



Monthly *Farming* *Update*

Chavereys
CHARTERED
ACCOUNTANTS

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Policy issues

The Government has announced it is to consult with the farming industry later this year on how to reduce "red tape", in particular rules and regulations introduced as part of being a member of the EU.

Reform

1 The Rural Payments Agency has issued Basic Payments to over 80,000 farms, representing 93 per cent of all claimants, more than two months ahead of its target date.

Grants / regulations / legislation / environment

1 The Government has made £120 millions available as part of the next round of funding for the Rural Development Programme for England Growth Programme.

2 The UK Climate Change Risk Assessment 2017 has been published by the Government.

3 The Environmental Audit Committee has published The Future of the Natural Environment after the EU Referendum.

Other matters of farm finance and tenure

1 Defra has published its initial analysis of farming's financial performance in 2015/16. The average net worth across all farms was £1.75 millions, general cropping farms had the highest net worth at an average of £2.9 millions followed by cereal farms at £2.62 millions with horticultural farms having the lowest at £770,000. The average level of liabilities was £188,500 per farm with the highest being pig and poultry farms at £350,000 per farm, dairy farms at £325,700 per farm and general cropping farms at £319,000 per farm. Lowest were grazing livestock farms with an average of £63,300 per farm. The average liquidity ratio was 235 per cent and the average gearing ratio 10 per cent. The average Return on Capital Employed fell to -0.7% from a peak of 1.6 per cent in 2011/12, only general cropping farms at 0.3 per cent and cereal farms at 0.1 per cent recorded positive returns.

2 Defra has published a provisional estimate of Total Factor Productivity of the United Kingdom Food Chain for 2015. Total factor productivity increased by 0.5 per cent over 2014 compared to an increase of 1.3 per cent in the wider economy. Labour productivity in food wholesaling fell by 3.4 per cent compared to an average annual growth of 2.4 per cent over the past 10 years.

3 The monthly price index for all outputs rose by 6.2 per cent in November compared to a year earlier while the price index for all inputs rose 2.1 per cent.

4 Strutt & Parker has reported average arable land values as having fallen by 4 per cent in 2016.

5 Defra statistics have revealed the following as at June 2015 compared to England as a whole.

	Farm Business Income (£)	Labour per farm (units)	Reg labour per farm (units)	Average Farm size (ha)
England	31,600	2.7	0.6	86
North East	32,400	2.5	0.5	139
North West	30,900	2.7	0.6	72
Yorkshire & Humber	22,500	2.6	0.6	89
East Midlands	29,300	2.9	0.7	102
West Midlands	35,500	3.1	0.6	68
East	51,100	3.5	1.1	118
South East	26,600	3.6	1.0	87
South West	23,100	2.5	0.6	70

Product prices

A. Crops

1 Cereal prices improved this month but closed on a falling trend. Concerns over winter kill and frost damage in both Northern Ukraine and the US plains, whilst the US confirmed its 2017 wheat crop to be the lowest for over 100 years, saw prices rally early in the month. By the end of the month the market had been steadied by various reports that global production had previously been understated. Volatility returned to Sterling this month, (weakest – 88.5p per € / strongest – 84.5p per €) which closed the month 0.7p weaker at 86.0p per €; whilst it gained 1.2 p overall against the US\$ to sit at 79.1p per \$. Wet Argentine weather (delaying soya planting) combined with crude oil prices holding relatively strong (Brent - \$56.22 per barrel) led to buoyant oilseed prices; although the market indicators suggest a downward trend hereafter. Milling wheat premiums have dropped back further to just above £5/tonne. LIFFE feed wheat futures closed marginally up across the board this month; having been up to £4/tonne higher mid-month this was on a falling trend. In late January, deliveries for November 2017 and 2018 stood at £135/tonne (+1) and £139/tonne (+1) respectively.

Average spot prices in late January (£/tonne ex-farm): feed wheat 142 (+10); milling wheat 147 (+7); feed barley 121 (+5); oilseed rape 357 (+12); feed peas 142 (+9); feed beans 154 (+10).

2 2016 crop potato prices in January continued to hold their strength overall but with added volatility and a slight dip in the early part of the month. The GB average, from an opening position of £197 per tonne, hit a peak of £207 per tonne early on, dropped to £199 shortly thereafter before building again. By late January the average was £205 per tonne (£8 above the previous month's close and £52 above the price a year earlier). The free-buy average continued to track materially higher than the GB average with a more positive stance; from a starting point of £228 per tonne it improved for most of the month, with a small back-track mid month, to a late January close of £245 per tonne (£17 up above the previous month's close and £98 above the price a year earlier). 2016 crop continues to store well, with limited reports of damage from sub-zero temperatures (ambient stores), wet rot and blackheart.

2016 crop prices for grade 1 in late January: Estima held steady at between £250 and £300 per tonne, with high baker content pushing prices to £320. King Edward prices had improved marginally to between £220 and £250 per tonne, as had Maris Piper prices which stood between £250 and £290 per tonne. Desiree supplies had become very limited but the small sample inferred prices exceeding £400 per tonne.

B. Livestock

1 Cattle prices remained volatile and, having improved in the early part of the month, closed the month in a weaker position. The average finished steer price, from its opening position of 187p/kg lw, peaked at 192p/kg mid-month before dropping back to a closing average of 186p/kg lw (1p/kg down in the month, to sit 9p/kg above the closing average a year earlier). The average

finished heifer price increasing from its opening position of 201p/kg lw to an early peak of 205p/kg, before dropping to 195p/kg and eventually closing at an average of 199p/kg lw (2p/kg lower than the previous month, to sit 10p above the price a year earlier). The average dairy cow price improved and sat at a peak of £1,225 for a large part of the month before dropping back to £1,168 per head at the month end (£974 in January 2016).

2 The average finished lamb price (SQQ live weight) remained relatively flat this month, increasing by 1p/kg, before dropping back again, at a time of the year when prices would generally be expected to rise. The average price therefore opened and closed at 169p/kg lw (unchanged in the month, to sit 10p below the closing average a year earlier).

3 The average UK all pig price (APP) tailed off this month, ending the nine month period of improvement, during which the pig price reached a 16 year high due to strong export demand (particularly from China) and a reduced supply base. From the opening position of 154.5p/kg dw, the average price peaked at 154.8p/kg before closing at 154.2p/kg dw (a 0.3p/kg drop in the month, to sit 32.6p/kg above that in late January 2016).

4 The UK average milk price for December (published in late January) reported a strong improvement, gaining 2.04 ppl over the two month period (1.36ppl in November and 0.68ppl in December) to reach an average of 26.21ppl – 2.32ppl above the price a year earlier. Meanwhile, the UK held steady in the EU farmgate milk price 'EU28' rankings for November (22nd) with an average of 25.53ppl, in comparison to an improved EU28 weighted average of 28.31ppl (up 0.95ppl).

Other crop news

1 The US Department of Agriculture has forecast that Chinese imports of wheat will increase to 4 million tonnes in 2016/17 due to poor weather during the home harvest.

2 The EU's Humboldt Forum for Food and Agriculture has reported that the banning of the use of neonicotinoids on oilseed rape has resulted in yield losses of between 5 and 22 per cent and has cost EU farmers €500 millions.

3 ADAS has launched a new Yield Enhancement Network to focus on oilseed rape production.

4 Syngenta and the University of Nottingham are to conduct a 3-year research programme into the control of rhizoctonia solani in oilseed rape.

5 The price index for all crop products rose by 11 per cent in November 2016 compared to a year earlier and by 2.8 per cent compared to October; the cereal price index rose by 9.1 per cent compared to November 2015 and by 2 per cent compared to October; the potato price index rose by 32 per cent compared to a year earlier and by 20.4 per cent compared to October; the oilseed rape index rose by 29 per cent compared to November 2015; and the fresh vegetable index rose by 17 per cent compared to a year earlier and by 4 per cent compared to October mainly due to a sharp increase in the price of cauliflowers.

6 Defra statistics have revealed the following as at June 2015 as a percentage of England as a whole.

	Wheat %	Barley %	Oilseed rape %	Potatoes %	Vegetables %	Top fruit %
North East	4	6	4	-	-	-
North West	2	6	-	8	-	-
Yorkshire & Humber	14	17	14	16	15	-
East Midlands	20	13	25	-	30	-
West Midlands	9	8	-	15	-	30
East	28	21	25	32	28	-
South East	13	12	14	-	-	24
South West	9	17	10	-	-	15

7 During November animal feed production rose by 48 per cent for sheep, 4.1 per cent for cattle and 2.9 per cent for poultry but fell 2.3 per cent for pigs, all compared to a year earlier. An increase of 5.9 per cent in wheat usage was recorded but 3.8 per cent

less barley.

8 A survey conducted by Harper Adams has found that the area infested with potato cyst nematodes has fallen from 64 per cent to 48 per cent but almost 90 per cent of infested sites contained pure *Globodera pallida* compared to only 67 per cent in 1999.

9 AHDB is to launch a new interactive website for potato blight reporting which will incorporate the Hutton Criteria blight risk prediction method.

10 Preva Produce, a Norfolk potato supplier, has been placed in administration with the potential loss of 20 jobs.

11 The British Beet Research Organisation has reported a significant increase in beet samples affected by fusarium and rhizoctonia root rots.

12 The James Hutton Institute has issued new guidelines on the control of nematodes in carrots and parsnips following research commissioned by AHDB.

13 Tenderstem broccoli increased value and volume sales by 23 per cent in 2016.

14 Tesco has launched two new apple varieties, Cabaret and Sundance, both from the same parents, Saturn x Braeburn, and both raised by the Breach family.

15 Storage Control Systems of Michigan, USA, has acquired the instruments and controlled atmosphere divisions of International Controlled Atmosphere Ltd.

Other livestock news

1 The number of bovine TB new herd incidents fell by 3 per cent in England in October compared to a year earlier with falls of 4 per cent in the High risk area and 7 per cent in the Low risk area but there was an increase of 19 per cent in the Edge area. There was a fall of 21 per cent in Wales. In the number of herds not officially TB free there was a fall of 2 per cent in England with falls of 3 per cent in the High risk area and 20 per cent in the Low risk area but an increase of 6 per cent in the Edge area. There was a fall of 9 per cent in Wales but an increase of 4 per cent in Scotland.

2 Figures for December show that UK prime cattle slaughterings fell by 8 per cent compared to a year earlier at 157,000; beef and veal production fell by 7.4 per cent to 72,000 tonnes; sheep slaughterings fell by 6.1 per cent to 1.2 millions; mutton and lamb production fell by 6.1 per cent to 26,000 tonnes; pig slaughterings fell by 8.4 per cent to 855,000; and pigmeat production fell by 7.2 per cent to 73,000 tonnes.

3 The price index for animals and animal products rose by 2.8 per cent in November compared to a year earlier; the pig price index rose by 19 per cent and by 3.3 per cent compared to October, the eighth successive monthly increase; and the price index for animal products rose by 0.2 per cent and by 2.8 per cent compared to October.

4 Milk production in the month of December increased by 6.6 per cent compared to November but was down 4.9 per cent on a year ago.

5 The Scottish Dairy Cattle Association has reported a fall of 17 in the number of dairy farms to 957, the lowest since records began.

6 NMR has reported that all the main dairy breeds have reduced their average somatic cell counts while increasing yields and butterfat and protein levels.

7 The average butterfat content of milk in December was 4.19 per cent, down 0.06 per cent on November but up 0.06 per cent on a year ago. Average protein was 3.36 per cent, down 0.03 per cent on November but up 0.04 per cent on December 2015.

8 Arla has increased its producer price by 0.76ppl taking a standard litre to 27.07ppl and a manufacturing litre to 28.16ppl.

9 Muller has confirmed it is to close its dairy processing plant at Chadwell Heath but is to invest £60 millions on its sites at Foston, Droitwich, Bridgwater and Severnside.

10 Arla has opened a cheese storage and maturation facility at Whitchurch, Shropshire.

11 Ornu is to manufacture New Zealand yoghurt brand EasiYo in Leek, Staffordshire.

12 During November dairies used 785 million litres of milk, a fall of 5.5 per cent on October and down 8.2 per cent on a year

earlier. Of the total, 57 per cent was used for milk production, 24 per cent for cheese production, 2.4 per cent for butter and 2.2 per cent for cream.

13 The Animal and Plant Health Agency has confirmed 5 outbreaks of Schmallenburg virus in the South West and concerns have been expressed that the virus could be more prevalent in the later lambing season due to the mild breeding conditions in November.

14 The European Medicines Agency's Committee on Veterinary Medicinal Products has proposed the banning of the use of zinc oxide in food producing species due to its risk to the environment.

15 The H5N8 strain of avian influenza has been confirmed at a commercial game farm in Lancashire, three poultry farms in Lincolnshire and backyard flocks in North Yorkshire and Carmarthenshire.

16 In December, UK commercial layer chick placings fell by 12 per cent compared to a year earlier to 2.8 million chicks; broiler chick placings rose by 11 per cent to 83.5 million chicks; turkey chick placings rose by 3.4 per cent to 800,000 chicks; turkey slaughterings fell by 1.1 per cent to 2.4 million birds; broiler slaughterings rose 4.5 per cent to 75 million birds; and total poultry meat production rose by 5.2 per cent to 144,000 tonnes.

17 Defra statistics have revealed the following as at June 2015, as a percentage of England as a whole:

	Cattle	Dairy	Beef	Pigs	Poultry	Sheep
	%	%	%	%	%	%
North East	5	1	10	3	2	13
North West	18	25	12	-	7	20
Yorkshire & Humber	10	8	12	37	12	14
East Midlands	9	-	-	9	20	8
West Midlands	13	15	12	5	15	15
East	4	-	-	28	22	2
South East	8	6	10	6	7	8
South West	33	38	27	10	16	21

18 The price index for straight feeding stuffs rose by 12 per cent in November compared to a year earlier and by 2.2 per cent compared to October.

Inputs / Supply business

1 The European Food Safety Authority has delayed the review of three banned neonicotinoid pesticides until the autumn.

2 Friends of the Earth has called for the use of neonicotinoids on wheat to be banned.

3 The European Commission Standing Committee on Plants, Animals, Food and Feed has withdrawn approval of the use of herbicide active ingredient linuron which is used on potatoes, peas and beans.

4 The price index for fertilizers and soil improvers fell by 12 per cent in November compared to a year earlier but rose by 5.6 per cent compared to October.

5 Gleadell Agriculture has agreed with Azotic Technologies to develop and market Natural Plant Nutrition nitrogen-fixing technology in the UK.

Marketing

1 Tesco is to buy Booker for £3.7 billions. Booker is the UK's largest cash and carry operator and also owns the Premier, Budgens and Londis convenience-store brands.

2 Irish food and drink exports to the UK fell by 8 per cent in 2016 to £3.6 billions although overall exports grew by 2 per cent.

3 Sainsbury's increased sales, excluding fuel, by 0.1 per cent in the 15 weeks to 7 January with online grocery sales increasing by 9 per cent.

Miscellaneous

1 The Agricultural Engineers Association has forecast new tractor registrations as being 2-3 per cent down in 2016 compared to the previous year.

2 Sir Peter Kendall has been reappointed Chairman of the Agriculture and Horticulture Development Board.

3 Andrew Sells has been reappointed as Chairman of Natural England.

4 Andrew Naylor is to combine his role as Lloyds Bank UK head of agriculture with that of managing director of the Agricultural Mortgage Corporation.

Other Business

History of the Internet – The Word from On High

In ancient Israel, it came to pass that a trader by the name of Abraham Com took unto himself a healthy young wife by the name of Dorothy (Dot for short). Dot Com was a comely woman, large of breast, broad of shoulder and long of leg. Indeed, she was often called Amazon Dot Com.

And she said unto Abraham, her husband, "Why dost thou travel so far from town to town with thy goods when thou canst trade without ever leaving thy tent?"

And Abraham did look at her as though she were several saddle bags short of a camel load, but simply said, "How, dear?"

And Dot replied, "I will place drums in all the towns and drums in between to send messages saying what you have for sale, and they will reply telling you who hath the best price. The sale can be made on the drums and delivery made by Uriah's Pony Stable (UPS)."

Abraham thought long and decided he would let Dot have her way with the drums. And the drums rang out and were an immediate success. Abraham sold all the goods he had at the top price, without ever having to move from his tent.

To prevent neighbouring countries from overhearing what the drums were saying, Dot devised a system that only she and the drummers knew. It was known as Must Send Drum Over Sound (MSDOS), and she also developed a language to transmit ideas and pictures – Hebrew to The People (HTTP).

And the young men did take to Dot Com's trading as doth the greedy horsefly take to camel dung. They were called Nomadic Ecclesiastical Rich Dominican Sybarites, or NERDS. And lo, the land was so feverish with joy at the new riches and the deafening sound of drums that no one noticed that the real riches were going to that enterprising drum dealer, Brother William of Gates, who bought from every drum maker in the land. Indeed he did insist on drums to be made that would work only with Brother Gates' drumheads and drumsticks.

And Dot did say, "Oh, Abraham, what we have started is being taken over by others." And Abraham looked out over the Bay of Ezekiel, or eBay as it came to be known. He said, "We need a name that reflects what we are."

And Dot replied, "Young Ambitious Hebrew Owner Operators."

"YAHOO," said Abraham. And because it was Dot's idea, they named it YAHOO Dot Com.

Abraham's cousin, Joshua, being the young Gregarious Energetic Educated Kid (GEEK) that he was, soon started using Dot's drums to locate things around the countryside.

It soon became known as God's Own Official Guide to Locating Everything (GOOGLE).

That is how it all began.

A day in the life of the Chancellor!

Have you ever thought that you could do a better job at being Chancellor of the Exchequer than the incumbent? The Government is short of money and needs help. No good looking to economists or the Bank of England, their collective forecasts as to the outcome of the Referendum demonstrated they have no idea what they are talking about. For once the Government consulted the people and, so far, the people have proved the experts wrong. So perhaps it is time the Government asked the people about how to cut the deficit.

Leaving aside the profligacy of Government personnel, who are very good at spending other people's money, the opportunity exists to raise more taxes and, to help in your decision making, the Government has published the cost of various tax reliefs. Which do you think should be changed or abolished?

Inheritance Tax

Agricultural Property Relief	£450m	} The annual scaremongers haven't got a case!
Business Property Relief	£585m	

Capital Gains Tax

Private house exemption	£28.3b	Political suicide
Entrepreneurs Relief	£2b	Entrepreneurs could afford the extra tax?

Value Added Tax

Food zero-rated	£17.55b	Political suicide	This is just a sample of the
New houses zero-rated	£11.95	Stifle house building	
Transport	£5b	Why?	
Books, papers and magazines	£1.65b	Why?	
Water	£2.25b	Could be 5% like fuel and power	
Finance and insurance	£7.45b	Why?	
Betting	£1.25b	Surely not!	

Income Tax

Redundancy exemption	£700m	Only for amounts below £30K?
Gift aid	£1.96m	Limit to 20% tax relief?
Enterprise Investment Scheme	£325m	Won't people invest anyway?

costs to Government of various reliefs and exemptions. Be the Chancellor for a day and see how much you could raise. You must be able to do a better job than the "experts"!