries for November 2017 and 2018 stood at £134/tonne (-1) and £138/tonne (+1) respectively.

Average spot prices in late December (£/tonne ex-farm): feed wheat 132 (-1); milling wheat 140 (-4); feed barley 116 (-1); oilseed rape 345 (+8); feed peas 133 (+1); feed beans 144 (+1).

2 2016 crop potato prices remained strong throughout the early part of December but relaxed in the final stages before the Christmas shut-down. The GB average, from an opening position of £188 per tonne, improved to a peak of £202 per tonne, before tailing off at the end of the month. By late December the average was £197 per tonne (£9 above the previous month and £51 above the price a year earlier).

The free-buy average retained its premium above the GB average and followed a similar pattern; from a starting point of £217 per tonne it improved for most of the month, peaking at £233, but by late December the average had relaxed to £228 per tonne (£11 up on November's close and £84 above the price a year earlier). 2016 crop is generally storing well but with the recent sub-zero temperatures hindering the poorer insulated ambient stores.

2016 crop prices for grade 1 in late December: Estima had improved further to between £250 and £300 per tonne (with high baker content samples still exceeding £300). King Edward prices had tightened to between £220 and £240 per tonne; whilst Maris Piper prices too had tightened to between £240 and £280 per tonne. Desiree had strengthened at the lower end to between £275 and £300 per tonne.

B. Livestock

1 Cattle prices remained volatile in the lead up to Christmas. The average finished steer price, from its opening position of 183p/kg lw, peaked at 206p/kg early on before dropping back to a Christmas closing position of 187p/kg lw (4p/kg up in the month, to sit 4p above the closing average a year earlier). The average finished heifer price performed similarly, increasing from its opening position of 197p/kg lw to peak at 215p/kg, before dropping back to a closing average of 201p/kg lw (4p/kg up in the month, to sit on a par the price a year earlier). The average dairy cow price dropped back to £981 mid-month before closing for Christmas at £1,167 per head (£901 in December 2015).

2 The average finished lamb price (SQQ live weight) retained its volatile nature in the lead up to Christmas. An increase in throughput early on, a knock on from the mild summer which delayed animals reaching target weights, suppressed the effect of the Christmas demand. From an opening position of 168p/kg lw the price peaked at 172p/kg and fell to 166p/kg before a Christmas close at 169p/kg lw (a 1p improvement in the month, to sit 6p above the closing average a year earlier).

3 The average UK all pig price (APP) continued to improve throughout December, a straight run of nine months, largely due to strong export demand and a tightening supply. From the opening position of 151.5p/kg dw, the average price improved to a late

December close of 154.5p/kg (a 3.0p/kg gain in the month, to sit 25.2p/kg above APP in late December 2015).

4 The UK average milk price for October (published in early December) reported a further material improvement over the previous month, gaining 1.59 ppl to reach an average of 24.17ppl, sitting 0.26ppl below the price a year earlier. Meanwhile, the UK dropped a further two places in the EU farmgate milk price 'EU28' rankings for October (to 22nd) with an average of 24.17ppl, in comparison to an improved EU28 weighted average of 27.36ppl (up 2.99ppl).

Other crop news

1 Updated figures in respect of the 2016 harvest show that wheat yields fell by 12 per cent, from 9 tonnes per hectare in 2015 to 7.9 tonnes per hectare. Barley yields fell by 11 per cent from 6.7 tonnes per hectare in 2015 to 5.9 tonnes per hectare. The total oilseed rape harvest fell by 30 per cent to 1.8 million tonnes caused by an 11 per cent decrease in the planted area and a 21 per cent decrease in yield to 3.1 tonnes per hectare. The area of horticultural crops fell by 7 per cent to 162,000 hectares with a fall of 8.4 per cent in the area of vegetable and salad crops.

2 The 2016 Scottish cereal tonnage fell by 11 per cent compared to 2015. Spring barley fell by 15 per cent to 1.3 million tonnes, the lowest level since 1997, while winter barley fell by 19 per cent to 329,000 tonnes. Wheat production fell by 9 per cent to 926,000 tonnes while production of oilseed rape was the lowest for nearly 30 years at 102,000 tonnes.

3 Additions have been made to the 2017/18 AHDB Recommended List. They include KWS Zyatt, a nabim Group 1 winter wheat; Bennington and Moulton from Elsoms Wheat, LG Sundance and LG Motown from Limagrain and Hardwicke from KWS, all Group 4 soft wheats; KWS Kerrin, Shabras from Syngenta and Freiston and Dunston from Elsoms, all Group 4 hard wheats; KWS Cochise and KWS Chilham, both nabim Group 2 spring wheats; KWS Cresswell, KWS Funky and Sunningdale from Syngenta, winter barley varieties; spring barley varieties Chanson from Elsoms, LG Opera from Limagrain and malting variety Dioptric from Syngenta; RGT Victorious and Griffin from Senova, both husked oats varieties, and Peloton from Senova, a naked oats variety; Yukon from Elsoms and WPB Elyann, varieties of spring oats; Flamingo from KWS and Nikita from Limagrain, conventional oilseed rape varieties on the East/West list; Aquilla from Limagrain, DK Secret from Monsanto and Ergo from LSPB-HEAR, hybrid oilseed rape varieties on the East/West list; and DK Secret from Monsanto on the North list.

4 The price index for all crop outputs rose by 6.4 per cent in October compared to a year earlier and by 0.7 per cent compared to September. The cereal price index rose by 10.4 per cent compared to October 2015 and by 2.7 per cent compared to September. The oilseed rape index rose by 24 per cent compared to a year earlier.

5 In 2015, 93,000 hectares of arable land was used to grow bioenergy crops, 2 per cent of the whole. The area produced 1 million tonnes of which 53 per cent was for biofuel for the UK road transport market.

6 In the quarter to September, the UK milling, starch and bioethanol industries used 1.765 million tonnes of wheat, an increase of 9.5 per cent on the same period in 2015. Of the total, 87 per cent was home produced. Brewers, maltsters and distillers used 447,000 tonnes of barley, down 0.3 per cent on 2015, and 176,000 tonnes of wheat, up 2.4 per cent on 2015.

7 Rothamsted Research has created a synthetic molecule which increases the size and starch content of wheat grains by 20 per cent by using synthetic precursors of the sugar trehalose 6-phosphate.

8 Scientists at the Earlham Institute in Norwich have identified a method whereby genes which confer resistance to certain infections can be selected. This may enable such genes in wild relatives of crops to be used to breed more resistant varieties needing reduced pesticide treatments.

9 The initial estimate from AHDB Potatoes of 2016 production is 5.22 million tonnes, down 5 per cent from 2015. Average yields are forecast to be 45 tonnes/ha, down 8 per cent although the planted area is up 4 per cent.

10 The "Hutton Criteria" developed by the James Hutton Institute and funded by AHDB Potatoes, is a new system for predicting blight pressure. The alert criteria involves a minimum temperature of 10°C and at least 6 hours with relative humidity greater than 90 per cent.

11 Trials yields in the Pea Processors and Growers Research Organisation Recommended List have averaged 3.79 tonnes per hectare compared to the 5-year average of 4.81 tonnes per hectare.

12 The UK Brassica & Leafy Salad Conference will be held on 25 January at the Kingsgate Conference Centre, Peterborough.

13 Vale of Evesham Asparagus Growers has applied for Protected Geographical Status for its green asparagus.

14 A team of Dutch, Spanish and German researchers has found that the fungus Trichoderma, which lives on tomato roots,

boosts plant immunity by enhancing the production of toxic chemical compounds when attached by *Meloidogyne incognita* nematodes.

15 The James Hutton Institute has successfully grown hops on its farm near Dundee and has combined with St. Andrews Brewing Company to produce beers using wholly Scottish ingredients.

16 The 2017 International Cherry Symposium will be held in Yamagata City, Japan from 5-9 June.

Other livestock news

1 In the year to June the total number of cattle and calves in the UK increased by 1.1 per cent to 10 millions. The breeding herd increased by 0.6 per cent to 3.5 millions largely as a result of an increase of 1.2 per cent in the beef herd. The total number of pigs increased by 2.7 per cent to 4.9 millions with increases of 2.9 per cent in the number of fattening pigs and 1.8 per cent in the breeding herd. The population of sheep and lambs increased by 1.8 per cent to 33.9 millions with increases of 1.7 per cent and 1.9 per cent in the breeding flock and numbers of lambs respectively. Total poultry numbers increased by 3 per cent to 173 million birds with an increase of 3.3 per cent in broiler numbers.

2 Slaughterings of UK prime cattle in November rose 2.5 per cent compared to a year earlier at 177,000; beef and veal production rose 3.9 per cent to 86,000 tonnes; sheep slaughterings rose 5.7 per cent to 1.2 millions; mutton and lamb production rose 4.3 per cent to 28,000 tonnes; pig slaughterings fell by 2 per cent to 932,000; and pigmeat production fell 0.5 per cent to 80,000 tonnes.

3 The price index for animals and animal products rose by 1.8 per cent in October compared to a year earlier. The pig price index rose by 14 per cent compared to October 2015 and by 3.5 per cent compared to September. The sheep and lamb price index rose by 14 per cent compared to a year earlier but fell by 4.3 per cent compared to September. The index for animal products fell by 3 per cent compared to October 2015 but was up 5.4 per cent on September. While the milk price was 1 per cent lower than a year earlier, it rose by 6.6 per cent compared to September.

4 Figures to September reveal the number of new herd bovine TB incidents were static in England with rises of 17 per cent in the Edge area and 1 per cent in the Low risk area but a fall of 1 per cent in the High risk area. In Scotland there was a rise of 5 per cent but a fall of 20 per cent in Wales. There was a rise in England of 1 per cent in the number of herds not TB free with increases of 1 per cent in the High risk area and 12 per cent in the Edge area but a fall of 16 per cent in the Low risk area. In Scotland and Wales there were falls of 4 per cent and 8 per cent respectively.

5 Kantar Worldpanel has reported that sales of beef steaks have reached a 5-year high.

6 The Welsh Government has ruled against the use of mandatory CCTV in slaughterhouses.

7 UK milk production rose by 2.8 per cent in October but was down by 6 per cent compared to a year earlier. The average farmgate price rose by 6.6 per cent compared to September but was 1 per cent down on a year earlier. The butterfat content rose 0.1 per cent to 4.18 per cent, up 0.6 per cent on a year earlier, while the protein content rose by 0.6 per cent but fell 0.3 per cent compared to a year earlier.

8 Muller has increased the price paid to producers on non-aligned contracts to 26.54ppl.

9 Kantar Worldpanel has reported sales of cheddar cheese as being down 8 per cent in the year to August while sales of continental cheese have increased by 5.7 per cent and of blue cheese by 7.8 per cent.

10 During October, 831 million litres of milk was used by dairies, an increase of 1.7 per cent on September but a fall of 6.9 per cent on a year earlier. Of the total, 54 per cent was used for liquid milk, 24 per cent for cheese, 2.3 per cent for butter and 2.1 per cent for cream.

11 Arla has increased the price of a standard litre by 1.51ppl to 26.31ppl.

12 An outbreak of avian influenza H5N8 has been reported on a turkey fattening farm in the district of East Lindsey. In addition cases have been found in wild birds in Scotland, Somerset, Leicestershire and Wales. In Europe, outbreaks have continued in France, Netherlands, Germany, Poland and Hungary. The UK risk level for an incursion of an infected wild bird has been increased to "HIGH" while the risk to poultry on individual premises has been increased to "MEDIUM".

13 Defra has published an updated guide to the welfare of on-farm poultry.

Inputs / Supply business

- 1 Trial results published by CF Fertilisers suggest that wheat yields can be improved by up to 1 tonne per hectare by applying potassium and phosphates in the spring along with nitrogen and sulphates rather than as a separate dressing in the autumn.
- 2 The European Parliament has voted not to renew the authorisation for bentazone herbicide which expires in June. The Environment Agency has revealed that bentazone is the most frequently detected approved pesticide in UK groundwater.
- 3 The price index for fertilisers and soils improvers fell by 17 per cent in October compared to a year earlier.
- 4 In October animal feed production rose by 33 per cent for sheep and by 4.2 per cent for poultry compared to a year earlier but fell by 11 per cent for pigs and by 3.1 per cent for calves. The usage of wheat rose by 4.9 per cent but the usage of barley fell by 8.9 per cent.
- 5 Lime X has reported that, of 170,000 samples collected in 2015, 20 per cent were at a pH level of 6 or below whereas a level of 7 is required for optimum fertiliser efficiency.
- 6 Defra has published revised guidance on the use of organic manures and manufactured fertilisers on farmland.
- 7 An ADAS-led project has demonstrated that foliar-acting systemic seed treatments can contribute to pathogen resistance selection when used in conjunction with a foliar spray programme.

Marketing

- 1 The Welsh Government has announced increased exports of food and drink of £15.2 millions in the first 6 months of 2016 compared to the same period in 2015.
- 2 Aldi has signed up the first member of its Aberdeen Angus calf rearing scheme.

Miscellaneous

- 1 A farmer who stole over 100 sheep throughout the North East has been ordered to pay £130,000 as well as having being sent to prison for 3 years.

Other Business

- 1 Postscripts Recycled from Christmas crackers! Due to the current economic crisis, Greece is cancelling the production of all Humus and Taramasalata. It's a double dip recession. Jamie Oliver has been accused of shoplifting a kitchen utensil from Tesco. Oliver says it was a whisk he was prepared to take. Paddy & Mick stagger out of the zoo with blood pouring from them "B.....r that" said Paddy "That's the last time I go lion dancing". Paddy says to Mick, "Christmas is on Friday this year". Mick said, "Let's hope it's not the 13th then." My mate just hired an Eastern European cleaner, took her 15 hours to Hoover the house. Turns out she was a Slovak. Since the snow came, all the wife has done is look through the window. If it gets any worse, I'll have to let her in. I've been charged with murder for killing a man with sandpaper. To be honest I only intended to rough him up a bit. A mummy covered in chocolate and nuts has been discovered in Egypt. Archaeologists believe it may be Pharaoh Rocher ... Two Indian junkies accidentally snorted curry powder instead of cocaine. Both are in hospital ... One's in a korma ... the other's got a dodgy tikka. A boy asks his granny, "Have you seen my pills, they were labelled LSD?" Granny replies, never mind the pills, have you seen the dragons in the kitchen?
- 2 Happy New Year from HMRC! In September's issue, concern was expressed about a clause inserted into the 2016 Finance Act which could result in gains on, for example, buy-to-let properties being subject to Income Tax rather than Capital Gains Tax. HM Revenue & Customs has sought to clarify its approach. The new legislation is designed to tax as income profits from activities which, "when looked at in the round", amount to a trade in land or a trade of developing land. The new rules will not apply to transactions such as buying or repairing a property for the purpose of earning rental income or as an investment to generate rental income and glean capital appreciation. The guidance stresses the fact that the legislation should be interpreted "in the context that it is taxing only what are, in substance, trading profits." The rules will apply where the "main purpose", at the time of the initial investment, is to realise a gain on disposal. The mere holding of property to benefit from long-term capital appreciation should not be caught by the "main purpose" criteria. But that is not to say that intentions will not change over time and it will be quite possible for the "main purpose" criteria to be applied

and disapplied. The emphasis of the guidance should result in only the most obvious of cases being subject to the new rules but care should be taken if an investment falls into the “grey” area.

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