

Monthly Farming Update

Chavereys
CHARTERED
ACCOUNTANTS



November 2016

Policy issues

- 1 Defra has agreed, in principle, to pass control of river management to Internal Drainage Boards.
- 2 For unknown reasons, the UK has opted not to participate in an EU scheme, valued at €250 millions, which will provide children in EU countries with free fruit and vegetables in the 2017/18 academic year. The UK will participate in that part of the scheme which provides free milk.

Reform

- 1 Applications for Mid-Tier and Higher-Tier Countryside Stewardship grants can now be made. Submissions must be entered by 5 May for Higher-Tier applications and by 30 September for Mid-Tier applications.

Grants / regulations / legislation / environment

- 1 Defra has announced a competition enabling flood defence projects to apply for a share of £1 million to protect homes and businesses. The competition will be open to innovative projects which plan to use landscape features such as ponds, banks, meanders, channels and trees to store, drain or slow flood water.
- 2 In 2015 the amount of waste arising from UK households fell by 0.4 per cent compared to a year earlier and by 1 per cent since 2010. In 2013, 10 million tonnes of food and drink was wasted representing 25 per cent of the annual amount purchased.
- 3 In 2015/16 there were 936,000 incidents of fly-tipping, of the total 628,000 related to household waste. The total cost to local authorities is estimated to be £50 millions.
- 4 Defra has launched a new app, the Asian Hornet Watch, to facilitate the reporting of possible sightings. The hornet is a serious threat to native honey bees.

Other matters of farm finance and tenure

- 1 The latest forecast of average Farm Business Incomes for 2016/17 is expected to reach increases of 159 per cent for pigs, 55 per cent for mixed farms, 35 per cent for lowland grazing farms, 27 per cent for highland grazing farms, 22 per cent for general cropping farms and 5 per cent for cereal farms. However, falls of 50 per cent for dairy farms and 31 per cent for poultry units are forecast.
- 2 In 2015 the average AHA tenancy rent rose by 2 per cent to £180 per hectare (£73 per acre). The average FBT rent rose by 1 per cent to £209 per hectare (£85 per acre). The average rent for seasonal agreements rose by 7 per cent to £162 per hectare (£66 per acre). There were increases in AHA rents in all regions apart from the East and the South-East of England. The area of land in England covered by AHA tenancies fell by 4.5 per cent to 1.44 million hectares. Those tenancies with a recorded rent review showed an increase in rent of 6 per cent on average. The area of land covered by FBT agreements was static at 1.125 million hectares but where a recorded rent review took place there was an increase on average rent per hectare of 12 per cent. The average term of a FBT was 5 years and 2 months.
- 3 In January the price index for all outputs rose by 11 per cent compared to a year earlier while inputs rose by 4.8 per cent.
- 4 A survey conducted by the Scottish Agricultural Arbiters and Valuers and the Central Association of Agricultural Valuers has found that Scottish agricultural land available to let has fallen by 11,331 hectares over the past year and by 35,612 hectares over the past 5 years.
- 5 It is reported that HM Revenue & Customs is targeting the rural sector to investigate cases of failure to comply with minimum wage law.
- 6 The average house price in rural areas of England rose by 1 per cent in the third quarter of 2016 to £304,200 and by 4.9 per cent on an annual basis. The percentage of unemployed persons in rural areas fell from 3.6 per cent to 2.7 per cent in the fourth quarter of 2016 and from 3.1 per cent on an annual basis.

Product prices

A. Crops

1 Cereal prices remained somewhat flat this month, largely due to market information from different areas conflicting: the US plains are now predicting arrival of the rain required by the winter and spring wheat crop; but the forecast Russian wheat crop for 2017/18 has been reduced to 15% below that of their 2016 crop; whilst, closer to home, the EU soft wheat crop forecast has increased to 7% above than in 2016/17. In the currency markets Sterling remained volatile, with a monthly spread of between 84.2 and 87.7 p per €; eventually closing 0.3p weaker at 85.0p per €, while at the same time gaining 0.5p against the US\$ to sit at 79.7p per \$. An increase in the Argentine soya crop forecasts, combined with weaker crude oil prices (Brent - \$53.53 per barrel) pulled oilseed prices down. Milling wheat premiums remained disappointing at just under £7/tonne as the month ended. LIFFE feed wheat futures closed marginally up, having had a volatile month and having been up to £5/tonne higher mid-month. In late March, deliveries for November 2017 and 2018 stood at £137/tonne (+2) and £141/tonne (+1) respectively.

Average spot prices in late March (£/tonne ex-farm): feed wheat 144 (+3); milling wheat 151 (+3); feed barley 121 (+1); oilseed rape 337 (-9); feed peas 143 (-2); feed beans 155 (-2).

2 2016 crop potato prices in March were volatile but less erratic than in February. The GB average, from an opening position of £212 per tonne, improved for most of the month, peaking at £227 per tonne before dropping back to a late March average of £218 per tonne (£6 above the previous month's close and £33 above the price a year earlier). The free-buy average was more volatile: dropping back from a starting point of £262 to a low of £253 and jumping to £266 before falling back to a late March close of £256 per tonne (£6 below the previous month's close and £70 above the price a year earlier). The remaining 2016 crop continues to store well, with few reports of wet rots and blackheart. Planting of the 2017 crop is generally progressing well across the country; some areas have reported being marginal delays due to rain, whilst other areas need rain.

2016 crop prices for grade 1 in late March: Estima were unchanged at between £250 and £320 per tonne, up to £370 for samples with high baker content. King Edward had improved at the lower end to between £255 and £300 per tonne whilst Maris Piper prices had strengthened to between £260 and £315 per tonne. Desiree, due to tight supply, had increased at the lower end to between £280 and £340 per tonne.

B. Livestock

1 Cattle prices fell back this month, as expected at this point in the season, despite market supply being below expectation. The average finished steer price, from its opening position of 187p/kg lw, dropped-recovered-dropped before a final small recovery to a closing average of 185p/kg lw (2p/kg down in the month, to sit 5p/kg below the closing average a year earlier). The average finished heifer price gained a penny over its opening position of 199p/kg lw, before dropping to a mid-month low of 196p/kg and improving again to close the month 2p down at 197p/kg lw, 9p above the price a year earlier. The average dairy cow price remained volatile, improving to £1,173 per head, dropping to £937 per head, peaking at £1,222 before a final 'drop-then-improve' cycle saw it close at £1,102 per head (£863 at the end of March 2016).

2 The average finished lamb price (SQQ live weight) started the month on a gently positive note, stalled mid month, but finished with a material flourish, helped by Chinese New Year and fast-approaching Easter. The average price gained 16p/kg (12p of which was in the final week) to close at a peak of 187p/kg lw (up 16p/kg in the month, to sit 1p above the closing average a year earlier).

3 The average UK all pig price (APP) returned to a trend of improvement, albeit a very gentle uplift, as a result of the continuing recent decline in clean pig slaughterings. From the opening position of 152.9p/kg dw, the price steadily rose to a closing average of 154.2p/kg dw (1.3p/kg up in the month, to sit 38.0p/kg above the March 2016 closing average).

4 The UK average milk price for January remains the most recent published data, having gained 0.92ppl to reach an average of 27.13ppl – 4.06ppl above the price a year earlier. The UK average milk price for January was weaker in the EU farmgate milk price 'EU28' rankings, dropping a place from the previous month, to sit 23rd, with an average of 26.49ppl (up 0.3ppl) versus an improved EU28 weighted average of 29.59ppl (up 0.87ppl).

Other crop news

1 The European Commission has forecast an increase of 6.5 per cent in EU wheat production to 143 million tonnes mainly due to a 26 per cent increase in French tonnage. UK production is forecast to rise by 0.6 per cent.

2 The UK's biggest wheat purchaser, Vivergo Fuels, has claimed it faces closure if the government implements plans to restrict crop-based biofuels in petrol. While the UK is committed to ensuring that 10 per cent of its transport fuel is sourced from renewable sources by 2020, the Department for Transport plans to limit the volume of crops used to produce biofuels to a maximum of 2 per cent.

3 In January the price index for all crop products rose by 15 per cent compared to a year earlier and by 1.4 per cent compared December. The cereal price index rose by 18 per cent but fell by 0.6 per cent compared to December. The potato price index rose by 37 per cent and by 6.4 per cent compared to December. The oilseed rape index was up by 36 per cent.

4 Defra has reported an enhanced risk of tan spot which affected 18 per cent of wheat crops in 2015. While the disease has not, to date, materially affected UK crop yields, yield losses of up to 30 per cent have been reported by other countries.

5 Scotland's Rural College has reported that ramularia leaf spot, a disease of barley usually found in Scotland, is moving south with heavy infestations having been found in south west England and east Yorkshire.

6 Cambridge grain trader Wellgrain has entered administration.

7 The PGRO has reported a material increase in stem nematode levels affecting beans in 2016 with 25 per cent of seed samples showing traces compared to 10 per cent in 2015.

8 The UK Cereal Pathogen Virulence Survey has introduced a new naming system for wheat yellow rust races.

9 Bayer has reported a surge in pollen beetle migration as a result of warm weather.

10 Pepsico UK, which owns Walkers Crisps, is considering closing its Peterlee processing site. Up to 380 jobs are reported to be at risk.

11 Wingland Foods of Evesham is to supply Waitrose with British-grown salad leaves all year round.

Other livestock news

1 The number of cattle and calves in the UK in December has remained static at 9.8 millions although there has been an increase of 2.4 per cent in the number of female animals compared to a year earlier, offset by a reduction in the number of cattle in the dairy herd. The number of pigs has increased by 2.6 per cent mainly as a result of an increase of 2.9 per cent in the number of fattening pigs. The number of sheep and lambs rose by 3.1 per cent with an increase of 0.9 per cent in the breeding flock.

2 In February, slaughterings of UK cattle fell by 3.7 per cent compared to a year earlier to 150,000; beef and veal production fell by 4.6 per cent to 69,000 tonnes; sheep slaughterings rose by 5.2 per cent to 878,000; mutton and lamb production rose by 4.5 per cent to 21,000 tonnes; pig slaughterings fell by 9.2 per cent to 769,000; and pigmeat production fell by 9.1 per cent to 67,000 tonnes.

3 In January the price index for animals and animal products rose by 8.2 per cent compared to a year earlier. The pig price index rose by 29 per cent but fell by 0.7 per cent compared to December. The milk price index rose by 3.5 per cent compared to December. The price index for feeding stuffs rose by 16 per cent and by 1 per cent compared to December.

4 The number of new herd bovine TB incidents in the year to December 2016 fell by 5 per cent in England with falls of 7 per cent in the High risk area and 16 per cent in the Low risk area but a rise of 12 per cent in the Edge area. There were falls of 8 per cent in Scotland and 15 per cent in Wales. The number of herds not officially TB free fell by 3 per cent in England and by the same percentage in the High risk area and by 21 per cent in the Low risk area but there was an increase of 4 per cent in the Edge area. Scotland saw an increase of 4 per cent but Wales saw a decrease of 5 per cent.

5 An outbreak of bovine TB has occurred in a pack of hounds in Buckinghamshire.

6 The world's largest dairy co-operative, Friesland Campina, has forecast stable milk prices in 2017. Demand from Africa, the Middle East and South America is expected to fall but will be offset by an increased demand from Asia.

7 Skim milk prices at the latest Global Dairy Auction fell by 10.1 per cent to an 8-month low following a fall of 15.5 per cent at the previous auction.

8 The average milk price for February rose by 1.9 per cent compared to January to 27.46ppl and by 20 per cent compared to a

year earlier.

9 February milk production fell by 8 per cent compared to January and by 5.3 per cent compared to a year earlier. Average butterfat in February was 4.37 per cent, up 0.01 per cent on January and up by 0.19 per cent on a year earlier. Average protein fell by 0.01 per cent to 3.46 per cent but was up 0.18 per cent compared to a year earlier.

10 During January, dairies used 834 million litres of milk, a fall of 1.4 per cent on December 2016 and down 6.3 per cent on a year earlier. Of the total, 53 per cent was used for liquid milk, 27 per cent for cheese, 2.6 per cent for butter and 2.2 per cent for cream.

11 AHDB Dairy is to publish a new mastitis genetic evaluation which will give an indication of a bull's ability to transmit mastitis resistance to its daughters.

12 Arla has reduced its standard price by 0.42ppl.

13 Following the collection of data over a 3 year period by the AHDB Pork Real Welfare scheme, the Real Welfare report has been published. It reveals that, of those pigs not already in hospital pens, only 7 out of 10,000 needed hospitalisation; on more than 75 per cent of farms no pigs needed hospitalisation; on average, 18 out of 10,000 non-hospitalised pigs were lame; 14 out of 10,000 pigs had severe tail damage and 134 had visible tail damage; 26 out of 10,000 pigs had severe body marks while 11 per cent had mild body marks; and 62 per cent of pigs had access to substrate, mainly straw, while 32 per cent had access to objects.

14 In February, commercial layer chick placings fell by 14 per cent compared to a year earlier to 2.8 million chicks; broiler chick placings rose by 5.1 per cent at 79.8 million chicks; turkey chick placings fell by 36 per cent at 100,000 chicks; turkey slaughterings rose by 24 per cent at 1.4 millions; broiler slaughterings rose by 4.2 per cent at 76.8 millions; and poultry meat production rose by 4.3 per cent to 143,000 tonnes.

15 Avian influenza H5N8 virus has been confirmed at premises near Redgrave in Suffolk resulting in the culling of 55,000 birds.

Inputs / Supply business

1 UK nitrogen prices have risen by 40-50 per cent in the past 9 months due to a global demand for urea particularly from the US, China and India.

2 A document presented to the UN Human Rights Council has claimed that pesticides are linked to serious human health and environmental issues and that they should be regulated at a global level.

3 The Government has reported that it is seeking evidence to support the use of rebated gas oil, or red diesel.

4 AHDB Horticulture has launched SCEPTRE+, a £1.4 millions, 4-year crop protection trial programme to target disease, pest and weed problems.

5 A two-year project led by Newcastle University and funded by Sustainable Agriculture Research Innovation Club is to pilot use of a web-based tool to aid decisions on soil management.

6 Research published in the EU's Humboldt Forum for Food and Agriculture has suggested the temporary ban on the use of neonicotinoids is affecting the competitive position of EU farmers and encouraging imports.

7 In January, animal feed production rose by 25 per cent for sheep, 4.9 per cent for poultry and 6.9 per cent for cattle but fell by 3.3 per cent for pigs compared to a year earlier. The amount of wheat used rose by 7.2 per cent but barley usage fell by 0.3 per cent.

8 NIABTAG has developed ActivSmart, a web-based tool which enables comparisons to be made of up to 1,800 crop protection products.

9 Origin Enterprises has purchased the fertilizer activities of Bunn Fertiliser along with Resterra, the digital agricultural service provider.

10 The Chemicals Regulation Directorate has approved Diva, containing pyridate, for use in forage and grain maize.

11 Omex has launched Zynergy, a foliar nutrient formulation of copper and zinc, to compliment the fungicidal and bacterial activity of agrochemicals when used as part of an integrated crop management programme.

12 The European Commission has approved, in principle, the merger of Dow and Du Pont.

Marketing

1 Exports of Scottish red meat increased by 11 per cent in 2016 with increases of 23 per cent to Germany, 19 per cent to Nordic countries and 197 per cent to Poland and Baltic countries.

2 The US Department of Agriculture has forecast a fall of 105,000 tonnes, or 8.9 per cent, in exports of chicken meat from the EU as a result of avian influenza.

3 During 2015 the average household spent £42.43 per week on food and drink, including eating out. Allowing for inflation this was an increase of 0.1 per cent over 2014 but a decrease of 3.7 per cent on 2012. The spend on food and non-alcoholic drinks represented 10.7 per cent of all household expenditure. The spend on milk, cream, meat and meat products, potatoes and bread continued on a downwards trend but the spend on fresh fruit increased.

4 Retailers across Europe increased sales by 1.8 per cent year on year in the final three months of 2016, representing price increases of 0.9 per cent and volume increases of 0.8 per cent.

5 Exports of lamb to France fell by 9 per cent in 2016 as a result of a fall in consumption which led to an 8 per cent reduction in imports.

6 The banning of pig production from areas near waterways and densely populated areas is expected to result in a significant growth in Chinese pork imports which already account for 20 per cent of UK pork exports.

7 Defra has announced the re-opening of the lamb trade with Kuwait. It is estimated annual lamb exports of £15 millions will result.

8 Russia has imposed a temporary ban on imports of New Zealand beef claiming it has found traces of feed additive ractopamine.

Miscellaneous

1 In 2017 so far (to 4 March) there have been 13 deaths associated with the agricultural industry. Five have involved machinery, one a quad bike, one involved livestock, three involved accidents with farm vehicles, one was caused by a vehicle overturning and two by falling straw bales.

2 Agco is to purchase the forage division of the Lely Group.

3 The Royal Association of British Dairy Farmers is to hold Dairy-Tech at Stoneleigh park next February.

4 The new chairman of the Tenant Farmers Association is James Gray of Hampshire.

Other Business

Postscripts

Understanding women The empire strikes back!

1. Behind every angry woman, stands a man who has absolutely no idea what he did wrong!

... which just demonstrates his stupidity.

2. Every time you talk to your wife, your mind should remember that ... 'This conversation will be recorded for training and quality purposes'.

Which is exactly what the family dog does but it is cute and lovable unlike the man of the house!

3. Some things are just better left unsaid. And I usually realise it right after I say them.

Most thoughts of the man need to travel a long way, women's brains are nearer their mouths!

4. Life is short. Smile while you still have teeth.

Women tend to wear many rings on their knuckles!

5. Don't try to understand women. Women understand women and they hate each other.

But as women are tolerant they will be the only sex left on the planet.

6. Arguing with a woman is like reading the Software Licence agreement. In the end you have to ignore everything and click "I agree".

But when did a man read anything other than the Farmers Weekly or the divorce settlement.

7. Never make a woman mad. They can remember things that haven't even happened yet.

But remember, it WILL!

8. Remember, women always have the last word in an argument. Anything a man adds after that is the beginning of a new argument.

And the beginning of the END!

9. If a woman says "first of all" during an argument run away, because she has prepared research, data, charts and will destroy you.

All the top research scientists are women because they remember everything!

Plumbing the depths!

What is the association between the rural community and Pimlico. Possibly not a lot unless you have been kind enough to fund a child with London accommodation or you have the mind of Stanley Holloway – the latter is more likely!

But perhaps the connection is closer to home than you think.

Gary Smith was a self-employed plumber attached to Pimlico Plumbers which provided his branded van and his uniform, for whom he worked exclusively. For health reasons, Gary decided he wished to reduce his hours, at which point Pimlico decided it would cease to use his services (he was "sacked"). Gary challenged the decision as unfair dismissal, claiming he was an employee in all but name.

The issue of self-employed status is grey as regards Income Tax and National Insurance. There are many examples in the rural sector of individuals who claim to be self-employed but where, on scrutiny by HM Revenue & Customs, the relationship would be deemed to be that of employment.

The Court of Appeal has widened the risk to employers in the Gary Smith case. If employment status can be proved not only does the "employer" have a liability to account for Income Tax and National Insurance but it also must provide all the associated benefits attached to employment status.

If you "employ" any persons who may fall into this category, examine your risk carefully. Your friendly relationship may not always be that. Not only could you have a substantial liability to HM Revenue & Customs but an employment tribunal may increase the height of the dung heap!