



CHAVEREYS

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MONTHLY FARMING UPDATE

May 2019



I Policy issues

- 1 The European Commission has announced that, in the event of a no-deal Brexit, it will support EU farmers with a range of measures thought to include public intervention, private storage aid and withdrawal schemes.

II CAP/Brexit (etc.) support details/payments

- 1 Those farmers who have not yet received their 2018 Basic Payment will now receive a bridging payment representing 75 per cent of their estimated claim. Similar payments will be made to those awaiting 2018 Countryside Stewardship advance payments.
- 2 Defra has published guidance on how to apply for Wildlife Offers under the 2019 Countryside Stewardship scheme.
- 3 Payments totalling £40 millions have commenced under the Scottish Suckler Beef Support Scheme.

III Grants/regulations/legislation/environment

- 1 According to the October 2018 Farm Practices Survey, 45 per cent of farms do not carry out a soil structure survey in their fields, 32 per cent do so only when there is obvious compaction while 23 per cent dig one or more holes in each field. Of those farmers who do undertake soil structure surveys, 37 per cent had discovered soil compaction in the top 12 inches in the last 12 months, 29 per cent had discovered compaction at plough depth and 15 per cent had discovered compaction through the soil profile. Soil compaction was more prevalent on large farms.
- 2 Newly issued data reveals that the UK's carbon footprint fell by 6 per cent between 2015 and 2016.
- 3 Natural England has published a new general licence for landowners who need to control carrion crows against causing damage to livestock. Further licences will be issued shortly.
- 4 A report by French think-tank IDDRI has suggested a 47 per cent reduction in agricultural greenhouse gas emissions could be achieved by farming using environmentally friendly methods first and inputs as a last resort.
- 5 The Betty Lawes foundation has granted £1 million to the AHDB to expand its strategic dairy farm network to 25 farms.

IV Other matters of farm finance and tenure

- 1 Defra has launched a consultation process on its plans to modernise and update agricultural tenancy legislation. Options include enabling tenants of Agricultural Holdings Act agreements to pass their lease to new tenant farmers on their retirement; incentivising more landlords to let new Farm Business Tenancies of 10 years or more; and removing barriers which may currently dis-incentivise landlords and tenants from investing and making improvements to their AHA rented holdings.
- 2 The results of the October 2018 Farm Practices Survey have been published. 54 per cent of farms had introduced a significant change to their business in the last 12 months while 33 per cent indicated they intended to introduce a significant change in the next 12 months; those that had innovated in the last 12 months were most likely to be large cereal farms; the most common innovation was new or specialist machinery; and the most commonly selected motivations were to increase productivity (67 per cent), to lower costs (65 per cent) and to make life generally easier (64 per cent).

On the subject of market prices, 76 per cent of farmers thought that input prices were readily available while 84 per cent considered output prices were too; 66 per cent thought that input price information was reliable and 69 per cent considered that output price information was too; and 25 per cent of farms do not use data on market prices to inform business decisions, these are most likely to be small pig or poultry farms. As regards risk management, 88 per cent considered they positively managed risk, mainly by good business practice; those that did not actively manage price risks were most likely to be small pig or poultry farms; while the most commonly selected barriers to controlling risk were high insurance premiums, unsuitable or expensive risk management tools, lack of knowledge or skills and difficulty in implementation. In the matter of collaboration, 29 per cent of farmers were members of buying groups while 22 per cent undertook short term keep of livestock. Of all farms in the survey, 38 per cent used financial or management accounting software, mainly on large farms (64 per cent) with only 28 per cent of small farms using such systems. 92 per cent of farms had applied for funding from Defra or the Forestry Commission, those that had never applied were most likely to be small pig or poultry farms; fewer than 10 per cent had applied for LEADER funding, only 6 per cent had applied for a Countryside Productivity grant and only 1 per cent had applied for funding under the Growth Programme.

- 3 In 2017/18 there were 545,000 businesses registered in rural areas in England, approximately 24 per cent of the total; rural businesses employed 3.6 million people, 13 per cent of the total; and agriculture, forestry and fishing accounted for 15.2 per cent of rural businesses followed by professional, scientific and technical services (14.8 per cent), wholesale and retail trade, repair of motor vehicles (13 per cent) and construction (11.9 per cent).
- 4 The Agricultural Price Index for all outputs for February rose by 3.6 per cent compared to a year earlier but fell by 0.7 per cent compared to January. The index for inputs rose by 6.5 per cent and 0.2 per cent respectively.
- 5 The Welsh Government has increased the Agricultural Minimum Wage by 5 per cent for Grade 1 workers aged over 25 and by 4 per cent for those aged 16 to 24. Other grades have been awarded an increase of 2 per cent.
- 6 A report by WWF Scotland has suggested that extreme weather contributed to losses of £161 millions for Scottish farmers with sheep farmers worst hit with losses of £45 millions.

V Product prices

A Market background

- 1 Sterling remained volatile but closed the month marginally down overall against the Euro. Opening at 86.1p per €, Sterling peaked early in the month at a high of 85.2p, dropped as low as 86.7p but eventually closed at 86.4p per €. A similar trend was seen against the US Dollar, with Sterling weakening over the course of the month. From an opening rate of 76.7p per \$, the Pound peaked at 75.8p in the first week but weakened thereafter to close lower overall at 77.4p per \$. Brent Crude oil prices continued to build for most of the month but finished on a downturn. From an opening position of \$67.58, the average price improved to a peak of \$74.54 before relaxing in the final stages to close, at \$72.15 per barrel; a net increase of \$4.57.

B Crops

- 1 Average wheat prices have remained largely flat this month, with a dip as the month closed; high stocks of old crop in the US, combined with 'in line with expectation' reports for much of the growing crop in the northern hemisphere, are responsible. The position is reflected in the IGC forecast for total grain production in 2018/19 being increased at the same time the consumption figure was reduced. World maize markets also remain predominantly bearish in outlook as US plantings progress well and South American harvest results exceed expectation. LIFFE feed wheat futures were more volatile this month: falling back over the first half of the month across the board, with prices in the shorter term recovering partially in the latter stages, whilst in the longer term they improved. In late April, deliveries for November 2019 and 2020 stood at £146/tonne (-2) and £150/tonne (+2) respectively. Oilseed prices remained relatively flat, with a gentle uplift over the course of the month, underpinned by the material improvement in oil prices.

Average spot prices in late April (per tonne ex-farm): feed wheat £161 (-2); milling wheat £179 (-); feed barley £129 (-3); oilseed rape £303 (+4); feed peas £208 (-3); feed beans £246 (-).

- 2 The average potato price continued to hold its ground, gaining a modicum of strength as the market dealt with the Easter demands and as supplies started to tighten. Contracted supplies to the packing and chipping trades remained the majority of the movement, although the spot market did benefit from Easter. The past month has seen a large proportion of the 2019 maincrop planted, despite the rain showers, particularly in the west. The average potato price, from a starting point of £193, gained £10 in the week leading up to Easter and fell back to £199 in the aftermath but gained again thereafter to close the month at £208 per tonne (£15 up and £53 above the late April 2018 close). The free-buy average followed suit; from an opening position of £222 per tonne it gained £6 in the Easter week, then dropped back to £218 before recovering partially to close the month at £222 per tonne (unchanged, to sit £126 above the average in late April 2018).

2018 crop prices for grade 1 in late April (per tonne ex-farm): Salad varieties, in very limited numbers, were moving at anywhere between £275 and £420; Maris Piper had dropped back marginally to between £250 and £395; King Edwards had dropped back at the lower end to between £200 and £250; Estima and other white varieties improved at the lower end to between £225 and £320, whilst red skin varieties (Mozart and Desiree) had remained static at between £200 and £250, with Desiree at the lower end of the range.

C Livestock

- 1 Cattle prices bounced back by a small margin this month. The average finished steer price gained from its opening position of 182p/kg lw to peak just below 187p mid-month and after a small dip, improved to close at 188p/kg lw (6p up in the month and 8p/kg below the closing average a year earlier). The average finished heifer price performed similarly but without the final improvement; improving from its opening average of 195p/kg lw to peak at 201p/kg before dropping back again to close at 197p/kg lw (2p up in the month and 6p below the price a year earlier). The average dairy cow price remained buoyant, building on its opening position of £1,223 per head to reach £1,276 and after dropping back marginally improved to £1,316 per head where it closed the month (£93 up and £284 above the average a year earlier).

- 2 Lamb prices continued March's buoyant trend into the early part of April but relaxed in the latter half. The average new season finished lamb price (SQQ live weight) rose from an opening position of 201p/kg lw to peak at 215p/kg mid-month but, after relaxing to 211p/kg, the average closed the month at 212p/kg lw (11p up to sit 17p/kg below the average a year earlier).
- 3 The average UK all pig price (APP) continues to be volatile with small net price movements but closed marginally up in line with the trend for the same month last year; opening at 142.8p/kg dw, the average improved to 143.2p, dropped to 142.6p and eventually closed at 143.3p/kg (up 0.5p to sit 5.1p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for February, published in late April, reported a further reduction of 0.50p giving an average of 29.36ppl (0.05ppl below the average in February 2018 and 1.83ppl above the rolling 5 year average of 27.53ppl). In the ranking against the 'EU28' farmgate milk price for February, the UK remained unchanged at 18th against a weaker EU28 weighted average of 31.40ppl (down 0.56ppl in the month).

VI Other crop news

- 1 The US Department of Agriculture has forecast EU oilseed rape production falling to a 12-year low this year of 18.4 million tonnes due to dry sowing conditions.
- 2 The Agricultural Price Index for February for all crop products rose by 18.3 per cent compared to a year earlier but fell by 1.5 per cent compared to January; cereals rose by 28 per cent compared to a year earlier but fell by 2.6 per cent compared to January; wheat rose by 26.7 per cent, barley by 29.5 per cent and oats by 53.8 per cent but, compared to January wheat fell by 1.3 per cent and barley by 7 per cent; potatoes rose by 32.7 per cent and 1.4 per cent respectively; oilseed rape rose by 8.9 per cent but fell 0.5 per cent compared to January; fresh vegetables rose by 24 per cent and 0.7 per cent respectively; fresh fruit rose by 10.8 per cent and 6.3 per cent respectively; but the index for forage plants fell by 44.6 per cent compared to a year earlier.
- 3 Research by Innovative Farmers and Riverford has suggested that treating seeds for leafy greens in hot water prior to sowing can reduce the incidence of leaf spot disease.

VII Other livestock news

- 1 Germany has reported a further 22 outbreaks of BTV-8 bluetongue virus since January. Four outbreaks have been reported in southern Belgium in the Luxembourg region.
- 2 Blowfly strike has been reported in Glamorgan, Somerset, Dorset, Lincolnshire and Caernarfonshire.
- 3 According to the October 2018 Farm Practices Survey, 27 per cent of farms with cattle used outdoor, unroofed, hard standing collecting or feeding yards; on average, dairy cows spent 7.5 months a year in outdoor, unroofed, hard standing collecting or feeding yards compared to 6.1 months for other cattle; and when cattle yards were in use, almost all of those with dairy cattle who scraped the yards did so either once daily (58 per cent) or more frequently (36 per cent).
- 4 The Agricultural Price Index for February for animals and animal products fell by 4.1 per cent compared to a year earlier and by 0.7 per cent compared to January; the index for cattle and calves fell by 6.4 per cent and 0.7 per cent respectively; the index for pigs fell by 6.2 per cent and 1.1 per cent respectively; the index for sheep and lambs fell by 12.1 per cent and 2.3 per cent respectively; the index for poultry fell by 2.8 per cent and 0.9 per cent respectively; the index for milk fell by 0.5 per cent and 1.7 per cent respectively; and the index for eggs fell by 2.8 per cent compared to a year earlier.

The index for veterinary services rose by 13.9 per cent compared to a year earlier but fell 0.1 per cent compared to January. The index for animal feeding stuffs rose by 12.4 per cent compared to a year earlier but fell 0.2 per cent compared to January.

- 5 In the year to January, the number of bovine TB new herd incidents in England fell by 5 per cent, compared to the previous year, with a fall of 9 per cent in the High risk area but increases of 8 per cent in the Edge area and 25 per cent in the Low risk area. There were falls of 29 per cent in Scotland and 4 per cent in Wales. The number of herds not officially TB free in England fell by 6 per cent, compared to a year earlier, with a fall of 11 per cent in the High risk area but rises of 16 per cent in the Edge area and 33 per cent in the Low risk area. There was a fall of 35 per cent in Scotland but a rise of 9 per cent in Wales.
- 6 In March, slaughterings of prime cattle fell by 1.9 per cent, compared to a year earlier, to 165,000; beef and veal production rose by 0.2 per cent to 77,000 tonnes; sheep slaughterings fell by 6.9 per cent to 990,000; mutton and lamb production rose by 3.1 per cent to 25,000 tonnes; pig slaughterings fell by 0.9 per cent to 855,000; and pigmeat production rose by 1 per cent to 76,000 tonnes.
- 7 China has reported a further 125 outbreaks of Africa Swine Fever in domestic pigs since the first case last August. Vietnam has reported 112 outbreaks since the first case in February while Cambodia has reported its first case.
- 8 In March average butterfat levels rose 0.5 per cent to 4.12 per cent while average protein levels remained unchanged at 3.34 per cent.
- 9 The number of cases of Classical Swine Fever in domestic pigs in Japan has risen by 12 since February with a further 132 cases in wild boar.
- 10 Three cases of equine viral arteritis have been reported in non-thoroughbred stallions in Dorset.
- 11 In March UK commercial layer chick placings rose by 9.1 per cent, compared to a year earlier, to 3.3 million chicks; broiler chick placings fell by 1.4 per cent to 83.2 million chicks; turkey chick placings fell by 10.2 per cent to 800,000 chicks; turkey slaughterings rose by 14 per cent to 800,000 birds; broiler slaughterings fell by 0.3 per cent to 82.7 million birds; and total poultry meat production fell by 2.1 per cent to 138,970 tonnes.

VIII Inputs/Supply businesses

- 1 Bayer has reported reduced sensitivity to active ingredient flufenacet in black-grass in Germany and rye-grass in the UK.
- 2 The Agricultural Price Index for February for fertilizers and soil improvers rose by 11.7 per cent compared to a year earlier but fell by 0.5 per cent compared to January; the index for energy and lubricants rose by 5.1 per cent compared to a year earlier but fell by 0.3 per cent compared to January; the index for vehicle maintenance rose by 2.3 per cent and 0.1 per cent respectively; and the index for building maintenance rose by 4.6 per cent and 1.5 per cent respectively.
- 3 Fargro has launched Romeo, a biofungicide to control powdery mildew, downy mildew and botrytis.

IX Marketing

- 1 Over the past 5 years sales of loose fruit and vegetables have declined by 5 per cent. However, over the past 12 weeks, sales of loose produce have grown by 5 per cent in value and 4 per cent in volume compared to pre-packaged stock which is up 5 per cent in value but only 1 per cent in volume.

- 2 Online grocery shopping increased by 9 per cent in 2018 to £12.3 billions. However, since 2015, the number of people shopping online has fallen from 48 per cent to 45 per cent of the population. In particular, those in the 45+ age group who have not shopped online and have no intention of doing so has increased from 34 per cent in 2015 to 42 per cent.
- 3 Protected Designation of Origin status has been awarded to Anglesey sea salt/Halen Mon.
- 4 Asda has overtaken Sainsbury's in the supermarket rankings. Its share has risen to 15.4 per cent while Sainsbury's share has fallen to 15.3 per cent. Morrisons lies fourth with 10.3 per cent followed by Aldi with 8 per cent.
- 5 Protected Geographical Indication status has been awarded to London Cure Smoked Salmon.
- 6 New research published by the University of Leeds and the University of York suggests the consumption of fresh fruit and vegetables should be increased to ten portions each day creating a beneficial effect on mental wellbeing the equivalent of taking a walk twice a week.

X Miscellaneous

- 1 Defra has announced funding of £3 millions to improve village halls. Committees can apply for grants of up to £75,000 towards refurbishment and alteration of their buildings.

Postscripts

Nuns

The nuns at the local convent had their daily announcement session.

Mother Superior walked out in front of the 100 nuns with a very serious frown on her face. She began to speak ...

Mother Superior: "A sinful deed was committed here, yesterday."

99 nuns: "Oh no!"

I nun: "Hee, Hee, Hee!"

Mother Superior: "Today I found a pair of men's underwear."

99 nuns: "Oh no!"

I nun: "Hee, Hee, Hee!"

Mother Superior: "And I also found a condom."

99 nuns: "Oh no!"

I nun: "Hee, Hee, Hee!"

Mother Superior: "And it has been used."

99 nuns: "Oh no!"

I nun: "Hee, Hee, Hee!"

Mother Superior: "And there is a hole in it!"

I nun: "Oh no!"

99 nuns: "Hee, Hee, Hee!"

Monthly Farming Update

The taxman's feast is coming!

Changes are afoot to the Capital Gains Tax treatment on the sale of residential property. The exemption from tax on a gain on the sale of one's private residence will remain but the relief is to be more targeted at owner-occupiers. It is estimated the changes will increase tax revenues by £150 millions so it is clearly not just a case of tinkering at the edges.

Back in 1980 lettings relief was introduced, designed to minimise a tax charge where property owners let out spare rooms on a casual basis. The relief is limited to the lower of the private residence exemption or £40,000. However, the lettings relief is more commonly used by taxpayers who have let out an entire house which, at sometime during the period of ownership, has qualified as a private residence.

The proposed change will mean the lettings relief is only available where the owner is sharing occupation with tenants, it will not be available where the owner has moved out of the property.

A further change concerns the final-period exemption. Until 2015 the exemption amounted to 36 months but this was then reduced to 18 months. With effect from 2020 the period will be further reduced to 9 months.

Consideration is being given to changing the rules on inter-spouse transfers so that the receiving spouse would always inherit the transferring spouse's period of ownership and the use to which the property was put during that time.

This would put an end to a person claiming full private residence exemption on the disposal of a house their spouse had previously owned and let out.

The final change is that, from 6 April 2020, where tax is payable on the sale of residential property, it will be payable within 30 days of completion. This could be as much as 635 days sooner than is the case at present.

As always, foresight is required.

We welcome feedback on the MFU.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

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The MFU was edited from 1991 to 2006 by John Nix, Emeritus Professor of Farm Business Management at Imperial College London



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