

# *Monthly* **Farming** *Update*

**Chavereys**  
CHARTERED  
ACCOUNTANTS



**March 2017**

## Policy issues

- 1 A vote of MEPs has resulted in the European Commission being called upon to fast-track approval of "low-risk" biological pesticides made from bio-organisms, pheromones and essential oils.
- 2 Defra has published a discussion document on its policy in the event of outbreaks of plant and bee diseases.

## Reform

- 1 Defra has announced that a 75 per cent "bridging payment" will be made to those claimants who have not received the Basic Payment at the end of March.
- 2 Defra has published a new manual covering the Countryside Stewardship hedgerows and boundaries grant.
- 3 The Scottish Government has announced changes to the greening rules to take effect in 2018. Hedges will be able to count as a separate type of Ecological Focus Area; agro-forestry will be introduced as a new EFA option; and the period during which the maintenance of field drains is prohibited on land declared as EFA fallow will be shortened.
- 4 Defra has published updated forms for Countryside Stewardship Capital Grant applications.
- 5 The Public Accounts Committee has reported "The department's (Defra) record of failure when developing systems to support subsidy payments to farmers does not inspire confidence in its ability to cope with the challenges associated with Brexit which lie ahead."
- 6 Defra has published a new manual covering the Countryside Stewardship woodland tree health grant.

## Grants / regulations / legislation / environment

- 1 The UK's Organic Trade Board is to share £9.1 millions over three years with Organic Denmark to promote the organic food and drink sector.
- 2 Between 2012 and 2013 the UK's carbon footprint is estimated to have risen by 3 per cent mainly due to increases in emissions associated with imported goods and households.
- 3 The Welsh Government has allocated £18 millions to Glastir Advanced, the sustainable land management scheme.
- 4 The UK recycling rate for waste from households fell from 44.9 per cent in 2014 to 44.3 per cent in 2015.
- 5 BBSRC has provided funding of £4.4 millions for research aiming to cut crop losses in brassicas by examining key aspects of plant development and developing more resilient varieties.
- 6 Staay Food Group is building the first "vertical farm" in Europe, in Dronten, the Netherlands, which will be powered by Philips Green Power LED lighting. It will have over 3,000 m<sup>2</sup> of growing space and will produce pesticide-free lettuce.

## Other matters of farm finance and tenure

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## Product prices

### A. Crops

1 Cereal prices were somewhat flat in February. The concerns of Ukraine and US winter kill and frost damage, buoying prices in January, proved to be exaggerated; whilst Australia published a record wheat and barley harvest result. In the currency markets Sterling remained volatile, with a monthly spread of between 84.2 and 86.5 p per €; eventually closing 1.3p stronger at 84.7p per €, while at the same time sustaining a 1.1p loss against the US\$ to sit at 80.2p per \$. Improved South American weather, assisting the soya crop, combined with lower Malaysian palm oil prices and a marginally weaker crude oil price (Brent - \$55.99 per barrel) led to a material drop in oilseed prices. Milling wheat premiums gained a little traction this month, increasing to £8/tonne, before dropping back to just under £7/tonne as the month ended. LIFFE feed wheat futures closed marginally up in the longer term, unchanged in the shorter term; closing once again on a falling trend, having been £3/tonne higher mid-month. In late February, deliveries for November 2017 and 2018 stood at £135/tonne (static) and £140/tonne (+1) respectively.

Average spot prices in late February (£/tonne ex-farm): feed wheat 141 (-1); milling wheat 148 (+1); feed barley 120 (-1); oilseed rape 346 (-11); feed peas 145 (+3); feed beans 157 (+3).

2 2016 crop potato prices in February were slightly more volatile: dropping back, improving, and then dropping back again. The GB average, from an opening position of £205 per tonne, dropped to £201, peaked at £214 before weakening again to a late February average of £212 per tonne (£6 above the previous month's close and £52 above the price a year earlier). The free-buy average performed similarly but without the final stage weakness: from a starting point of £245 it dropped marginally before improving for the rest of the month to a late February close of £262 per tonne (£16 above the previous month's close and £105 above the price a year earlier). The remaining 2016 crop continues to store well in the generally mild weather, with limited instances of wet rots and blackheart. The 2017 harvest early-season plantings have commenced but growers have been hampered by strong winds and rain.

2016 crop prices for grade 1 in late February: Estima were stronger at between £250 and £320 per tonne, up to £380 for samples with high baker content. King Edward prices had improved to between £230 and £300 per tonne and Maris Piper prices had spread wider to between £240 and £300 per tonne. Desiree remains in limited supply but, with more tonnage moving this month, prices had relaxed to between £240 and £340 per tonne.

### B. Livestock

1 Cattle prices were unexpectedly flat this month, albeit with a positive slant. The average finished steer price, from its opening position of 186p/kg lw, peaked at 188p/kg mid-month before dropping back to a closing average of 187p/kg lw (1p/kg up in the month, to sit 10p/kg above the closing average a year earlier).

The average finished heifer price sat at its opening position of 199p/kg lw throughout the month, closing unchanged, to sit 8p above the price a year earlier). The average dairy cow price rediscovered volatility, sinking to £989 per head and peaking at £1,206 before dropping back to a closing position of £999 per head (£982 at the end of February 2016).

2 The average finished lamb price (SQQ live weight) was marginally more positive in the wake of two flat months, despite an 8 per cent rise in market throughput. The average gained 3p/kg to peak at 172p/kg lw, before dropping back to a closing average price of 171p/kg lw (up 2p/kg in the month, to sit 13p below the closing average a year earlier).

3 The average UK all pig price (APP), now back on a declining trend, dropped back marginally. From the opening position of 154.2p/kg dw, the price weakened to a closing average of 152.9p/kg dw (1.3p/kg down in the month, to sit 35.7p/kg above the February 2016 closing average).

4 The UK average milk price for January (published in late February) reported further improvement, gaining 0.92 ppl to reach an average of 27.13ppl – 4.06ppl above the price a year earlier. Whilst, the UK held steady (22nd) in the EU farmgate milk price ‘EU28’ rankings for December, with an average of 26.19ppl versus an improved EU28 weighted average of 28.72ppl (up 0.41ppl).

## Other crop news

1 In 2016/17, home grown wheat milled has increased by 13 per cent over 2015/16 while imported wheat milled has fallen by 7.9 per cent.

2 In December 2016 the price index for all crop products rose by 16 per cent compared to a year earlier and by 3.5 per cent compared to November; the cereal price index rose by 18 per cent and by 6 per cent compared to November; the potato price index rose by 34 per cent and by 51 per cent compared to November; the oilseed rape price index rose by 32 per cent; and the fresh vegetable price index rose by 21 per cent and by 0.6 per cent compared to November.

3 In the quarter to December 2016, the milling, starch and bioethanol industries used 1,884,000 tonnes of wheat, an increase of 11 per cent on a year earlier. Of the total, 1,658,000 tonnes was home produced. Brewers, maltsters and distillers used 464,000 tonnes of barley and 198,000 tonnes of wheat, increases of 2.5 per cent and 31 per cent respectively.

4 Morrisons has acquired Farmcare's Carnoustie potato packhouse.

5 County Armagh-based Wasabi Crop is producing wasabi for the first time in Northern Ireland.

6 Volumes of Spanish strawberries to date in 2017 are down 60 per cent on the same period last year.

7 The apple and pear harvest in New Zealand is forecast to be 584,000 tonnes, exceeding the record of 560,000 tonnes in 2004.

## Other livestock news

1 The Farm Animal Welfare Committee has published an Opinion on the relationship between the wellbeing of the farming population and farm animal welfare. It recommends that Government, supported by other agencies and industry stakeholders, should strengthen mechanisms for early warning of poor or deteriorating farmer wellbeing and the potential impacts on farm animal welfare and should follow systems established in Ireland and New Zealand. It also recommends that Government should work with other interested parties to secure additional funding for the collaborative farming support networks with the latter being given greater publicity than at present.

2 A report published by the European Food Safety Authority and the European Centre for Disease Prevention and Control has found that anti-biotic resistance in many European countries "remains high" and poses a serious threat to public and animal health. In testing of AMR in E.coli bacteria, resistance in British fattening pigs was the 9th highest of the 29 countries where testing was undertaken.

3 France reported 154 new outbreaks of bluetongue virus in January and 406 new outbreaks in December 2016, all in cattle. While the restriction zone now encompasses part of the north coast, the nearest outbreak is a considerable distance inland.

4 In the year to November 2016, new herd bovine TB incidents fell by 4 per cent in England, with falls of 5 per cent in the high risk area and 14 per cent in the low risk area but an increase of 12 per cent in the edge area, while in Scotland and Wales there were falls of 10 per cent and 19 per cent respectively. The number of herds not officially TB free fell by 4 per cent in England, with falls of 4 per cent in the high risk area and 27 per cent in the low risk area but a rise of 1 per cent in the edge area while there was a fall of 10 per cent in Wales but an increase of 4 per cent in Scotland.

5 Scientists at the College of Veterinary Medicine, Northwest A & F University, in Saanxi, China have used a modified version of the clustered regularly interspaced short palindromic repeats gene editing technology to insert a new gene into the cow genome to create cattle with increased TB resistance.

6 In January, slaughterings of UK prime cattle rose by 9.2 per cent compared to a year earlier to 167,000; beef and veal production also rose by 9.2 per cent to 78,000 tonnes; sheep slaughterings rose by 8.2 per cent to 1 million; mutton and lamb production rose by 7.7 per cent to 23,000 tonnes; pig slaughterings fell by 1.1 per cent to 850,000; and pigmeat production fell by 1.7 per cent to 74,000 tonnes.

7 In December 2016, the price index for animals and animal products rose by 8 per cent compared to a year earlier, the pig price index rose by 22 per cent and by 1.3 per cent compared to November; and the price index for animal products rose by 5.9 per cent and by 2.4 per cent compared to November. The price index for straight feedings stuffs rose by 16 per cent and by 2.7 per cent compared to November.

8 The average milk price rose by 3.5 per cent in January to 27.13ppl, an 18 per cent increase on a year earlier. Milk production rose by 3 per cent to 1,185 million litres but was down 3.2 per cent on a year earlier. Average butterfat fell by 0.03 per cent to 4.16 per cent but was 0.01 per cent higher than a year earlier while average protein fell by 0.08 per cent to 3.28 per cent, the same as a year earlier.

9 Arla has increased the price paid to producers by 0.38ppl making the liquid price 27.45ppl and the manufacturing price 28.55ppl.

10 During December 2016, dairies used 851 million litres of milk, a fall of 7.2 per cent compared to a year earlier but an increase of 85 per cent on November. Of the total, 52 per cent was used for liquid milk production, 26 per cent for cheese production, 1.9 per cent for butterfat and 2.2 per cent for cream.

11 First Milk has made a double payment in February, reversing its deferral of one of the payments due in January.

12 Research undertaken at Roslin Institute, University of Edinburgh has created male pigs which could be used as surrogates capable of producing sperm containing the genetic blueprint of pigs with desirable characteristics.

13 An outbreak of H5N8 HPAI has been confirmed in a grandparent broiler breeder flock in Mid Suffolk. The virus has also been found in whooper swans in Norfolk and at Lough Neagh in Northern Ireland and also in a small chicken flock in Northumberland. Elsewhere the number of outbreaks across Europe, the Middle East, West Africa and Asia continue to increase with Kuwait and Cameroon added to the list of countries affected. Defra has introduced strict control measures which are expected to last until at least the end of April. The status of "free range" is under threat in some areas.

14 In the quarter to December 2016, 7.2 million cases of eggs were packed, an increase of 0.9 per cent on a year earlier. The average egg price fell by 12 per cent to 71.4 p per dozen but rose by 2 per cent compared to the third quarter. The production of egg products fell by 0.4 per cent to 24,900 tonnes and by 2.3 per cent compared to the third quarter.

15 Figures for January show that UK commercial layer chick placings rose by 9.3 per cent to 3.2 million chicks compared to a year earlier to 3.2 million chicks; broiler chick placings rose by 4.4 per cent to 97.3 per million chicks; turkey chick placings fell by 4.3 per cent to 1.1 million chicks; turkey slaughterings fell by 14.6 per cent to 1.6 million birds; broiler slaughterings rose by 6.8 per cent to 96.1 million birds; and total poultry meat production fell by 1.1 per cent to 170,000 tonnes.

16 The Chelford auction market in Cheshire is to close at the end of March.

## Inputs / Supply business

1 The University of Hertfordshire and Imperial College, London are investigating the use of *Beauveria bassiana* as an environmentally friendly bio-insecticide. *Beauveria bassiana*, which occurs naturally in soil and on some plants, can kill a range of insects including whiteflies, aphids, grasshoppers and termites by infecting them with its spores.

2 Syngenta has published details of a new seed breeding process in the journal *Nature*. It is suggested that the technique of haploid induction could significantly speed up breeding. Initial research has been centred on maize crops.

3 In December 2016, animal feed production rose by 36 per cent for sheep, 6.4 per cent for poultry and 1.4 per cent for cattle but fell by 5.3 per cent for pigs compared to a year earlier. The use of wheat in animal feed production rose by 7.7 per cent but 3.1 per cent less barley was used.

4 Anglia Farmers has forecast increased prices in 2017 of electricity at 15.2 per cent, fertilizer 14.6 per cent and animal feed and medicine 7.6 per cent.

5 UPL has introduced Shiro, a sulfonylurea providing control of a wide range of broad-leaved weeds in sugar beet.

6 Defra has published a code of practice for the application of sewage sludge to farmland.

7 A two year AHDB funded project has revealed that Syllit 400 SC and Delan Pro can reduce *Neonectria* fruit rot, otherwise known as canker, by up to 50 per cent in the first year.

8 BASF has introduced Sercadis, a fungicide to tackle scab and mildew on apples and pears.

## Marketing

1 The Soil Association has revealed that overall sales of organic produce have grown by 7.1 per cent over the past year. Demand from catering sector has grown by 19.1 per cent in this period.

2 Aldi has increased its market share to 6.2 per cent, overtaking the Co-operative Group.

3 "Traditional Welsh Caerphilly" has been granted protected geographical status.

4 Ocado has increased sales by 13.6 per cent in the year to November 2016.

5 Applications for protected geographical status have been made for "Traditionally Reared Pedigree Welsh Pork", "Cambrian Mountains Lamb" and "Ayrshire Earlies" (potatoes).

6 A Dutch seaweed specialist has released "1 Sea Bacon", a bacon substitute made from organic Irish dulse seaweed. When fried the seaweed turns from purple to a crispy golden green (probably very similar to the effect on the consumer!).

## Miscellaneous

1 The Department for Transport has announced it is not to proceed with plans to increase tractor and trailer weight limits.

2 The Agricultural Engineers Association has indicated the registrations of agricultural tractors totalled 10,602 units in 2016, a fall of 2.2 per cent.

3 The 2017 UK Fruit & Vegetable Congress will take place at the Belfry, Warwickshire on 4 May.

4 John Deere increased its share of the tractor market in 2015, up 0.7 per cent to 30.2 per cent; New Holland fell by 0.9 per cent to 18.7 per cent, Massey Ferguson fell 1.1 per cent to 11.2 per cent and Case fell 0.8 per cent to 8.4 per cent; and Kubota increased its share by 2 per cent to 6.7 per cent.

5 A conference "Navigating turbulence in the produce supply chain and beyond" is being held by the Worshipful Company of Fruiterers on 16 March.

## Other Business

Postscripts

Understanding women!

1. Behind every angry woman, stands a man who has absolutely no idea what he did wrong!
2. Every time you talk to your wife, your mind should remember that ... 'This conversation will be recorded for training and quality purposes'.
3. Some things are just better left unsaid. And I usually realise it right after I say them.
4. Life is short. Smile while you still have teeth.
5. Don't try to understand women. Women understand women and they hate each other.
6. Arguing with a woman is like reading the Software Licence agreement. In the end you have to ignore everything and click "I agree".
7. Never make a woman mad. They can remember things that haven't even happened yet.
8. Remember, women always have the last word in an argument. Anything a man adds after that is the beginning of a new argument.
9. If a woman says "first of all" during an argument run away, because she has prepared research, data, charts and will destroy you.

A complete loss of common sense!

A farmer's life is not easy at the best of times but, as a way of life it probably cannot be bettered. However, as often reported in this journal, profitability is not easy to achieve unless diverse activities are employed, these, of course, will be rural-based but do not qualify, in the eyes of the taxman, as farming.

The dairy sector has been enduring a rough ride for many years and the taxman has once again put the boot in via the case of Scrambler v HMRC (2017) UKUT1.

The farmer claimed relief for farming losses against non-farming income past the 5-year allowable period. HM Revenue & Customs refused relief in year 6, the First Tier Tribunal rejected the appeal by the farmer and this was confirmed by the Upper Tier Tribunal.

The restriction in the tax legislation was designed to prevent “hobby farmers” from achieving tax relief on the costs of their “hobby”. The legislation includes references as to whether a “competent farmer” would have a “reasonable expectation of profit.”

However, HM Revenue & Customs is increasingly interpreting the legislation to the letter and ignoring the realities of the market place. The legislation was introduced in 1967. Now milk prices are influenced by a global market and the power of the supermarkets. Dairy incomes are hardly influenced by the farmer even if the physical performance of the herd is down to his or her influence.

It is high time that this piece of archaic tax legislation was brought into the 21st century and was redesigned not to penalise beleaguered farmers.