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MONTHLY FARMING UPDATE

January 2019



I Policy issues

- I The Farm Inspection and Regulation Review, chaired by Dame Glenys Stacey, has published its recommendations. Noting that 'it will be possible to regulate to deliver the government's fresh ambitions for farming more readily as we are released from a pan-EU approach', the recommendations include:
 - The creation of a new independent regulator for farming and land management responsible for standard-setting and operational delivery.
 - The vesting of responsibility for incentives-based regulation with the regulator so that regulation is efficient, effective, joined-up and seamless for farmers and land managers. The regulator should be responsible for ensuring on-farm, holistic advice is available.
 - Decide whether those who consistently do not comply with a binding rule can apply for public funds without adequately dealing with the terms.
 - Consider the provision of financial incentives to farmers with poor or insufficient slurry storage facilities.
 - Require the regulator to report on the extent to which the government's stated objectives are being met.
 - Legislate to rationalise farm and land registration requirements and to allow for the creation of a single land-keepers' register to be held by the regulator. The new register should draw on Ordnance Survey mapping capabilities and reference land using the OS grid.
 - Simplify and standardise animal registration and require all poultry to be registered.
 - Review the Defra group for configuration and, while sufficient staff should be retained within the Environment Agency to enable it to fulfil its future remit, otherwise it should be consolidated into one field force under the auspices of the new regulator.
 - Review the role of local authorities relating to the health and welfare of farmed animals in the light of the new regulator's remit.
- 2 Defra has announced that an independent advisory panel will consider what factors should determine the distribution of agriculture funding between the four home countries following departure from the EU. Environmental, agricultural and socio-economic factors will be taken into account as well as farm numbers and farm sizes. The review will be led by Lord Bew of Donegore.
- 3 The Government has published a draft Environment Principles and Government Bill which sets out how environmental standards will be maintained following departure from the EU.

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

- I The Rural Payments Agency has reported that 65 per cent of farmers received their 2018 Basic Payment on 3 December and at least 90 per cent of payments are expected to have been made by the end of December.

- 2 The Scottish Government has announced that Pillar 1 payments will commence in March and will largely be completed by the end of June while Pillar 2 payments will commence in April with the majority paid by the end of October.
- 3 The Welsh Government claims to have paid over 95 per cent of Basic Payment Scheme claims or loan applications during the first week of December.
- 4 Under pressure from the EU, the Scottish Government's latest budget has cut payments into the Less Favoured Area Support Scheme by 20 per cent with a further cut of 80 per cent forecast in 2020.
- 5 Updated rules for cross-compliance, which took effect on 1 January, have been published.
- 6 Defra has published scheme rules for Countryside Stewardship agreements which commenced on 1 January.

III Grants/regulations/legislation/environment

- 1 Defra has published a resources and waste strategy for England designed to preserve material resources by minimising waste, promoting resource efficiency and moving towards a circular economy. The strategy will extend producer responsibility for packaging, ensuring that producers pay the full costs of disposal for packaging they place on the market; stimulate the demand for recycled plastic by introducing a tax on plastic packaging with less than 30 per cent recycled plastic; manage chemicals sustainably and address barriers to reuse and recycling posed by their use through a Chemicals Strategy; and develop a model for realising resource efficiency savings and working with businesses through 'resource efficiency clusters.'
- 2 The Welsh Government has announced funding of £62.9 millions to extend all Glastir Advanced agreements to 2021 while a further round of Glastir Small Grants will be opened. A further £16 millions will be allocated to the Sustainable Production Grant to help farmers prepare for the introduction of regulations to protect water quality from agricultural pollution and improve their nutrient management.
- 3 Defra is seeking views on the indicators which should be used when assessing environmental change and how progress against the 10 goals of the 25 year environment plan should be measured. The consultation closes on 25 January.
- 4 Ben Elliott, co-founder of lifestyle group Quintessentially, has been appointed the Food and Waste Champion to help drive forward the move to cut food waste.
- 5 Defra has published updated guidance on the need for an environmental permit if work is to be undertaken on or near a main river, on or near a flood defence structure, in a flood plain or on or near a sea defence structure.
- 6 Defra has updated its National Pollinator Strategy to cover the period 2018-2021.
- 7 Defra has published statutory guidance on dealing with food and drink waste. It applies to all businesses which produce, keep, dispose of, treat, import or have control of food and drink waste.
- 8 The Forestry Commission has identified a breeding population of the eight-toothed spruce bark beetle in conifers in Kent. It can be a serious and destructive pest of the spruce tree species but has never been discovered in the wider environment in the UK before.
- 9 Defra has published a consultation on new measures for the process of felling street trees and enhancing the powers of the Forestry Commission to deal with illegal tree felling. The consultation closes on 28 February.

IV Other matters of farm finance and tenure

- 1 The forecast of Total Income from Farming for 2018 has been published. TIFF is expected to be £4.85 billions, a fall of 15 per cent or £861 millions on 2017; agriculture is expected to contribute £9.684 billions to the national economy, a fall of 6 per cent or £601 millions; crop output is forecast to have fallen by 1 per cent to £9.162 billions; livestock output is forecast to have risen by 3 per cent to £14.143 billions; and the value of intermediate consumption is forecast to have risen by 6 per cent to £16.769 billions as a result of increased fuel, feed and fertilizer costs.
- 2 The Scottish Agricultural Wages Board has set a single minimum level of pay for agricultural workers. From 1 April the minimum hourly rate will be £8.21.
- 3 In the second quarter of 2018, the average house price in rural areas rose by 0.7 per cent to £329,700 compared to a rise of 0.2 per cent in urban areas to £304,100. In the third quarter, the percentage unemployed in rural areas rose from 2.6 per cent to 3.2 per cent while in urban areas it rose from 4.3 per cent to 4.6 per cent. The percentage of the working population on Jobseeker's Allowance fell from 0.5 per cent in rural areas to 0.4 per cent and from 1.2 per cent in urban areas to 1 per cent. The number of redundancies per 1,000 workers fell from 3.2 in rural areas to 2.8 but was static at 3.4 in urban areas.
- 4 The Agricultural Price Index for October for all outputs fell by 3.4 per cent compared to September but rose by 4 per cent compared to a year earlier; the index for all inputs rose by 0.8 per cent compared to September and by 8.4 per cent compared to a year earlier.

V Product prices

A Market background

- 1 Sterling weakened against the Euro in December despite plenty of volatility driven by Brexit: opening at 88.7p per €, the rate reached a low of 90.8p mid-month before recovering marginally, only to tail off again to close, after a very volatile final 24 hours, at 90.1p per €. Sterling performed marginally better against the US Dollar: weakening initially from the opening rate of 78.4p per \$ to a low of 80.1p only to recover and close where it started at 78.4p per \$. Brent Crude oil prices continued to fall this month, dropping below \$51 per barrel from an opening position of \$59.47. A late recovery led to a month close of \$53.80 per barrel.

B Crops

- 1 Average wheat prices rose steadily throughout the month; this overall positive movement being a product of improved world trade relations with China, weaker Sterling and reports of reduced wheat output in Argentina (unseasonably cold and stormy) and was despite reports from the USDA and Strategie Grains suggesting increases to world stock levels and higher than expected world production in 2019/20. Growth of the 2019 crop in Europe (particularly Northern) is slow, leading to concerns that a prolonged cold snap could lead to crop damage. LIFFE feed wheat futures improved notably throughout the month, with only marginal fluctuation affecting the improvement. In late December, deliveries for November 2019 and 2020 stood at £162/tonne (+4) and £160/tonne (+3) respectively. The improved oilseed prices have been largely driven by currency markets, but reduced 2019 French plantings are helping to underpin the increases.

Average spot prices in late December (per tonne ex-farm): feed wheat £171 (+7); milling wheat £181 (+7); feed barley £164 (+1); oilseed rape £322 (+5); feed peas £215 (+3); feed beans £220 (+3).

- 2 The average potato price relaxed this month as the Christmas break approached, leading to a general slow down in trade and a shift to predominantly contracted tonnages being packed. Conditions continue to be favourable for ambient storage, a comfort for many as trade remains behind this time last year; reports of secondary growth and rots are minimal. By late December the average potato price had dropped £9 from its late November position of £205 per tonne, to close at £196 per tonne (£55 above the December 2017 close). The free-buy average was far more volatile; from an opening position of £254 per tonne it increased to £260, dropped to £248, then rose to £273 per tonne where it closed the month (£19 up, to sit £177 above the December 2017 close).

2018 crop prices for grade 1 in late December (per tonne ex-farm): Salad varieties had increased in spread to between £150 and £420; Maris Piper had spread further to between £290 and £400; King Edwards were holding steady at between £280 and £420; Estima and other white varieties had spread to between £210 and £310, whilst red skin varieties (Mozart and Desiree) were marginally down at the low end at between £180 and £250.

C Livestock

- 1 Cattle prices closed down this month. The average finished steer price, from its opening position of 191p/kg lw rose early on to peak at 197p before dropping steadily over the remainder of the month to close at 185p/kg lw (6p down and 14p/kg below the closing average a year earlier). The average finished heifer price performed similarly: gaining from an opening position of 207p/kg lw to peak at 212p, but losing strength thereafter to close at 201p/kg lw (6p down and 3p below the price a year earlier). The average dairy cow price remained volatile: increasing from its opening position of £911 per head to peak at £1,056, dropping back to £988 and eventually reaching a Christmas close of £1,136 per head (£225 up and £42 above the average a year earlier).
- 2 Lamb prices continued to improve this month but with a minor downturn as the Christmas shutdown approached. The average new season finished lamb price (SQQ live weight) gained from its opening position of 176p/kg lw to peak at 185p, but eventually reached a late December close of 182p/kg lw (6p up overall to sit 4p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) held steady for most of the month but shortly before the Christmas close it lost a penny; opening at 147.5p/kg dw and dropping to 146.5p/kg where it closed (sitting 8.5p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for October, published in December, reported a further material increase (0.95p) giving an average of 31.52ppl (0.29ppl below the average in October 2017 and 3.75ppl above the rolling 5 year average of 27.77ppl). The UK's ranking against the 'EU28' farmgate milk price for October placed the UK 14th (one place lower) against an improved EU28 weighted average of 32.64ppl (up 0.7ppl in the month).

VI Other crop news

- 1 Final estimates of the Scottish combinable crops 2018 harvest have been released. The area of cereals was 420,000 hectares, 3 per cent down on 2017. Average yields fell by 9 per cent resulting in a 12 per cent fall in production to 2.5 million tonnes. The average yield of spring barley fell by 6 per cent with tonnage falling by 3 per cent. The area of winter barley was down by 20 per cent resulting in a tonnage fall of 24 per cent, the lowest since 1993.

- 2 The Agricultural Price Index for October for outputs of crop products fell by 4.3 per cent compared to September but rose 16 per cent compared to a year earlier; the index for cereals rose by 2.5 per cent and 24 per cent respectively; the index for potatoes fell by 7.6 per cent compared to September but rose 43 per cent compared to a year earlier; the index for fresh fruit fell by 23 per cent compared to September but rose 1.8 per cent compared to a year earlier; and the index for forage plants fell by 16 per cent and 10 per cent respectively.
- 3 Trials conducted at the University of Nottingham have indicated that an oilseed rape biological seed treatment can boost germination speed at low temperatures and root and shoot development.
- 4 The latest forecast from AHDB shows an increase of 3 per cent in average Scottish potato yields to 49.2 tonnes per hectare. This contrasts with overall British production forecast to be down 13 per cent to 4.9 million tonnes. The overall planted area was down 4.4 per cent while overall yield is expected to be down 12 per cent. Average yields in England are forecast to have dropped by 20 per cent.
- 5 Defra has published updated guidance on the need for a plant passport and how to obtain or issue one.

VII Other livestock news

- 1 The UK Surveillance Forum has been established. It will be the key forum for coordination and oversight of animal health surveillance in each of the home countries. It is intended it will enable a single view of the UK's animal health status to be developed, provide evidence of animal health status to stakeholders and trading partners and identify new and emerging threats.
- 2 Defra and the Welsh Government have published a joint report with industry setting out recent progress in tackling bovine TB and the next steps towards improving on-farm biosecurity.
- 3 With effect from May, farms which have managed to avoid bovine TB for at least 6 years may revert to annual, rather than six-monthly, testing.
- 4 The number of bovine TB new herd incidents in England in the year to September fell by 7 per cent compared to a year earlier; there was a fall of 9 per cent in the High risk area but rises of 4 per cent in the Edge area and 3 per cent in the Low risk area; there was a rise of 38 per cent in Scotland; but there was a fall of 3 per cent in Wales. The number of new herd incidents in England fell by 11 per cent with falls of 11 per cent in the High risk area, 6 per cent in the Edge area and 22 per cent in the Low risk area. There was a rise of 100 per cent in Scotland but a fall of 6 per cent in Wales.
- 5 In November, UK prime cattle slaughterings rose by 1.5 per cent compared to a year earlier, to 182,000; beef and veal production rose by 1.4 per cent to 86,000 tonnes; sheep slaughterings fell by 5.6 per cent to 1,225,000; mutton and lamb production fell by 3.1 per cent to 27,000 tonnes; pig slaughterings fell by 3.2 per cent to 952,000; and pigmeat production fell by 3.6 per cent to 83,000 tonnes.
- 6 Bluetongue virus has been detected in three consignments of cattle imported from France, two of which arrived at separate premises in Yorkshire and one to premises in Northern Ireland.
- 7 First Milk has reduced the price of a standard liquid litre by 0.75ppl to 27.75ppl with a similar reduction reducing the manufacturing litre to 28.69ppl.

- 8 In October, UK dairies processed 1,133 million litres of milk, 3.8 per cent up on September and 0.03 per cent up on a year earlier. Liquid milk production rose to 555 million litres, up 5 per cent on September but down 0.6 per cent on a year earlier; cheese production rose to 37,000 tonnes, up 4.8 per cent on September but down 0.1 per cent on a year earlier; butter production rose to 13,000 tonnes, up 9.8 per cent on September and 0.9 per cent on a year earlier; and milk powder production rose to 5,600 tonnes, up 4.2 per cent on September but down 1.2 per cent on a year earlier.
- 9 Muller has reduced its standard litre price to 27.5ppl while those qualifying for the Muller Direct premium will receive 28ppl.
- 10 The Agricultural Price Index for October for the output of animals and animal products fell by 1.9 per cent compared to September and by 2.7 per cent compared to a year earlier; the index for veterinary services rose by 0.1 per cent and 14 per cent respectively; and the index for straight feeding stuffs rose by 4.4 per cent and 19 per cent respectively.
- 11 Barber's has reduced the price of an assured standard litre price to 28.8ppl.
- 12 Defra has published updated lists of recognised breed societies for bovine, ovine, porcine and caprine species and recognised breed operations for hybrid breeding pigs.

VIII Inputs/Supply businesses

- 1 The European Parliament's Special Committee on Pesticides has recommended the approval of the use of glyphosate be reconsidered.
- 2 The banning of the outdoor use of metaldehyde is to apply throughout Great Britain from Spring 2020. Use of the chemical will continue to be permitted in permanent greenhouses.
- 3 The Black-grass Resistance Initiative, following a 4-year study, has reported that using a diversity of herbicides does not slow down the metabolic resistance development.
- 4 Bayer has made 300 study summaries on the safety of glyphosate publicly available.
- 5 United Utilities is offering farmers in Cheshire and North Wales discounted ferric phosphate pellets to reduce the use of metaldehyde-based treatments.
- 6 A study by NIAB has revealed that the effect of SDHI and azole fungicides has significantly reduced. SDHI fungicides were tested against wheat septoria over a 6-year period and showed control had fallen from 100 per cent to 40-60 per cent. Azole fungicides showed control levels in 2018 of 20-30 per cent.
- 7 JS Tech has launched Super Start, a granular starter fertilizer which contains NP 10 : 35, 2 per cent MgO, 5 per cent S and 2 per cent Zn which is drilled into the soil next to the seed.
- 8 Velum Prime, produced by Bayer, has been approved for use in potatoes. It is a liquid nematicide said to offer a lower application rate, no harvest interval restriction and cost-saving opportunities for potato cyst nematode control.
- 9 The Agricultural Price Index for October for energy and lubricants rose by 2.3 per cent compared to September and by 18 per cent compared to a year earlier.

IX Marketing

- 1 A YouGov poll before and after the 2018 Red Tractor advertising campaign has revealed the number of shoppers associating the logo with 'traceable food from farm to pack' doubled to 62 per cent while the number who considered the logo would lead to them choosing Red Tractor produce over a cheaper alternative increased to 41 per cent.
- 2 India is to open its markets to British sheep meat for the first time with exports expected to reach £6 millions annually over the next 5 years.

- 3 A YouGov poll of 1,000 consumers has suggested that less chicken and beef would be purchased if imports such as chlorine-washed chicken and hormone-treated beef were permitted.
- 4 Protected Geographical Status is being considered for West Country beef, West Country lamb and Gower Salt Marsh lamb.
- 5 Mondelez International is to sell its Kraft-branded cheese business in the Middle East and Africa to Arla Foods.
- 6 Defra has rejected an application for Devon Cider to be awarded Protected Geographical Status.

X Miscellaneous

- 1 Defra has published statistics on machinery investment on farms in England in the period 2009/10 to 2017/18. In 2017/18 farms spent £1.98 billions on new and used machinery or £1.52 billions net of sales. After adjusting for inflation there has been little change in the overall trend in the survey period. The average gross expenditure per farm in 2017/18 was £36,200 or £27,900 net of sales. The average expenditure on wheeled tractors was £57,700.
- 2 NFU Mutual has reported claims totalling £31.5 millions in the period June to September, a rise of 21 per cent in the same period a year earlier. Claims in June rose by nearly 100 per cent while those made in July rose by 137 per cent. Electrical and mechanical fires were responsible for almost half of all claims.
- 3 Included in the New Years honour list are Meurig Raymond, CBE MBE; Mark Allen, chief executive of Dairy Crest, OBE; Charles Henning, OBE; Dr Stephen Lee, Forestry Commission, OBE; Lyndon Edwards, MBE; Bernard Rimmer, MBE; and Sally Bendall, BEM.

Postscripts

That's Life!

A young woman was about to finish her first year of university. Like so many others her age, she considered herself to be Labour Party minded, and she was very much in favour of higher taxes to support her education and for more government programs – in other words, the redistribution of wealth.

She was deeply ashamed that her father was a rather staunch blue-ribbon Conservative, a feeling she openly expressed. Based on the lectures that she had attended, and the occasional chat with a professor, she felt that her father had for years harboured a selfish desire to keep what he thought should be his.

One day she was challenging her father on his opposition to higher taxes on the rich and the need for more government programs. The self-professed objectivity proclaimed by her professors must be the truth, and she indicated so to her father. He responded by asking how she was doing at university.

Taken aback, she answered rather haughtily that she had a 90% average, and let him know that it was tough to maintain, insisting that she was taking a very difficult course load and was constantly studying, which left her no time to go out and party like other people she knew. She didn't even have time for a boyfriend, and didn't really have many university friends because she spent all her time studying.

Her father listened and then asked, "How is your friend Audrey doing?" She replied, "Audrey is barely getting by. All she takes are easy classes, she never studies and she barely has a 50% average. She is so popular on campus; university for her is a blast. She's always invited to all the parties, and lots of times she doesn't even show up for classes because she's too hung over."

Her wise father asked his daughter, "Why don't you go to the Dean's office and ask him to deduct 20% off your average and give it to your friend who only has 50%. That way you will both have a 70% average, it would be fair and you would both be equal."

The daughter, visibly shocked by her father's suggestion, angrily fired back, "That's a crazy idea, how would that be fair! I've worked really hard for my grades! I've invested a lot of time, and a lot of hard work! Audrey has done next to nothing toward her degree. She played while I worked my tail off!"

The father slowly smiled, winked and said gently, "Welcome to the Conservative side of the fence."

Monthly Farming Update

Has the wormer turned the tide!

In recent times we have been beset with confusing case law decisions concerning the right of owners of furnished holiday lettings to claim Inheritance Tax Business Property Relief. Well now the confusion has extended to “holiday” homes for our equine friends!

The case of the Estate of Maureen Vigne deceased was decided by the First Tier Tribunal which found in favour of the executors but was appealed by HM Revenue & Customs to the Upper Tax Tribunal.

Maureen Vigne died in 2012. She was the sole owner of 30 acres of land and a livery business which she had inherited from her father.

While initially the business was simply grass or DIY livery, it was expanded to include the provision of worming products and the administering where requested to do so; the provision of hay during the winter months; the removal of manure from grazing areas; and the undertaking of a daily health inspection of each horse.

In 2009 a planning application for a residence for the Yard Manager was refused by the local authority but the mere application proved important in the Tribunal reaching its decision.

The business was modest in size. In 2010/11 the turnover was only £20,921.

Consideration, as with the furnished holiday letting cases, revolved around whether the business was “mainly the holding of investments.” The Tribunal determined that the provision of a level of ‘valuable services’ to the various horse owners prevented it from being properly asserted that the business was mainly one of holding investments.

The First Tier Tribunal refused permission to appeal but this was overruled by the Upper Tier Tribunal. However, the appeal could only be on ‘any point of law arising.’

The Upper Tier Tribunal concluded that the First Tier Tribunal had not erred on a point of law. It further stated that ‘it is irrelevant whether we, or another panel of the FTT, might have reached a different conclusion.’

So, for those of you who are livery operators, you are now in the same boat as holiday home owners. The horse may or may not be in the stable and it may or may not have bolted. Until the next confusing decision we will be none the wiser!

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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