



CHAVEREYS

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MONTHLY FARMING UPDATE
August 2017



Policy issues

1 Defra minister Michael Gove has announced that “we have an historic opportunity to review our policies on agriculture, on land use, on biodiversity, on woodlands, marine conservation, fisheries, pesticide licensing, chemical regulation, animal welfare, habitat management, waste, water purity, air quality and so much more ... the two areas where the EU has most clearly failed to achieve its stated environmental goals are the Common Agricultural Policy and the Common Fisheries Policy ... the Common Agricultural Policy rewards size of land – holding ahead of good environmental practice, and all too often puts resources in the hands of the already wealthy rather than into the common good of our shared natural environment ... our current EU-inspired farming approaches are degrading our soil. In some areas a combination of heavy machinery, irrigation methods, accelerating erosion and a determination to drive up yields has meant that soil has become less productive ... we need to take the opportunity ... to use public money to reward environmentally – responsible land use ... I want to ensure that we go on generously supporting farmers for many years to come ... but while continued support is critically important, so is reform ... I have been struck ... that it is farmers themselves who most want the CAP to change ... I know there is a growing appetite for a new system of agricultural support which respects their (farmers’) work and puts environmental protection and enhancement first ... we can develop global gold standard policies on pesticides and chemicals, habitat management and biodiversity, animal welfare and biosecurity, soil protection and river management ...”

2 Economist Professor Dieter Helm, adviser to Defra, has said the current system of taxpayer-funded support for agriculture is extremely wasteful and that the industry suffers from “subsidy addiction.” He has stated the exemption of farmland and buildings is being used to avoid Inheritance Tax, has questioned the exemption from business rates and also the reduced rate of tax on red diesel. He commented “In the reassessment of support and subsidies for farmland we have to put the industry on a long-term reasonable and fair basis with other perfectly legitimate industries and business in the economy.” Defra has responded “These ideas are not under consideration.”

3 Countries including the US, Australia and Brazil called on the EU to reduce its tariffs on agricultural goods at a recent meeting of the World Trade Organisation.

Reform

1 Defra has published an updated Mid Tier Manual under the Countryside Stewardship Scheme which applies to all agreements commencing in 2018.

2 The new permanent Chief Executive of the Rural Payments Agency is Paul Caldwell. He has held the post on an interim basis since January.

Grants / regulations / legislation / environment

1 Provisional figures for 2016 show that the nitrogen balance for the UK was a surplus of 91 kg/ha of managed agricultural land, an increase of 4 per cent on 2015 but 18 per cent down on 2000. The increase is caused by a reduction in overall production even though inputs remained virtually unchanged. The phosphorus balance was a surplus of 6.6 kg/ha of managed agricultural land, an increase of 26 per cent compared to 2015 but a reduction of 34 per cent compared to 2000. Despite a 6 per cent reduction in off take, inputs increased by 1 per cent.

2 The Royal Academy of Engineering has called for a limit on the amount of crops which can be grown for biofuels and proposed that energy crops should be grown on marginal land which is unsuitable for food production or housing.

3 New data in respect of 2014 reveals that the UK’s carbon footprint fell by 1 per cent compared to 2013 and by 20 per cent compared to the peak in 2007. Greenhouse Gas emissions relating to imports were up by 19 per cent compared to 1997 but were down 15 per cent on the peak in 2007. Emissions associated with imports from China were up 239 per cent compared to 1997. Emissions relating to the consumption of goods and services produced in the UK were 27 per cent lower than those in 1997. Overall the UK’s carbon dioxide footprint fell by 2 per cent between 2013 and 2014.

4 Defra has announced the winners of a £1 million competition concerning flood management. 34 community led projects will use landscape features such as ponds, banks, meanders, channels and trees to store, drain or slow flood water. Funding has also been allocated to 24 catchment scale projects which will benefit wider areas.

5 The next round of the Woodland Creation Scheme grant funding will open in January 2018 with forms being available in September. Farmers, foresters and land managers can apply for up to £6,800 per hectare to plant, weed and protect trees with annual maintenance payments available for 10 years.

6 A grant scheme to restore England's peatlands has officially opened. Total funding of £10 millions is available for 3 years from April 2018. Peatlands cover 11 per cent of the whole country.

Other matters of farm finance and tenure

1 An EU report entitled "A Ricardian Analysis of the Impact of Climate Change on European Agriculture" has suggested that the effects of climate change could reduce the economic value of European farmland by up to 32 per cent.

2 Research conducted by the NFU has revealed that 20 per cent of farmers will reduce investment over the next year while 10 per cent will increase investment.

3 In May the monthly price index for all outputs rose by 15 per cent compared to a year earlier while the index for inputs rose by 4.8 per cent.

4 Final figures for 2015 show that productivity in the food chain increased by 0.3 per cent while productivity in the wider economy increased by 1 per cent. Productivity in catering grew by 1.6 per cent while in food wholesaling it fell by 1.4 per cent.

5 A Strutt & Parker report has revealed the average price of arable land in the second quarter of 2017 as being £8,400 per acre with the average pasture price as being £7,700 per acre.

Product prices

A. Crops

1 Wheat prices weakened this month as the market shifted from old crop to new; although the milling premium made a notable recovery from £5 to £9 building in fresh concerns over quality. Barley prices regained a little strength as yield and quality results from the Northern Hemisphere started to emerge; whilst pulse prices took a 15 per cent hit in anticipation of the 2017 harvest. Concerns over the US spring wheat crop and Western European crops, due to dry weather, remain but Canada and Western Australia have been added to the list of those lacking rainfall. The market is yet to react strongly to these concerns as there is plenty of growing season ahead. Sterling weakened materially against the Euro this month; with a monthly spread of between 87.4 and 89.9 p per €, it closed 1.7p down at 89.4p per €.

Against the US\$ Sterling was less volatile, weakening marginally to 78.0p per \$ before recovering to close 0.7p stronger at 76.1p per \$. Crude oil prices, after initial reductions, improved overall; Brent crude dropped to \$47 per barrel but improved to close the month at \$52.527 per barrel. LIFFE feed wheat remained flat in the short and medium term but improved by a small margin in the longer term. In late July, deliveries for November 2017 and 2018 both stood at £148/tonne (-) and £150/tonne (-) respectively; March 19 deliveries had improved to 154/tonne (+2) whilst November 2019 deliveries opened at £153/tonne.

Average spot prices in late July (£/tonne ex-farm): feed wheat 136 (-6); milling wheat 145 (-3); feed barley 117 (+4); oilseed rape 304 (+4); feed peas 151 (-27); feed beans 160 (-27).

2 Due to the limited movement of 2016 crop tonnages, no robust information is available for average potato prices; although the last indicative position (the first week of July) showed both average and free-buy average prices tumbling.

2017 crop development is well progressed with some growers in the South and East of England desiccating main crops prematurely to restrict tuber size, growth-cracking and to assist with skin-setting. Blight remains a material issue requiring the close monitoring and diligent use of spray programmes.

B. Livestock

1 Cattle prices, following on from a positive June, showed more volatility this month. The average finished steer price, from its opening position of 197p/kg lw, dropped back to 193p/kg, before a partial recovery and a further fall saw it to close the month at 195p/kg lw (down 2p/kg in the month, sitting 11p/kg above the closing average a year earlier). The average finished heifer price however followed a different, but equally volatile, path to close the month 3p up overall at 208p/kg lw, 12p above the price a year

earlier. The average dairy cow price was also volatile, dropping to £1,155 per head, improving to a peak of £1,235 before closing back at £1,105 per head (£915 at the end of July 2016).

2 The average new season finished lamb price (SQQ live weight) continued to fall this month on the back of the long term downward trend in UK (and EU) demand for lamb meat, but also as a result of a surplus of animals coming to market. From an opening new season price of 222 p/kg lw, the average price, despite a small mid-month bounce, dropped back by a total of 26p/kg to a closing average of 196p/kg lw (13p/kg above the average a year earlier).

3 The average UK all pig price (APP) improved further over the month, albeit with reduced vigour, on the back of a generally firm EU pig market and weaker Sterling. From the opening position of 165.6p/kg dw, the price rose steadily throughout the month to a closing average of 167.7p/kg dw (up 2.1p/kg, to sit 37.0p/kg above the closing average a year earlier).

4 The UK average milk price for June, published in late July, showed a minute reduction from June's figures, dropping to 26.75ppl (down 0.03p) to sit 6.80ppl above the price a year earlier. Whilst in the 'EU28' farmgate milk price rankings for May, published in July, the UK average milk price lost two places, from 17th to 19th, with an average of 26.73ppl versus a marginally weaker EU28 weighted average of 28.90ppl (down 0.07ppl).

Other crop news

1 ADAS has estimated losses in winter of oilseed rape associated with adult cabbage stem flea beetle as being 5.4 per cent or about 76,500 acres compared to 2.7 per cent in 2014 and 1 per cent in 2015.

2 The price index for all crop products in May rose by 11 per cent compared to a year earlier but fell by 1.3 per cent compared to April; the cereal price index rose by 26 per cent but was down 0.6 per cent on April; the oats index rose 2.2 per cent compared to April; the oilseed rape index rose by 26 per cent compared to a year earlier; and the potato price index fell by 6.1 per cent compared to a year earlier and by 4.4 per cent compared to April.

3 Budweiser has reported that its UK beer now comprises at least 50 per cent UK barley and has made a commitment to increase it to 100 per cent.

4 The latest AHDB Aphid News publication has revealed the cumulative total of aphids known to vector potato viruses caught in Scottish suction traps as being the highest in the past 10 years.

5 McCain Foods is to spend up to £100 millions expanding and upgrading its potato processing factory near Scarborough.

6 NFU Sugar has settled the guaranteed minimum price on both the one-year and three-year contract options for 2018/19 at £22.50 per tonne plus market bonuses.

7 According to Germany's Agrarmarkt Informations – Gesellschaft, this year's EU apple harvest is likely to be 10 million tonnes compared to the average of 12 million tonnes over the past 3 years. Austria is forecast to lose half of its usual crop, southern Germany 70 per cent, Belgium 65 per cent, Poland 50 per cent, Netherlands 30 per cent and Italy 20 per cent.

8 This year's cherry crop is expected to yield 5,000 tonnes, more than double that of last year.

Other livestock news

1 The European Food Safety Authority has published a European One Health Action Plan against antimicrobial resistance aimed to address resistance in humans and animals.

2 In the course of the last month France has reported only 4 new cases of Bluetongue virus (BTV-8) and there has been no expansion of the surveillance zone. Italy has reported cases of BTV-4 in the north of the country as well as cases of BTV-1 and BTV-4 in other regions.

3 Defra is seeking consultation on proposals to simplify bovine TB testing in the High risk area of England.

4 During April the number of new herd bovine TB incidents fell by 4 per cent in England with falls of 5 per cent in the High risk area and 25 per cent in the Low risk area but an increase of 6 per cent in the Edge area; there were falls of 2 per cent and 6 per cent in Scotland and Wales respectively; the number of herds not officially TB free rose by 4 per cent in England with rises of 4 per cent in the High risk area and 8 per cent in the Edge area but a fall of 19 per cent in the Low risk area while there was a rise of 31 per cent in Scotland but a fall of 6 per cent in Wales.

5 Cases of Equine Infectious Anaemia have been reported in Germany, Spain, Switzerland, Netherlands, Hungary and Macedonia.

6 During June prime cattle slaughterings fell by 6 per cent compared to a year earlier at 156,000 head; beef and veal production fell by 5.4 per cent to 70,000 tonnes; sheep slaughterings rose by 3.1 per cent to 1,036,000 head; mutton and lamb production rose by 6.5 per cent to 23,000 tonnes; pig slaughterings fell by 2.3 per cent to 845,000 head; and pigmeat production fell by 2.3 per cent to 72,000 tonnes.

7 The price index for animals and animal products rose by 18 per cent in May compared to a year earlier. The pig price index rose by 38 per cent and by 2.2 per cent since April, reaching its highest level since July 2014.

8 Animal feed production in May rose by 3.8 per cent for poultry, 4.6 per cent for cattle and 1.9 per cent for pigs but fell by 11.5 per cent for sheep, all compared to a year earlier. The usage of wheat grew by 2 per cent while barley usage increased by over 30 per cent.

9 The price index for straight feeding stuffs rose by 11 per cent in May compared to a year earlier.

10 Milk production in June fell by 7.2 per cent compared to May to 1,232 million litres but was up 2 per cent on June 2016.

11 First Milk is to abolish its A and B pricing system with effect from September. A production bonus of 9.5ppl will apply for all litreage if a farm's production exceeds the previous year's figures.

12 During May, dairies used 942 million litres of milk, up 2 per cent on a year earlier and 1.8 per cent on April. Of the total, 47 per cent was used for liquid milk, 25 per cent for cheese, 2.2 per cent for butter and 2.1 per cent for cream.

13 Dairy Crest has increased the price of a standard litre by 1ppl to 29ppl from September.

14 Butterfat content in June fell by 0.01 per cent to 3.96 per cent but was up 0.02 per cent compared to a year earlier. Protein content fell 0.04 per cent to 3.94 per cent but was up 0.01 per cent compared to June 2016.

15 Arla has increased the price of a standard litre by 0.81ppl to 29.98ppl.

16 Meadow Foods has increased its standard litre price by 0.85ppl from September to 29ppl.

17 Muller has increased its standard litre price by 1.5ppl to 27.69ppl.

18 During June commercial layer chick placings fell by 20 per cent compared to a year earlier to 2.5 million chicks; broiler chick placings rose by 8.1 per cent to 81.6 million chicks; turkey chick placings fell by 4.1 per cent to 1.2 million chicks; turkey slaughtering rose by 2.4 per cent to 1 million birds; broiler slaughterings rose by 7.6 per cent to 80.2 million birds; and total poultry meat production fell by 2.9 per cent to 131,200 tonnes.

Inputs / Supply business

1 The European Commission is proposing to ban the use of up to 61 active crop protection substances because of new rules on endocrine disruption which can interfere with hormone systems. The greatest impact is forecast to be to triazole fungicides.

2 A report for the Crop Protection Association prepared by Oxford Economics and the Andersons Centre has suggested that a glyphosate ban would cost British farmers £1 billion per year, increase food prices and lose the Exchequer £193 millions in taxes.

3 The energy and lubricants price index rose by 13 per cent in May 2017 compared to a year earlier reflecting increases in the prices of electricity and petroleum products.

4 AHDB Horticulture has revealed a 4-year research programme to develop an integrated strategy into the control of spotted-wing drosophila.

Marketing

1 Morrisons has become the first major multiple to commit to only selling British fresh meat throughout the year.

2 While European pork prices have reached a 4-year high, this has impacted on exports which, to China and Hong Kong, have fallen by 15 per cent.

3 Asda is to market Purple Majesty chips containing antioxidants and anthocyanin and grown in Lincolnshire and Norfolk.

4 Sainsbury's is to source all its fresh lamb as British throughout the year.

5 An application has been made for Protected Geographical Status for Sussex Wine and also Darnibole Bacchus wine from the Camel Valley in Cornwall.

6 Plant-based milks are forecast to increase their share of the US milk market to 20 per cent over the next 5 years. This will include milk based on soya, almond, coconut and peas.

Miscellaneous

1 Figures released by the Health and Safety Executive show that, of 137 work-related deaths in 2016/17, 27 occurred on farms. Per 100,000 workers, the annual injury rate on farms was 18 times the national average. The fatality rate per 100,000 workers is 7.6 per cent compared to 0.43 per cent for the national average.

2 NFU Mutual has reported that livestock rustling cost farmers £6.2 millions in 2015.

Other Business

Postscripts

What would we do without the Irish?

1. Paddy spies a letter lying on his doormat.

It says on the envelope "DO NOT BEND".

Paddy spends the next 2 hours trying to figure out how to pick it up.

2. Paddy shouts frantically into the phone "My wife is pregnant and her contractions are only two minutes apart!"

"Is this her first child?" asks the Doctor.

"No", shouts Paddy, "this is her husband!"

3. An old Irish farmer's dog goes missing and he's inconsolable.

His wife says "Why don't you put an advert in the paper?"

He does, but two weeks later the dog is still missing.

"What did you put in the paper?" his wife asks.

"Here boy" he replies.

4. Paddy's in jail. Guard looks in his cell and sees him hanging by his feet.

"What on earth are you doing?" he asks.

"Hanging myself" Paddy replies.

"It should be around your neck" says the Guard.

"I know" says Paddy "but I couldn't breathe".

5. An American tourist asks an Irishman:

"Why do Scuba divers always fall backwards off their boats?"

To which the Irishman replies:

"They have to go backwards. If they fell forwards, they'd still be in the boat."

6. Paddy rings his new girlfriend's door bell, with a big bunch of flowers. She opens the door, sees the flowers, and drags him in. She lies back on the couch, pulls her skirt up, rips her knickers off and says 'This is for the flowers!'

'Don't be silly', says Paddy, 'You must have a vase somewhere!'

Another kick in the teeth for diversification!

Once again the taxpayer has lost a case at the First-Tier Tribunal concerning the ability to claim Inheritance Tax Business Property Relief on a holiday letting business.

Marjorie Ross had a two-thirds interest in the Green Door Cottages Partnership which owned and managed eight holiday cottages and two staff flats in a seaside village in Cornwall and a property in Weymouth. The Cornish properties were adjacent to a hotel which was formerly owned by the taxpayer and the hotel supplied many facilities for the holiday lets. However, the holiday lets employed an on-site handyman and also a housekeeper and cleaner and were effectively managed by the taxpayer's daughter.

It is noticeable that the Tribunal found the services provided by the partnership to its guests as being "above the standard level of services for self-catering cottages."

However, the Tribunal found that, what guests really wanted was access to a property to call their own to enjoy for a specific period. "The essence of that is the right to rent land in the form of one of the Green Door Cottages for a specific period. That is an activity which consists mainly of the investment in property."

Previous cases which have been found against the taxpayer should probably never have been taken in the first place as the level of service was too low. In this case there was a significant level of service provided and the ruling is of much greater concern.