



CHAVEREYS

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MONTHLY FARMING UPDATE

February 2021



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I Policy issues

- I The Government has opened a consultation process on the regulation of gene edited organisms possessing genetic changes which could have been introduced by traditional breeding. The consultation, which closes on 17 March, will also gather views on the wider regulatory framework governing genetically modified organisms.

II Reform

1. Defra has reported on the Environmental Land Management Tests and Trials conducted in the period June to August 2020. There were 60 tests and trials underway with 5 having concluded. 2,000 farmers were engaged in 46 tests and trials to develop a Land Management Plan. A survey found that 85 per cent of respondents found that the LMP would be a valuable tool to help them identify and plan the public good they could deliver on their land but only 39 per cent considered the LMP should include information on productivity, animal health and diversification. As regards financial incentives, the emerging consensus is that payment rates calculated by the income foregone plus costs approach do not provide a strong enough incentive for farmers to join a scheme but there is support for a points-based approach to determining payments.
2. The NFU has entered into a project with ADAS and Scotland's Rural College to determine how Integrated Pest Management actions could be supported under the Environmental Land Management scheme.
3. Defra has published guidance on which Countryside Stewardship options and capital items may be available on land designated by HM Revenue & Customs as conditionally exempt from Inheritance Tax or as the object of a Maintenance Fund.

III Grants/regulations/legislation/environment

- 1 The Welsh Government has introduced new regulations to ensure farmers understand what actions need to be taken to avoid agricultural pollution in watercourses. At the same time it has made changes to the EU Nitrates Directive effectively making the whole of Wales a Nitrate Vulnerable Zone, an area 11 times larger than as recommended by Natural Resources Wales.
- 2 Defra is to introduce legislation to prevent the burning of heather and other vegetation on protected blanket bog habitats. The regulations will prevent the burning of any specified vegetation on areas of deep peat on a Site of Special Scientific Interest that is also a Special Area of Conservation or a Special Protection Area unless a licence has been granted.
- 3 The Soil Association has launched its 'Grow Back Better' Manifesto, a ten-point recovery plan with the aim of more sustainable farming practices following the Covid-19 pandemic.
- 4 The Scottish Government has introduced measures whereby it will be illegal to intentionally kill, injure or take mountain hares without a licence.
- 5 A new project has commenced in Lancashire, with Natural England in partnership with Lancashire Wildlife Trust, to create and restore new ponds to benefit great crested newts.

IV Other matters of farm finance and tenure

- I The Red Tractor organisation has launched a two-month consultation on future standards across all six of the scheme's sectors. The consultation will primarily focus on worker welfare, environmental protection and outcome-based standards for animal welfare.

- 2 An AHDB report: 'Trust in Farming and the Environment: The Consumer Perspective' has revealed that 66 per cent of people are positive about British agriculture, up 4 per cent on the previous year, while only 15 per cent thought farming had a negative impact. However, a majority would like to see farmers do more for the environment by planting trees, sustainability labelling and boosting efficiency. There are also concerns about methane emissions, the amount of land devoted to animal production, the use of water in arable production, flooding and soil erosion.
- 3 Figures from Strutt & Parker show the average price of arable land in 2020 was £9,300 per acre with grassland at £7,200 per acre. Approximately 54,000 acres came to the market in the year.
- 4 An EIT Food Trust Report, which surveyed nearly 20,000 consumers in 18 European countries and which included the University of Reading in the research consortium, has revealed that 67 per cent of those surveyed trust farmers while 13 per cent do not. However, over half of consumers don't trust either government agencies or food manufacturers.
- 5 The Agricultural Price Index for November for outputs fell by 1 per cent, compared to October, but was up 8.9 per cent compared to a year earlier. The index for inputs rose by 0.2 per cent and 2.9 per cent respectively.
- 6 The Gangmasters and Labour Abuse Authority, in association with the Skills and Education Group, the University of Nottingham's Rights Lab and Boston College in Lincolnshire, has developed a new qualification providing students with the skills and knowledge to protect themselves from labour abuse, the Level 1 Award in Workers' Rights and Labour Exploitation.

V Product prices

A Market background

- 1 Sterling exchange rates remained volatile this month as Brexit bedded in and pandemic issues continued; overall, Sterling improved further against both Dollar and Euro. Against the Euro, exchange opened at 89.3p per €, with Sterling falling to 90.5p in the early stages but improving thereafter, reaching 88.4p before closing at 88.5p per € (up 0.8p). Against the US Dollar movement was more volatile as, from an opening rate of 73.1p per \$, it dropped as low as 74.2p more than once and peaked at 72.7p, before finally closing at 72.9p per \$ (0.2p up). Crude oil prices improved further this month, with lower levels of volatility. The Brent Crude oil price, from a starting position of \$51.34 per barrel, dropped to \$51.09, peaked at \$56.58, but spent most of the month between \$55 and \$56 per barrel; closing at \$55.53 per barrel (up \$4.19).

B Crops

- 1 Cereal prices improved with vigour this month. The arrival of rain in South America did not feed through to slow the soaring maize price which, in turn, lifted wheat and barley prices. The strength of Sterling and ever-evolving Covid restrictions are driving volatility whilst the Russian wheat export tariff announced last month remains in place and underpins the European market. Milling premiums remain above £20/tonne. LIFFE feed wheat futures made significant gains in the first half of the month but dropped back as the end of the month approached, with in-month price swings reaching £13. By late January, deliveries for November 2021 and 2022 were £166/tonne (+2) and £157/tonne (-1) respectively. Oilseed rape prices continue to benefit from the low 2020 output worldwide and increased crude oil prices but the global demand for vegetable oil is doing less to prop up the market with pressure on Soya supply easing as the year progresses.

Average spot prices in late January (per tonne ex-farm): feed wheat £201 (+14); milling wheat £221 (+12); feed barley £163 (+22); oilseed rape £376 (+17); feed peas £216 (+12); feed beans £222 (+10).

- 2 The average potato price for 2020 crop continued the general trend of improvement. This was despite reports that January crop movements, ordinarily a slow month anyway, were the quietest ever. The market now hinges largely on the dynamic between buyer demand and those opening stores and out-loading. Packing lines are running below full capacity, with demand only coming from retail, whilst the bag trade has all but stopped during the most recent lockdown, supplying far smaller quantities to those fish and chip shops that remain open. By late January the average potato price had improved from its opening position of £159/tonne to a closing average of £172/tonne (up £13 but £15 below the January 2020 closing average). The free-buy average opened at £138/tonne, briefly touched £144/tonne, but returned to close the month at £138/tonne (static but £65 below the January 2020 closing average).

2020 crop prices for grade 1 packing, in late January (per tonne ex-farm): Maris Piper had improved to between £160 and £260; King Edwards, moving in small volumes, had increased materially to between £255 and £325; Reds had fallen back at the top end to between £160 and £205; whilst white varieties had increased in spread to between £70 and £160; no salad variety prices were published.

C Livestock

- 1 Cattle price movements were muted this month. The average finished steer price, from an opening position of 205p/kg lw, rose to 210p/kg and dropped to 204p/kg before improving marginally again to close at 206p/kg (up 1p overall to sit 24p above the closing average a year earlier). The average finished heifer price also rose from its opening position of 214p/kg lw to peak at 218p/kg but then fell further, closing the month at 212p/kg (down 2p to sit 20p above the price a year earlier). The average dairy cow price, opening at £1,326 per head, held steady for much of the month, whilst the final stages of the month saw a sharp fall to £1,129, followed by an equally sharp rise to close the month at £1,349 (a gain of £23 to sit £112 above the closing average a year earlier).
- 2 The average finished lamb price (SQQ live weight) rose sharply this month, largely due to the market adjusting to Brexit export issues and border delays. The average, from an opening position of 213p/kg lw, jumped to a mid-month peak of 262p/kg but relaxed over the remainder of the month to a closing average of 252p/kg lw (39p up to sit 39p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) fell back more sharply this month. Opening at 156.5p/kg dw, the average price weakened throughout the month before closing at 149.2p/kg (down 7.3p in the month and 16.2p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for November, reported this month, recorded a further gain of 0.58 ppl to 30.54ppl (0.67ppl above the average in November 2019 and 2.87ppl above the rolling 5-year average of 27.67ppl). Initial reports of the December 2020 price suggest a fall to 30.38ppl. The rankings against the 'EU28 (ex UK)' farmgate milk price for October are the most recent publication, the UK sat at 18th against an EU28 (ex UK) weighted average of 32.72ppl.

VI Other crop news

- 1 Great Britain potato stocks at the end of last November are estimated to have been 3.27m tonnes, up from 2.91m tonnes a year earlier and the 5-year average of 3.12m tonnes.

- 2 The Agricultural Price Index for crops for November shows an increase of 1 per cent for wheat, compared to October, with increases of 2.4 per cent for barley, 0.5 per cent for oats, 6 per cent for potatoes, 2.4 per cent for oilseed rape and 21.3 per cent for forage crops but falls of 17.7 per cent for fresh vegetables and 10 per cent for fresh fruit. Compared to a year earlier there were increases of 39.6 per cent for wheat, 16.7 per cent for barley, 134.4 per cent for forage crops, 0.1 per cent for fresh vegetables and 23.1 per cent for fresh fruit but a fall of 7.9 per cent for potatoes.
- 3 AHDB is researching new treatments to reduce the number of cabbages lost in storage from diseases caused by extreme wet weather.
- 4 The Wageningen University & Research Plant Ecology and Nature Conservation group has demonstrated that improving pollination has a greater effect on final fruit yields than fertilizer application.

VII Other livestock news

- 1 Defra has opened a consultation process on measures designed for England to reach bovine TB-free status by 2038. Views are sought on a range of proposals following Defra's response to an independent review of its 25 year bovine TB strategy.
- 2 In August 2020, the number of new herd bovine TB incidents in England fell by 8 per cent, compared to a year earlier, with falls of 7 per cent in the High risk area, 7 per cent in the Edge area and 27 per cent in the Low risk area. There was a fall of 10 per cent in Wales but a rise of 6 per cent in Scotland. The number of herds not officially TB free fell by 11 per cent in England with falls of 12 per cent in the High risk area and 36 per cent in the Low risk area. There were falls of 15 per cent in Scotland and 10 per cent in Wales.
- 3 During December, UK prime cattle slaughterings rose by 6.3 per cent, compared to a year earlier, to 163,000; beef and veal production rose by 5.1 per cent to 75,000 tonnes; sheep slaughterings rose by 1.5 per cent to 1,208,000; mutton and lamb production fell by 0.1 per cent to 27,000 tonnes; pig slaughterings rose by 4.9 per cent to 952,000; and pigmeat production rose by 8.7 per cent to 86,000 tonnes.
- 4 The Agricultural Price Index for livestock for November shows an increase of 0.8 per cent for cattle and calves, compared to October, with increases of 5.8 per cent for sheep and lambs and 2.3 per cent for milk but falls of 2.4 per cent for pigs and 1.4 per cent for poultry. Compared to a year earlier there were increases of 10.8 per cent for cattle and calves, 13.1 per cent for sheep and lambs, 0.1 per cent for poultry, 2.7 per cent for milk and 7.4 per cent for eggs but a fall of 5.4 per cent for pigs.
- 5 At the January Global Dairy Trade auction, the overall index rose by 4.8 per cent. Skimmed milk powder rose by 7 per cent to the highest price achieved for the past 5 years while whole milk powder rose by 2.2 per cent. Butter rose by 4.6 per cent to the highest price achieved since June 2019 but the cheddar index fell by 0.3 per cent. The biggest increase was in anhydrous milk fat, up 17.2 per cent.
- 6 AHDB has estimated there were 8,380 dairy producers in Great Britain in April 2020, down by 5.3 per cent from February 2019.
- 7 The Institute for Global Food Security has launched a research project at Queen's University Belfast using mass spectrometry to develop a rapid diagnosis of mastitis from a suspected milk sample. The aim is to reduce the use of broad-spectrum antibiotics in dairy cattle.
- 8 The Pasture-Fed Livestock Association is to have its Pasture for Life certification standard audited by Soil Association Certification.

- 9 During December, UK dairies processed 1,185 million litres of milk, up 0.2 per cent on the rolling 12-month average to November. Compared to November, liquid milk production rose by 1.8 per cent to 532 million litres; cheese production rose by 11.9 per cent to 40,200 tonnes; butter production fell by 7.2 per cent to 14,300 tonnes; and milk powder production rose by 70.2 per cent to 7,900 tonnes.
- 10 In December, average butterfat levels fell by 0.3 per cent, compared to November, to 4.30 per cent but was 1 per cent up on a year earlier. Average protein fell by 1.2 per cent, to 3.39 per cent, and by 0.7 per cent compared to a year earlier.
- 11 A new membership organisation, the Global Grass fed Alliance, has been formed to establish credibility and consistency for worldwide grass-fed produce.
- 12 Research by the Game and Wildlife Conservation Trust monitored four groups of lambs, half of which were fed great willow leaves each day. Examination of the lambs' urine patches revealed lower evidence of nitrous oxide and carbon dioxide and also lower emissions of ammonia.
- 13 British Wool is to close its grading depots at Irvine, Ayrshire; Porthmadog, Gwynedd; Stamford, Lincolnshire; and Liskeard, Cornwall.
- 14 Belgium has regained its status as being free of African swine fever. Germany has reported 299 cases in wild boar in November and December in the east of the country; Poland has reported one outbreak in domestic pigs and 598 cases in wild boar; Romania has reported 202 outbreaks in domestic pigs and 182 cases in wild boar; Russia has a further 13 outbreaks in domestic pigs, four of which covered 250,000 pigs; and in Ukraine the number of outbreaks is increasing with 7 further cases in domestic pigs.
- 15 During January, there was an outbreak of avian flu HPAI H5N8 in Anglesey in pheasants and two outbreaks in commercial poultry units in Northern Ireland along with four new cases in wild birds, one in England and three in Scotland. There have been 102 outbreaks in poultry in France, three in Germany, two in Poland and one in Ukraine. There have been numerous cases in wild birds across Europe.
- 16 In the three months to December, 8 million cases of eggs were packed in UK egg packing stations, 3.5 per cent up on the three months to September and 2.3 per cent up on the same period in 2019. The average farm-gate egg price was 81.7p per dozen, up 0.6 per cent on the September quarter and 12 per cent up on a year earlier. The production of eggs products was 18,500 tonnes, up 2.1 per cent on the September quarter but down 21 per cent on a year earlier.
- 17 During December, UK commercial layer chick placings rose by 30 per cent, compared to a year earlier, to 3 million chicks; broiler chick placings rose by 7.6 per cent to 91.5 million chicks; turkey chick placings rose by 11 per cent to 900,000 chicks; turkey slaughterings rose by 54 per cent to 2.9 million birds; broiler slaughterings fell by 1.2 per cent to 79 million birds; and total poultry meat production rose by 5.7 per cent to 153,200 tonnes.

VIII Inputs/Supply businesses

- 1 Defra has granted emergency authorisation to allow the use of a product containing the neonicotinoid thiamethoxan for the treatment of sugar beet seed. Where such seed is used, no flowering crops may be grown as followers for a period of 22 months, in the case of oilseed rape, this is extended to 32 months.

- 2 The Agricultural Price Index for November for inputs shows an increase of 1.3 per cent for animal feedingstuffs, compared to October, but falls of 0.7 per cent for energy and lubricants, 0.3 per cent for fertilizers and 1.6 per cent for chemicals. Compared to a year earlier, there were increases of 1.4 per cent for seeds, 11.6 per cent for chemicals, 0.4 per cent for veterinary services, 13.3 per cent for animal feedingstuffs, 4.1 per cent for vehicle maintenance and 3.4 per cent for building maintenance but falls of 15.1 per cent for energy and lubricants and 11.2 per cent for fertilizers.
- 3 Maize herbicide Basilico (mesotroine) has been granted an Extension of Authorisation for Minor Use in winter and spring linseed crops.

IX Marketing

- 1 Defra and the Animal & Plant Health Agency have published details of those countries which have been granted equivalence for the maintenance of varieties.
- 2 In the 12 weeks to the end of December, only Morrisons (0.1 per cent), Lidl (0.2 per cent), Iceland (0.2 per cent) and Ocado (0.3 per cent) increased their market share. Asda suffered the largest fall (0.5 per cent) followed by Aldi (0.4 per cent).
- 3 During November, UK imports of beef totalled 20,300 tonnes, up 0.5 per cent on the previous year but imports in the 11 months to November fell by 3 per cent to 219,400 tonnes while, in the 11-month period, exports fell by 16 per cent to 105,700 tonnes.
- 4 Gower Salt Marsh Lamb and Cambrian Mountains Lamb have applied for Protected Geographical Indication status.
- 5 During November, UK pigmeat imports rose by 2 per cent, compared to the previous year, to 75,000 tonnes but in the 11 months to November they fell by 11 per cent to 753,000 tonnes. In November, exports fell by 8 per cent to 31,000 but were up 2 per cent in the year to 357,000 tonnes.
- 6 New Forest Pannage Ham has applied for Protected Designation of Origin status.
- 7 Sheep meat imports fell by 9 per cent, compared to the previous year, to 4,300 tonnes, the lowest November import level for over 25 years. In the year to date, imports were down 7 per cent at 53,400 tonnes. Exports in November fell by 17 per cent to 7,000 tonnes.
- 8 Wiltshire Cured Ham, Wiltshire Cured Bacon and Wiltshire Cured Gammon have applied for Traditional Speciality Guaranteed status.
- 9 Aldi has announced it will spend an extra £3.5 billions with British suppliers by 2025.
- 10 Dundee Cake has applied for Protected Geographical Indication status.

X Miscellaneous

- 1 Tractor registrations in 2019 rose by 0.9 per cent compared to 2018. John Deere units fell by 5.9 per cent to 3,800; Case IH fell by 19.7 per cent to 1,204; and New Holland fell by 8.6 per cent to 2,314. However, Massey Ferguson saw an increase of 23.5 per cent to 1,665; Valtra increased by 12.6 per cent to 749; Kubota increased by 18.9 per cent to 887; and Claas increased by 47.3 per cent to 778.
- 2 Defra has opened a consultation into plans to introduce compulsory cat and dog microchipping. The consultation closes on 17 February.
- 3 Latest figures from NFU Mutual reveal that farm animals valued at £2.3 millions were stolen in 2020.
- 4 Di Wastnage, vice-chair of the Royal Association of British Dairy Farmers, has been awarded an MBE.

- 5 The Royal Welsh Agricultural Society has cancelled the 2021 Royal Welsh Show.
- 6 Natalie Prosser has been appointed as the Interim Chief Executive Officer Designate of the Office of Environmental Protection.
- 7 Professor Colin Galbraith has been appointed as Chair of the Joint Nature Conservation Committee.

Postscripts

1. A plane is carrying 5 passengers:

Nicola Sturgeon, Boris Johnson, Donald Trump, The Pope and a 10 year old school boy.

The plane begins to go down and is about to crash. There are only 4 parachutes on board.

Nicola Sturgeon says "I have to live, I have the Scottish independence to sort out" and takes a parachute and jumps.

The Pope says "I have to live, I have to sort out the Catholic Church" and takes a parachute and jumps.

Donald Trump says "I have to live, I'm the smartest man in America" and takes a parachute and jumps.

Boris Johnson looks at the 10 year old school boy and says "You can have the last parachute. I'm a lot older than you and I've lived my life, yours has yet to begin."

The 10 year old school boy says "Don't worry Mr Johnson. There are 2 parachutes left. The smartest man in America just took my school bag."

2. There were four final year university students taking chemistry and all of them had an 'A' so far. These four friends were so confident that, the weekend before finals, they agreed to go to a music festival. They had a great time but, after all the hearty partying, they slept all day Sunday and didn't make it back to campus until early Monday morning.

Rather than sitting the exam, they decided that, after the final, they would explain to their professor why they missed it. They said that they visited friends but, on the way back, they had a flat tyre. As a result, they missed the final. The professor agreed they could take the final the next day. The students were excited and relieved. They studied that night for the exam.

The next day the professor placed them in separate rooms and gave them a test booklet. They quickly answered the first problem worth 5 points. Cool, they thought!

Each one, in a separate room, thought this was going to be easy ... then they turned the page

On the second page was written.

For 95 points: Which tyre?

Monthly Farming Update

Do I, don't I??

At about this time of year, so called 'persons in the know' start to make predictions as to what will be in the Budget, usually to drum up business. The abolition of Inheritance Tax Agricultural Property Relief has been a favourite in recent years. Usually the pundits get it wrong, APR is a good example.

The next Budget is due on 3 March. 'Reports' attributed to the Chancellor suggest either that he wants to delay raising taxes until the vaccine implementation has taken effect or that he cannot wait to start raising revenue.

The favourite topic for speculation this year is the rate of Capital Gains Tax. In most cases, gains above the annual exemption of £12,300 are taxed at a rate of 20 per cent, irrespective of the amount. Now, a hard-working individual may earn in excess of £50,000, that results in a rate of Income Tax of 40 per cent on the excess let alone any National Insurance cost. An individual who invested £10,000 in Tesla this time last year has sat back, watched Netflix all day and has enjoyed a gain of £75,000. If the investment is sold, the tax rate is 20 per cent so good fortune is rewarded whereas hard work is punished. Logical?

It is suggested there is some merit in 'cashing in' on the 20 per cent tax rate, after all tax on the gain will more than likely have to be paid one day and the rate is hardly likely to ever be lower than 20 per cent.

One downside is the loss of one's favourite stocks and potentially missing out on any upturn in the markets. It used to be possible to sell today and buy back tomorrow but those days are gone. If a stock is sold today and the same stock is then bought within 30 days, the sale is matched with the subsequent acquisition, not the historic cost. So the likelihood is little, if any, taxable gain will materialise.

However, if the subsequent purchase is by a spouse or partner, the 30-day matching rule does not apply. In theory there is nothing to stop you gifting the sale proceeds to your spouse or partner to facilitate the subsequent purchase. But now you have no money with which to pay the tax. What is more, the new-found wealth of your spouse or partner may have unexpected consequences!!

A conundrum!

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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