

## Policy issues

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1 The Government has published a position paper "Continuity in the availability of goods for the EU and the UK". This proposes 4 principles: goods placed on the Single Market before exit should continue to circulate freely in the UK and the EU, without additional requirements or restrictions; compliance activities prior to exit should not be duplicated after exit; to ensure goods in circulation comply with product legislation there should be continued oversight of goods; and if goods are supplied with services, any restriction on services should not impact on the sale of goods.

## Reform

1 Updated greening rules have been published by the European Commission which will be effective from January. The EFA buffer strips option can now include field margins; a complete ban on the use of Plant Protection Products on Ecological Focus Area fallow land, catch and cover crops and nitrogen-fixing crops has been introduced. The ban applies from the time of sowing of the crop and includes seed dressing. The EFA option now includes trees in a line. Catch crops must be maintained for a minimum of 8 weeks with effect from 20 August 2018 and retained until at least 14 October 2018.

2 An NFU survey has found that 55 per cent of farmers employ assistance in completion of Basic Payment applications while 14 per cent still have outstanding issues relating to 2015 and 2016 claims.

3 Defra has published an updated version of the Countryside Stewardship Manual as affects Woodland Management Plans.

## Grants / regulations / legislation / environment

1 The European Regional Development Fund has provided £3 millions to create the Vet Hub 1 project, a facility based at the University of Aberystwyth to undertake research into protecting animal and human health.

2 A report, published by the Eating Better Alliance, has called upon the Government to tax meat and dairy products as a means of persuading consumers to adopt a more plant-based diet to encourage higher standards of animal welfare and reduce greenhouse gas emissions.

3 A consortium comprising James Hutton Institute, Scottish Agricultural College, Fera Science, Science and Advice for Scottish Agriculture, BIOS and Sutton Bridge Crop Storage Research has been awarded £250,000 to undertake research into blackleg.

4 Kettle Produce has been awarded £279,000 by the Scottish Government to construct a 4,500 tonne vegetable storage facility.

## Other matters of farm finance and tenure

1 Iowa State University has criticised the crop insurance programmes in the US and Canada in advance of consideration of such a scheme by the UK Government. It has suggested that subsidies effectively pay the bulk of the premiums, the administration costs and the bulk of the claims. As a consequence farmers are cropping marginal and environmentally-sensitive land. In Canada the scheme has led to monoculture reducing the environmental benefits of crop diversification.

2 Research undertaken by the Agri-Food and Biosciences Institute has suggested that, if the UK relied upon World Trade Organisation rules following Brexit, producer prices in the dairy sector would increase by 30 per cent, pig prices would rise by 18 per cent, beef by 17 per cent and poultry by 15 per cent. However, exporting sectors would lose out with sheep prices falling by 30 per cent and barley by 5 per cent.

3 In 2015/16 there were 537,000 businesses registered in rural areas of England, representing 24 per cent of the total. Those businesses employed 3.5 million people, representing 13 per cent of all employed persons. Agriculture, forestry and fishing account for 15.3 per cent of rural businesses followed by professional, scientific and technical services at 14.9 per cent, wholesale and retail trade including vehicle repair businesses at 13.2 per cent and construction at 11.3 per cent. The main employers in rural areas are education, health and social work at 17.4 per cent, wholesale and retail trade including vehicle repair businesses at 13.2 per cent and manufacturing at 11 per cent.

4 The Association of Labour Providers has reported that 48 per cent of its members have reported a decrease in labour supply while 50 per cent have reported a deterioration compared to a year earlier.

5 The value of home produced vegetables rose to £1.3 billions in 2016, up 7.5 per cent on 2015 despite a fall of 5.2 per cent in production. The value of field vegetables rose by 12.1 per cent to £990 millions but the value of protected vegetables fell by 3.8 per cent to £353 millions. The value of home produced fruit fell by 3.7 per cent to £670 millions.

6 The Agricultural Price Index for all outputs rose by 13 per cent in June compared to a year earlier but fell by 0.9 per cent compared to May. The index for inputs rose by 5.2 per cent compared to June 2016 and by 0.8 per cent compared to May.

7 A study conducted by the Prince's Countryside Fund has revealed that consumers think farmers' annual earnings range from £46,000 - £75,000.

8 Agrii is to fund a 5-year programme to help Farming Community Network support farming families suffering difficulties.

9 BNP Paribas Real Estate has acquired Strutt and Parker.

## Product prices

### A. Crops

1. Wheat prices, particularly feed, weakened this month as the market absorbed the harvest information as it occurred. Harvest-halting rains have taken their toll on grain quality in some parts of Europe, particularly Germany (and to a lesser extent the UK), leading to expectations of an increased feed wheat crop and tighter milling tonnages; the milling premium has exceeded £15 per tonne in many parts of the UK already and could push higher. Barley prices have stood up well in the declining wheat market but similar concerns, that malting quality will have been affected by rains, remain. Meanwhile pulse prices continue to tail off as many growers have chosen to move crop early. High wheat yields in the Black Sea region are suppressing export markets, countering the effect of weak Sterling; plus the concerns over the US maize crop, previously propping up prices, have now dissipated. The Sterling / Euro exchange rate took another large hit this month, dropping as low as 93.1 p per € before a very late (partial) recovery led to a close of 92.1p per € (2.7p lower than the July close). The US\$/ Sterling exchange weakened to 78.2p per \$ before recovering in the latter stages to close 1.2p weaker overall at 77.3p per \$.

Crude oil prices, fluctuated around a similar level, with Brent crude dropping to \$50.27 per barrel before improving to close 15c down overall at \$52.38 per barrel. LIFFE feed wheat futures dropped across the board throughout most of the month but recovered in the latter stages to close on a rising trend. In late August, deliveries for November 2017, 2018 and 2019 stood at £140/tonne (-8), £147/tonne (-3) and £150/tonne (-3) respectively.

Average spot prices in late August (£/tonne ex-farm): feed wheat 130 (-6); milling wheat 144 (-1); feed barley 118 (+1); oilseed rape 319 (+15); feed peas 142 (-9); feed beans 151 (-9).

2 The average potato price opened the 2017 season on a relatively positive note at £173/tonne but tailed off thereafter, dropping to £155 by late August. In reality the average price has been heavily propped up by contracted tonnage, as the free-buy price, having opened the season at £135/tonne, had dropped to £102 in the same timeframe. Many maincrop varieties are yet to start harvest, but late rains mean that early desiccation of crop in an attempt to limit tuber size is increasing. Blight remains a material issue to those crops still growing.

2017 crop prices for grade 1 in late August: Maris Piper opened the season at between £160 and £195 per tonne. Desiree opened at £230 per tonne (a small, early sample).

### B. Livestock

1 Cattle prices, whilst volatile, were positive this month. The average finished steer price, from its opening position of 195p/kg lw, dropped back to 193p/kg before peaking at 199p, dropping back to close the month at 198p/kg lw (up 3p/kg in the month, sitting 10p/kg above the closing average a year earlier). The average finished heifer price followed suit by dropping back early on but it improved by a smaller margin without dropping back to close the month 3p up overall at 211p/kg lw, 9p above the price a year earlier. The average dairy cow price became increasingly volatile but stayed positive, peaking at £1,367 per head, dropping to £1,177 before closing back up at £1,353 per head (£945 at the end of August 2016).

2 The average new season finished lamb price (SQQ live weight) fell further this month on the back of the same long term downward trend in UK demand, but also as a result of surplus old season animals coming to market late. From an opening price of 196 p/kg lw, the average price dropped back by a further 12p/kg to a low of 184p, before a small recovery led to a closing

average of 189p/kg lw (7p/kg down in the month and 15p/kg above the average a year earlier).

3 The average UK all pig price (APP) appeared to plateau this month as the reduced supply, reduced export demand and Sterling weakness all played against each other. From the opening position of 167.7p/kg dw, the price peaked at 168.5p/kg before spending most of the month at 168.2p/kg dw where it closed (up 0.5p/kg, to sit 30.0p/kg above the closing average a year earlier).

4 The UK average milk price for July, published in late August, showed a change in fortune in the form of an increase to 27.78ppl (up 1.03p) to sit 6.99ppl above the price a year earlier. In the context of the 'EU28' farmgate milk price, no new information has been quoted since the rankings for May, published in July, plotting the UK average milk price at 19th with an average of 26.73ppl (versus a EU28 weighted average of 28.90ppl).

## Other crop news

1 Because of hot weather, the European Commission's Mars agricultural meteorological service has reduced its corn yield forecast by 0.31 tonnes/ha to 6.83 tonnes/ha, below the 7.07 tonnes/ha achieved in 2016.

2 UK wheat stocks at the end of June stood at 1.4 million tonnes, down 48 per cent on a year earlier. The stock of barley was 510,000 tonnes, down 34 per cent. The stock of maize was 280,000 tonnes and that of oats 8,000 tonnes.

3 Latest figures indicate the area of wheat in England in June was 1.64 million hectares, down 2.5 per cent on 2016; the area of winter barley was 361,000 hectares, down 4 per cent; the area of spring barley was 478,000 hectares, up 15 per cent; the area of oats was 120,000 hectares, up 17 per cent; the oilseed rape area fell by 3.8 per cent to 522,000 hectares; while the uncropped arable area fell by 11 per cent to 193,000 hectares.

4 In the 3 months to June, the milling, starch and bioethanol industries used 1.885 million tonnes of wheat, up 10 per cent on the same period a year earlier, of which 1.62 million tonnes was home produced. Brewers, maltsters and distillers used 477,000 tonnes of barley and 154,000 tonnes of wheat, up 0.4 per cent and down 16 per cent respectively.

5 The Agricultural Price Index for all crop products rose by 6.7 per cent compared to a year earlier but fell 3.2 per cent compared to May. The cereals index was up 26 per cent but down 0.1 per cent on May, the wheat index as up 30 per cent but down 0.1 per cent on May while the potatoes index fell by 21 per cent and by 11 per cent on May.

6 Production of animal feed in June rose by 9.8 per cent for cattle and 8.6 per cent for sheep compared to a year earlier but fell by 6.1 per cent for pigs. The usage of wheat grew by 3 per cent while the usage of barley grew by 42 per cent.

7 BASF is to sponsor trials involving the growing of white mustard as a companion crop to oilseed rape to reduce the levels of cabbage stem flea beetle.

8 Tim Lamyman of Lincolnshire has set a new world record with a yield of 6.47 tonnes/ha of large blue peas.

9 Scotland's Rural College and Science and Advice for Scottish Agriculture have identified a shift in potato cyst nematode species being found in seed and ware soils. *Globodera pallid* has become the dominant species with *Globodera rostochiensis* less so, while there is only a limited supply of ware varieties resistant to *G. pallid*.

10 A strain of potato blight, EU37, which has proved resistant to blight fungicide fluazinam, has been found at two locations in Kent.

11 The home production of vegetables contributed 54 per cent of the total UK supply in 2016, 4.6 per cent down on 2015 while total production has remained fairly constant over the last 20 years. Home production of fruit contributed 17 per cent of the total supply, down 3.4 per cent on 2015. Home produced apples increased their share of the market by 6.8 per cent to 42 per cent.

12 Northern Ireland mushroom supplier Hughes, based in County Tyrone, is to open a production facility in East Yorkshire.

13 Southern Salads, based in Tonbridge, has appointed administrators.

## Other livestock news

1 Outbreaks of TB have been confirmed in East Cumbria, for the first time in 30 years, and on the Isle of Skye.

2 A joint report by the European Food Safety Authority, the European Medicines Agency and the European Centre for Disease Prevention and Control has confirmed that the use of fluoroquinolones in food-processing animals is a major contributor to anti-

biotic resistance in humans.

3 Figures for May show new herd incidents of bovine TB falling by 4 per cent in England compared to a year earlier with falls of 4 per cent in the High risk area and 25 per cent in the Low risk area but a rise of 2 per cent in the Edge area. There were falls of 20 per cent and 3 per cent in Scotland and Wales respectively. The number of herds not officially TB free rose by 4 per cent in England with increases of 4 per cent in the High risk area and 5 per cent in the Edge area but a fall of 28 per cent in the Low risk area. There was a rise of 12 per cent in Scotland but a fall of 6 per cent in Wales.

4 CCTV is to be mandatory in all slaughterhouses in England in every area where live animals are present and with unrestricted access being available to official vets.

5 Defra has announced that standards for farm animals and domestic pets are to be raised by modernising statutory animal welfare codes to reflect advances in medicines, technology and the latest research and advice from vets. The first to be updated will cover chickens bred for meat.

6 Breed inventory figures for pedigree animals for 2016 have been published. For cattle, data was collected for 25 of the 38 native breeds. The largest number of female registrations was 6,600 for the Jersey breed, down 6 per cent on 2015, indicating a breeding female population of 24,000. For sheep, data was collected for 37 of the 59 native breeds. The largest number of female registrations was 69,000 for the Swaledale breed indicating a breeding female population of 165,000 but this is 78 per cent down on the population in 2002. In pigs, the number of pedigree British Landrace and Large White in 2002 were 5,500 and 6,500 respectively whereas today both breeds can barely muster a few hundred.

7 Prime cattle slaughterings in July fell by 0.8 per cent compared to a year earlier to 156,000; beef and veal production fell by 1.9 per cent to 71,000 tonnes; sheep slaughterings fell by 4.2 per cent to 1.055 millions; mutton and lamb production fell by 4.2 per cent to 23,000 tonnes; and pigmeat production fell by 2.6 per cent to 70,000 tonnes.

8 The Agricultural Price Index for pigs rose by 35 per cent in June compared to a year earlier and by 1.5 per cent on May while the index for sheep and lambs rose by 16 per cent and by 4 per cent on May. The index for milk was up 34 per cent on a year earlier but fell by 0.1 per cent on May.

9 In July, milk production fell by 3.7 per cent compared to June to 1.186 million litres but was up 1.8 per cent on July 2016.

10 Muller has increased its standard litre price by 0.31ppl to 29ppl and will increase further to 30ppl in October.

11 In June, dairies used 888 million litres of milk, up 2.7 per cent on a year earlier but down 5.7 per cent on May. Of the total, 48 per cent was used in liquid milk production, 26 per cent in cheese production, 2.1 per cent in butter production and 1.9 per cent for cream.

12 Barber's is to increase its standard litre price to 29.80ppl in October and to 30.30ppl in November.

13 Morrisons is to dedicate its Milk for Farmers range to a specific group which have signed up to additional welfare requirements including commitment to 120 days grazing.

14 Muller has launched a Muller Direct Futures contract whereby Muller Direct farmers can commit up to 25 per cent of their milk to an indexed contract linked to the UK Milk Futures Equivalent.

15 Butterfat and protein levels in July remained unchanged from the previous month at 3.96 per cent and 3.24 per cent respectively. Both were up 0.02 per cent on July 2016.

16 Romania has reported a case of African Swine Fever in pigs. Cases in wild boar have increased in the Czech Republic, Poland, Ukraine and East Russia while outbreaks have occurred in domestic pigs in Poland.

17 Public Health England has suggested that 150,000-200,000 British consumers may have been infected with Hepatitis E from German and Dutch pork products.

18 A criminal investigation has been launched following the discovery of high levels of insecticide fibronil in Dutch eggs which have been sold throughout Europe. Fibronil is banned for use in the production of food for human consumption.

19 The only case of H5N8 Highly Pathogenic Avian Influenza in the past few months has been in a white mute swan in Norfolk. Outbreaks have continued to be reported in Belgium, France, Luxembourg and Italy.

20 In July, commercial layer chick placings fell by 0.4 per cent compared to a year earlier to 3.8 million chicks; broiler chick placings rose by 6.1 per cent to 99.9 million chicks; turkey chick placings rose by 10 per cent to 2.2 million chicks; turkey slaughterings rose by 9.4 per cent to 1 million birds; broiler slaughterings rose by 14 per cent to 107 million birds; and total poultry meat production rose by 12 per cent to 182,500 tonnes.

21 Defra is seeking views on its draft statutory code of practice for the welfare of meat chickens and meat breeding chickens. Consultation closes on 6 October.

22 In the 3 months to June 7.5 million cases of eggs were packed in the UK, up 3.9 per cent on the same period last year and 1.7 per cent on the period to March. The average price rose by 2.6 per cent and by 0.2 per cent on the period to March. However, the production of egg products fell by 18 per cent to 22,100 tonnes and by 3.4 per cent on the period to March.

23 Southern England Farms, a leading Cornish vegetable grower, is investing £5 millions in a free-range egg production facility.

24 Cleveland Meat has gone into administration with the loss of 68 jobs.

## Inputs / Supply business

1 Rothamsted Research has entered into a strategic framework agreement with Bayer to improve collaboration in scientific areas that will support the development of customised agronomic solutions.

2 The Agricultural Price Index for energy and lubricants rose by 8.4 per cent in June compared to a year earlier but fell 0.1 per cent on May. The index for straight feeding stuffs rose by 8.6 per cent and by 1.7 per cent on May.

3 The European Commission is to investigate the acquisition of Monsanto by Bayer.

## Marketing

1 Vegetable exports in 2016 rose by 13 per cent, compared to 2015, to £109 millions, the highest on record, with an increase of 1.7 per cent in volume. However, imports rose by 11 per cent in value to £2.3 billions and by 5.1 per cent in volume. Fruit exports rose by 17 per cent to £116 millions with a volume increase of 9.3 per cent. However, imports rose by 18 per cent to £3.6 billions and by 4.4 per cent in volume.

2 Grocery inflation rose by 3.3 per cent in July following a 2 month period at 3.2 per cent.

3 The Office of National Statistics has revealed that online food spending has increased by 14 per cent year on year and now commands 5.3 per cent of total consumer spending. In July food sales rose by 2 per cent but online food sales grew by 13.9 per cent.

4 Nielsen has reported growth of 4 per cent in the organic market in the year to June with fruit up by 12.6 per cent, vegetables 1.9 per cent, salad crops 7.9 per cent, milk 2.9 per cent, butter 9.2 per cent and eggs 4.9 per cent.

5 Seven businesses in England and Northern Ireland have secured the right to export pork to China, potentially worth £200 millions in export sales annually.

6 Lidl's market share has increased to 5.2 per cent in the period to 13 August, overtaking Waitrose in the process.

7 A new trade deal has been agreed with the Philippines to supply beef which could generate exports of £34 millions over the next 5 years.

8 Research by Euromonitor International indicates that China will overtake the US as the world's largest dairy market within 5 years.

9 Application has been made for Protected Geographical Status for Ayrshire New Potatoes/Ayrshire Earlies and Vale of Clwyd Denbigh plums.

10 WT Hill & Sons Imports has been exporting cherries grown by GH Dean & Co Ltd in Kent to Spain and Dubai.

11 Agrial, which owns Florette, has bought the salad arm of My Fresh Prepared Produce, based in Wigan.

## Miscellaneous

1 People born in mainly rural areas in 2013-15 are, on average, expected to live 2 years longer than those born in urban areas. The average life expectancy in 2013-15 was 79.4 years for men and 83.1 years for women in England.

2 In 2016/17 there were 8.6 house building completions per 1,000 households in predominantly rural areas compared to 5.3 completions in predominantly urban areas. Of the total, 7.1 house builds in rural areas were by private enterprise compared to 4.4 house builds in urban areas. In rural areas the average lower quartile house price was 8.3 times the average lower quartile earnings compared to 7 times in urban areas excluding London.

3 The NFU has bought FEC Energy, a business which helps farmers buy and sell energy, generate heat and electricity, use energy more efficiently and reduce the burden of energy regulation.

4 The 2nd edition of the Farm Office Handbook has been published by the Institute of Agricultural Secretaries and Administrators.

## Postscripts

Insults with class!

A member of Parliament to Disraeli: "Sir, you will either die on the gallows or of some unspeakable disease." "That depends, Sir," said Disraeli, "whether I embrace your policies or your mistress."

"He had delusions of adequacy." – Walter Kerr

"He has all the virtues I dislike and none of the vices I admire." – Winston Churchill

"I have never killed a man, but I have read many obituaries with great pleasure." – Clarence Darrow

"Thank you for sending me a copy of your book; I'll waste no time reading it." – Moses Hadas

"I didn't attend the funeral, but I sent a nice letter saying I approved of it." – Mark Twain

"I am enclosing two tickets to the first night of my new play; bring a friend, if you have one". – George Bernard Shaw to Winston Churchill. "Cannot possibly attend first night, will attend second ... if there is one." – Winston Churchill, in response.

"I've just learned about his illness. Let's hope it's nothing trivial." – Irvin S. Cobb

"He is not only dull himself; he is the cause of dullness in others." – Samuel Johnson

"He is simply a shiver looking for a spine to run up." – Paul Keating

"He loves nature in spite of what it did to him." – Forrest Tucker

"His mother should have thrown him away and kept the stork." – Mae West

"Some cause happiness wherever they go; others, whenever they go." – Oscar Wilde

"He has Van Gogh's ear for music." – Billy Wilder

"I've had a perfectly wonderful evening. But this wasn't it." - Groucho

## Business Box

You can lead a horse to water and the tax tribunal too!

Following on from the case concerning Inheritance Tax relief on holiday letting premises, where the taxpayer failed in the claim, comes a ruling from the First-tier Tribunal where the taxpayer succeeded in a claim for Business Property Relief for a livery business. In both cases the matter was whether or not the business was "a business which consists of mainly holding investments."

The case of the Estate of Maureen W Vigne dec'd concerned a livery comprising 30 acres which was, to all intents and purposes, a DIY livery. In this case, the owner provided additional services including the provision and administration of worming products, the provision of hay during winter months, the removal of manure from sectioned pasture and the general daily monitoring of the health status of the horses.

The tribunal took note that an application had been made to the local authority for planning consent for accommodation for the livery manager although this had been unsuccessful.

Despite the tribunal acknowledging that the profitability of the business was modest, to say the least, it held that it was not one of

“mainly one of holding investments.”

This case is unlikely to set a precedent. The amount of tax involved was not material but, when taken with the multitude of DIY liveries across the UK, could have a material effect on the UK Exchequer. The activities undertaken by the livery owner would be no more than would be undertaken by any reasonable provider of DIY livery.

Watch this space!