



*Monthly*  
*Farming*  
*Update*

Chavereys

CHARTERED  
ACCOUNTANTS

May 2017

## Policy issues

1 In advance of the forthcoming election, the NFU and the TFA have both published manifestos. The NFU has set out five key demands, in particular tariff-free trade with the EU to include access to a competent, reliable workforce; a domestic agricultural policy that promotes productivity and a government financial commitment to avoid a sudden fall in farming incomes; high-speed broadband in rural areas; increased promotion of food exports and increased public procurement of domestic food supplies; and improved country of origin labelling and an extension of the powers of the Grocery Code Adjudicator.

2 The TFA has called for a Farm Business Development Scheme providing investment grants; a new agri-environment scheme; and incentives for longer-term farm business tenancies.

## Reform

1 Applications for assistance under the Small Dairy Farmers Scheme must be received by the Rural Payments Agency by 31 May.

2 The Scottish Government has been forced to extend the deadline for applications to the Agri-Environment Climate Scheme because of IT problems.

## Grants / regulations / legislation / environment

1 The Institute for Animal Health at Pirbright has been awarded government funding of £77.3 millions to undertake two five-year research programmes, one into virus replication, evolution and transmission and the second into the control of viral infection and why diseases persist.

2 The Scottish Government has obtained EU funding of £2.4 millions to help with the cost of milk recording and production profiling techniques.

3 Defra is to provide funding of £10 millions to wildlife trust and charity projects to restore England's peatlands. The scheme will open this month and will last for three years. It will be available for projects that "restore peatlands to their natural state, increasing their capacity to prevent carbon entering the atmosphere, reduce risk by slowing the flow of rain water and create habitats for vulnerable wildlife."

4 The Scottish Government has made available £2.5 millions to support new entrants to farming.

## Other matters of farm finance and tenure

1 The first estimate of Total Income from Farming in the UK for 2016 has been released by Defra. Between 2015 and 2016 TIFF rose by 1.5 per cent to £3,963 millions. The value of all outputs fell by 3.4 per cent to £23,548 millions, the cost of intermediate consumption fell by 4.2 per cent while the fall in sterling led to an 18 per cent increase in the value of Basic Payments. TIFF per annual work unit of entrepreneurial labour rose by 2.2 per cent to £20,657 millions. Gross value added, which is the contribution of agriculture to the Gross Domestic Product, fell by 1.9 per cent to £8,548 millions.

2 At the same time, the first estimate of Total Factor Productivity has been published. This is a measure of how well inputs are converted into outputs which gives an indication of efficiency and competitiveness. TFP is estimated to have fallen by 2.5 per cent caused by a fall in overall levels of production combined with static volumes of inputs. The volume of outputs fell by 2.7 per cent with falls of 8 per cent in all crops and 2.7 per cent in livestock products but an increase of 2.5 per cent in meat outputs. The volume of all inputs fell by 0.2 per cent.

3 In February, the monthly price index for all outputs was up 13 per cent on a year earlier while the index for all inputs was up 5.5 per cent.

4 The Government has confirmed that land and buildings at plant nursery grounds will be exempt from business rates.

5 Dairy Futures, a registered charity, is offering dairy tenants, who have been farming for less than six years, a free end-of-year business appraisal.

## Product prices

### A. Crops

1 Cereal prices weakened this month. The main factors of downward pressure were the continuing favourable weather in the US plains, leading to improved harvest expectations, and materially higher wheat plantings in Canada. Further along the horizon, the effect of the lack of rain on maize crops and dry and cold conditions in continental Europe are yet to be fully understood, and these too could swing the market. Millers remain content with contracted levels and availability of quality wheat; as such the milling wheat premium has weakened further to just above £5/tonne. Sterling's performance this month has been strong overall but volatile nonetheless, with a monthly spread of between 83.5 and 85.8p per € it closed 0.3p up at 84.7p per €; more noteworthy was a gain of 2.4p against the US\$ to sit at 77.3p per \$. Further weakening of crude oil prices (Brent dropping almost \$2 to \$51.78 per barrel) brought oilseed prices lower. LIFFE feed wheat futures closed marginally up in the short term and marginally down in the medium term, after a relatively calm month with only small movements. In late April, deliveries for November 2017 and 2018 stood at £138/tonne (+1) and £140/tonne (-1) respectively; March 2019 deliveries stood at 142/tonne.

Average spot prices in late April (£/tonne ex-farm): feed wheat 142 (-2); milling wheat 147 (-4); feed barley 118 (-3); oilseed rape 329 (-8); feed peas 152 (+9); feed beans 167

(+12).

2 2016 crop potato prices retained in April the volatility seen the month before. The GB average, from an opening position of £218 per tonne, dropped to £211 early on, peaked at £220 mid-month before dropping back to a late April average of £217 per tonne (£1 below the previous month's close and £15 above the price a year earlier). The free-buy average followed a similar path: dropping back early on from a starting point of £256 to a low of £243, before bouncing back to £255 and eventually tailing off to a late April close of £252 per tonne (£4 below the previous month's close and £32 above the price a year earlier). The remaining 2016 crop continues to store well, ambient and refrigerated, with few reports of rots, blackheart or greening. Planting of the 2017 has forged ahead over the month with limited delays despite the cooler temperatures, putting planting further ahead than in previous years.

2016 crop prices for grade 1 in late April: Estima had fallen back to between £240 and £300 per tonne, up to £340 for the baker market. King Edward had improved further at the lower end to between £250 and £310 per tonne and Maris Piper prices were marginally up to between £260 and £310 per tonne. The Desiree market had levelled out, weakening at the top end to between £280 and £310 per tonne.

### B. Livestock

1 Cattle prices saw improvement in the first half of the month, and marginal decline thereafter. The average finished steer price, from its opening position of 185p/kg lw, gained 7p early on in the month to peak just below 192p/kg, but dropped steadily back to a closing average of 188p/kg lw (3p/kg up in the month, to sit 21p/kg above the closing average a year earlier). By comparison the average finished heifer price spent more of the month improving but in small increments; it peaked 3p above its opening position of 197p/kg lw, before dropping back to close the month 1p up at 198p/kg lw, 18p above the price a year earlier. The average dairy cow price has returned to the doldrums, dropping back below £1,000 per head and staying there throughout the month, closing at £956 per head (£1,026 at the end of April 2016).

2 The average finished lamb price (SQQ live weight) felt the knock-on effects of the noticeable drop in demand for lamb in France this month. From an opening position of 187 p/kg lw the average price lost 8p/kg early on, before a partial recovery led to a closing average of 182p/kg lw (down 5p/kg in the month, to sit 8p above the closing average a year earlier).

3 The average UK all pig price (APP) continued its improving trend with a little more gusto this month. The combined effect of the falling size of the UK pig herd, and the resulting reduced slaughterings, with the increasing demand for UK pork exports saw the AAP reach a 3 year high. From the opening position of 154.2p/kg dw, the price steadily rose to a closing average of 158.2p/kg dw (4.0p/kg up in the month, to sit 41.4p/kg above the April 2016 closing average).

4 The UK average milk price for February, published in early April, reported a gain of 0.53 ppl to reach 27.46ppl – 5.3ppl above the price a year earlier. This increase, along with the strengthening of Sterling, saw the UK average milk price for February gain a number of places in the EU farmgate milk price 'EU28' rankings, from 23rd up to 19th, with an average of 26.91ppl (up 0.42ppl) versus an weaker EU28 weighted average of 29.26ppl (down 0.33ppl).

## Other crop news

1 The first TIFF estimates for 2016 show that the output of cereals fell by 19.8 per cent to £2,423 millions with falls of 22.6 per cent in wheat, 15 per cent in barley and 1 per cent in oats. The output of industrial crops fell by 20.2 per cent to £854 millions with falls of 24.2 per cent in oilseed rape, 9.2 per cent in protein crops and 14.7 per cent in sugar beet. Conversely, all horticultural crops showed increases with fresh vegetables up 28.8 per cent to £1,656 millions, potatoes up 27.2 per cent to £747 millions and fruit up 12.3 per cent to £789 millions.

2 The first estimates of Total Factor Productivity for 2016 show that output volumes of cereals fell by 11 per cent with falls of 10.3 per cent in wheat and 14.4 per cent in barley although rye and oats held stable. The volume output of industrial crops fell by 23.1 per cent with oilseed rape down 30.9 per cent, protein crops down 12.8 per cent and sugar beet down 8.6 per cent but the output of other oil seeds rose by 67 per cent. There were also falls of 3.3 per cent in fresh vegetables and 9.7 per cent in fruit but the output of potatoes rose by 1.7 per cent.

3 The price index for all crops products rose by 16 per cent in February compared to a year earlier and by 2 per cent compared to January. The cereal price index rose by 21 per cent and by 3.2 per cent compared to January with barley showing the largest increase at 4.1 per cent. The potato price index rose by 35 per cent and by 5 per cent compared to January. The oilseed rape index rose by 36 per cent.

4 Eric and Maxine Watson of New Zealand have reclaimed the world record for wheat with 6.79 tonnes per acre of Oakley from a 27 acre field.

5 PGRO is offering growers a rapid molecular test for the detection and quantification of the brassica clubroot pathogen *Plasmodiophora brassicae*.

6 The world record for the area of maize planted in 24 hours has been set in Hungary at 502.05 hectares by a Case Magnum 380 using a 16-row Vaderstad Tempo L maize drill.

7 The first ever cases of QoI-resistant *Cercospora beticola*, a fungal disease which causes cercospora leaf spot in sugar beet, have been found in Suffolk, Lincolnshire and Cornwall.

## Other livestock news

1 The first TIFF estimates for 2016 show that livestock output in 2016 fell in almost all sectors. Total output fell by 1.2 per cent to £8,701 millions with meat output down 1.4 per cent in cattle and 0.7 per cent in poultry but there was a 1.2 per cent increase in sheep while pigs were stable. However, milk output fell by 12.4 per cent to £3,263 millions and eggs output fell by the same percentage to £607 millions.

2 The first estimates of Total Factor Productivity for 2016 show that output volumes of meat rose by 2.4 per cent with increases of 3.6 per cent in cattle, 3.9 per cent in pigs and 3.5 per cent in poultry but volume outputs of sheep fell by 3.3 per cent. Overall the volume output of livestock products fell by 2.7 per cent driven by a fall of 4.2 per cent in milk but volume output of eggs rose by 5 per cent.

3 The price index of animals and animal products rose by 10 per cent in February compared to a year earlier. The pig price index rose by 33 per cent but fell by 0.6 per cent compared to January. The milk price index rose by 1.9 per cent compared to January. The index for straight feeding stuffs rose by 19 per cent and by 0.5 per cent compared to January.

4 Figures to January show that the number of new herd bovine TB incidents in England fell by 6 per cent compared to the previous year with falls of 7 per cent in the High risk area and 20 per cent in the Low risk area but an increase of 9 per cent in the Edge area while in Scotland and Wales there were falls of 19 per cent and 12 per cent respectively. The number of herds not officially TB free fell by 3 per cent in England with falls of 3 per cent in the High risk area and 23 per cent in the Low risk area but an increase of 3 per cent in the Edge area while there was a fall of 8 per cent in Wales.

5 Since January, France has reported a further 550 cases of bluetongue virus BTV-8 including cases in the Nord département. The restriction zone has increased to include the départements of Nord, Pas-de-Calais, Somme, Oise and Seine Maritime.

6 A study at the University of Bristol has claimed that by implementing a health plan and using it to refine and improve cow health and medicine use, the use of critically important antibiotics can rapidly be phased out.

7 Slaughterings of prime cattle in March fell by 4.7 per cent compared to a year earlier to 161,000; beef and veal production fell by 3.9 per cent to 73,000 tonnes; sheep slaughterings rose by 1 per cent to 1.025 millions; mutton and lamb production rose by 3.4 per cent to 24,000 tonnes; pig slaughterings fell by 5 per cent to 877,000; and pigmeat production fell by 4.7 per cent to 76,000 tonnes.

8 Milk production in March increased by 14 per cent compared to February but fell 1.5 per cent compared to March 2016. Average butterfat content remained stable but fell 1.6 per cent compared to a year earlier while protein content was marginally down on both February and March 2016.

9 The latest global dairy trade auction saw an overall increase of 3.1 per cent in prices with skim milk powder up by 7.1 per cent and whole milk powder up by 3.5 per cent.

10 Meadow Foods has reduced its standard A litre price by 0.4ppl.

11 During February, dairies used 827,000 litres of milk, similar to a year earlier but down 4.5 per cent on January. Of the total, 50 per cent was used for liquid milk production, 29 per cent for cheese, 2.3 per cent for butter and 2.1 per cent for cream.

12 Dairy Crest has reduced the price paid to farmers on the Davidstow contract to 29ppl from June and 28ppl from July with the price then being held until the end of September.

13 Barber's, the cheesemakers, has reduced its Assured standard litre price to 29.05ppl.

14 Outbreaks of African Swine Fever have been reported in Moldova, Ukraine, Russia, Latvia, Estonia, Lithuania and Poland.

15 The Avian Influenza Prevention Zone will be lifted in England on 15 May.

16 Figures for March show that commercial layer chick placings rose by 12 per cent compared to a year earlier to 3.1 millions chicks; broiler chick placings rose by 9.3 per cent to 82.7 million chicks; turkey chick placings fell by 5.5 per cent to 800,000 chicks; turkey slaughterings rose by 3 per cent to 76.3 million birds; and total poultry meat production rose by 7.2 per cent to 137,000 tonnes.

## Inputs / Supply business

1 A study funded by Rural Business Research and the Institute of Agri-Food Research and Innovation has calculated the cost to farmers of the ban on neonicotinoid seed treatments in 2016 at £18.4 millions and the loss of 28,800 hectares of crop.

2 Bayer has reported the barley disease ramularia as being resistant to SDHI fungicides, azole fungicides and strobilurins following resistance testing in Germany.

3 Animal feed production for sheep rose by 5.9 per cent in February compared to a year earlier. There were also increases of 3.1 per cent for poultry and 1.9 per cent for cattle but feed for pigs fell by 5.9 per cent. In production, 2.9 per cent more wheat was used than a year earlier but 4.4 per cent less barley.

4 It has been suggested that the expiry date for metalazyl-m, diquat and pymetrozine has been extended to June 2018 to allow the European Commission to complete its review process.

5 Syngenta has launched Camix, a maize herbicide.

6 Dow AgroSciences has launched Leystar, a herbicide to control chickweed, thistle and dockweed on grassland and Envoy which is designed for paddocks and pastures which are nutrient-deficient and overgrazed.

7 Bayer CropScience has launched Luna Sensaton, a fungicide for protected strawberries for use against powdery mildew, Botrytis and Mucor/Rhizopus soft rots.

8 Certis has been granted emergency authorisation for the use of its fungicide Cuprokyt against Nectria canker in apples and pears.

## Marketing

1 Kantar Worldpanel has reported the price of groceries as having increased by 2.3 per cent in the 12 weeks to 26 March.

2 Morrisons has shortened its payment terms to 14 days for all suppliers with an annual contract valued at less than £100,000.

3 Figures from Kantar Worldpanel show topfruit sales in the year to February as being up 1.9 per cent by value but down 1.1 per cent by volume. Within the volume fall, apple sales were down by 2.7 per cent but pear sales rose by 4.8 per cent. Tesco tops the multiple share with 25.8 per cent followed by Sainsbury's at 15.1 per cent, Asda at 11.8 per cent and Morrisons at 10.6 per cent. However, Asda sales fell by 6.6 per cent while Marks & Spencer increased its share by 16.9 per cent to 2.9 per cent.

4 The Environment Food and Rural Affairs committee has published a food waste report in which it claims that "wonky" fruit and vegetables should be considered normal.

5 In the year to March, Tesco led the way in the sales of vegetables with a 26.2 per cent share of the market followed by Sainsbury's on 16 per cent, Asda on 11.9 per cent and Morrisons on 9.9 per cent. However, Lidl has increased its share by 15.2 per cent to 6.8 per cent. The strongest performing vegetable is spinach with an annualised growth of 27 per cent.

## Miscellaneous

1 Linking Environment and Farming (LEAF) and Farming and Countryside Education (FACE) have announced plans to merge.

2 NFU Mutual has reported the cost of farm theft claims in March as being more than £1 million up on the same period last year.

3 New tractor registrations in March rose by 43 per cent to 1,770 units compared to a year earlier. New registrations in the first three months rose by 27 per cent to 3,024 units.

4 A wheeled version of the CaseIH 620 Quadtrac has set a new world record of 594.08hp creating a drawbar fuel efficiency of 242g/kWh.

5 Great Plains is to close its factory in Sleaford.

6 The Fourth International Horticulture Research Conference will take place at NIAB EMR in East Malling on 16-20 July.

## Other Business

### Postscripts

The Washington Post's Mensa Invitational invited readers to take any word from the dictionary, alter it by adding, subtracting, or changing one letter, and supply a new definition. Here are the winners:

1. Intaxication: Euphoria at getting a tax refund, which lasts until you realize it was your money to start with.
2. Bozone (n.): The substance surrounding stupid people that stops bright ideas from penetrating. The bozone layer, unfortunately, shows little sign of breaking down in the near future.
3. Giraffiti: Vandalism spray-painted very, very high.
4. Sarchasm: The gulf between the author of sarcastic wit and the person who doesn't get it.
5. Inoculatte: To take coffee intravenously when you are running late.
6. Osteopornosis: A degenerate disease.
7. Decafalon (n): The gruelling event of getting through the day consuming only things that are good for you.
8. Glibido: All talk and no action.
9. Arachnoleptic Fit (n.): The frantic dance performed just after you've accidentally walked through a spider web.
10. Beelzebug (n.): Satan in the form of a mosquito, that gets into your bedroom at three in the morning and cannot be cast out.
11. Caterpallor (n.): The colour you turn after finding half a worm in the fruit you're eating.

Dust off the old agreement!

During March, HM Revenue & Customs published its views on the consultation document into the taxation of partnerships. Where

appropriate legislation will be introduced but obviously everything is on hold until the outcome of the general election is known.

There is one particularly interesting clause in the document –

“Partners are treated as taxable on their share in profits or losses that arose during the period in which they were partners or members and any retrospective variation to a partnership’s profit-sharing arrangements made after the period-end will not apply.”

In family concerns it is quite common for partnership profits to be apportioned between partners in such a manner as generates the minimum overall liability to taxation. This cannot be done until the results for the period in question are known which will be “after the period-end”.

HM Revenue & Customs has, in the past, claimed that any apportionment which conflicts with fixed profit-sharing ratios is a “re-allocation” of profits which is not permitted retrospectively. This contention has been successfully disputed on the basis that the use of prior-charge salaries is an “allocation” not a “re-allocation”.

It remains to be seen in what form any new legislation will be drafted. However, it highlights the essential fact that an up to date partnership agreement is in place allowing maximum flexibility in profit-sharing.