



CHAVEREYS

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MONTHLY FARMING UPDATE

February 2019



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I Policy issues

- 1 Defra Secretary Michael Gove has launched the Year of Green Action, a year-long drive to get more people from all backgrounds involved in projects to improve the natural world. The Government has allocated £10 millions to help children from disadvantaged backgrounds benefit from better access to the natural environment. Grants will be awarded to projects which will create greener school grounds and increase the number of school visits to local parks, wildlife sites, care farms and National Parks.
- 2 The Government has updated its plan for antimicrobial resistance in 2040.

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

- 1 The Rural Payments Agency claims that 93.4 per cent of Basic Payments, totalling £1.57 billions, were paid by mid-January.
- 2 The Scottish Government has committed to retaining support to Less Favoured Areas until 2020 at a minimum of 80 per cent of current levels.

III Grants/regulations/legislation/environment

- 1 Wildlife charities are to benefit by more than £7.7 millions in funding from the National Lottery in a project called Back from the Brink. The aim is to identify 20 of England's most endangered animal and plant species and save them from extinction. Species affected include the pine marten, grey long eared bat, willow tit, shrill carder bee, ladybird spider, black-tailed godwit, sand lizard and natterjack toad.
- 2 In 2017/18, 48 per cent of Local Sites across England were in positive conservation management, an increase of 16 per cent on 2008/09. Local Sites are sites designated locally for their substantive nature conservation importance, either for wildlife or geology.
- 3 The Government has opened applications for £5 millions of funding to food redistribution organisations under a scheme to reduce food waste.
- 4 A study conducted by Cornwall University has suggested that apple orchards surrounded by agricultural land are visited by a less diverse collection of bee species than orchards surrounded by natural habitats.
- 5 The NFU has reported that UK farmers must aim to cut all greenhouse gas emissions from agricultural production by 2040 in order to remain competitive.
- 6 Ofwat has published its initial assessment on the business development plans of the water companies. Approval has been given to Severn Trent, United Utilities and South West Water. But Thames, Affinity Water, Hafren Dyfrdwy and Southern Water have been given two months in which to overhaul their plans while a further 10 water companies have been ordered to undertake further work.
- 7 The Government has published guidelines to help businesses comply with the Streamlined Energy and Carbon Reporting Regulations. The guidelines include changes which take effect on 1 April which require all UK quoted companies to report annually on their global energy use and greenhouse gas emissions. The regulations also apply to large unquoted companies. Guidance has also been published to help businesses measure and report their environmental impacts.
- 8 Defra has published guidance on the compliance rules associated with a Water Environment Grant.

- 9 Restrictions have been placed on the movement of all susceptible material, including trees and wood with bark, within 50km of the sites in Kent where the larger eight-toothed spruce bark beetle was found in December.

IV Other matters of farm finance and tenure

- 1 The balance sheet analysis of farms in England has been published. The average level of debt across all farms was £227,500, slightly up on 2016/17; 15 per cent of farms had debt in excess of £400,000 while 24 per cent had debt of less than £10,000; the highest debt levels were on dairy farms £398,200, general cropping farms £386,800 and pig and poultry farms £386,300; the lowest debt levels were on less favoured area grazing livestock farms £93,700 and lowland grazing farms £92,800; and farms in the South East had the highest average debt £294,600 while farms in the East Midlands had the lowest average £192,000. The average net worth across all farms was £1.91 millions, 40 per cent had a net worth of at least £1.5 millions; mixed farms had an average net worth of £2.77 millions, wholly tenanted farms had an average of £290,000; general cropping farms had the highest average net worth £3.32 millions followed by cereal farms £2.78 millions; horticulture farms had the lowest average £770,000; interestingly the net worth per hectare of spare and part-time farms was £18,300 compared to only £11,100 for very large farms. The average gearing ratio was 11 per cent but on pig and poultry farms this increased to 28 per cent. The average liquidity ratio was 213 per cent which has remained relatively unchanged for the past 8 years. The median return on capital employed was 0.23 per cent but 46 per cent of farms had a negative return.
- 2 Updated figures for rural productivity have been published. In 2017, Gross Value Added, the contribution to the economy from Predominantly Rural Areas, contributed 15.8 per cent of England's Gross Value Added, worth approximately £246 billions. Between 2001 and 2017 the contribution fell from 16.8 per cent but, if London is excluded, the contribution fell from 22.1 per cent to 21.8 per cent. In 2017 the GVA per workforce job was £43,700 while productivity was 85 per cent of that for England as a whole.
- 3 In 2017 the productivity of the UK food chain increased by 1.5 per cent while the productivity of the wider economy fell by 0.2 per cent. In the 10 years prior to 2017, annual food chain productivity grew by an average of 0.4 per cent while the wider economy grew by 0.2 per cent. Catering saw the highest increase in 2017 at 2.3 per cent. The total of Gross Value Added in the food chain was £110 billions with catering contributing £36.4 billions, Food and Drink Manufacturing £31.1 billions, Food and Drink Retailing £30.3 billions and Food and Drink Wholesaling £12.6 billions.
- 4 In 2016, capital investment on land, buildings and machinery in Predominantly Rural Areas was 93 per cent of the level for England as a whole.
- 5 The labour element of the Farm Structure Survey for 2016 has been published. Of the holders of land, 84 per cent were male; 40 per cent were aged over 65; the median age was 60; 77 per cent of female holders worked on the farm part-time or not at all; and pigs and poultry farms had the highest proportion of holders under age 45. Of managers, 83 per cent were male; 35 per cent were aged over 65; the median age was 58; 84 per cent of farm managers were also the holder; and 65 per cent of managers had no formal agricultural education. Of farm workers, 55 per cent were family members and 45 per cent of family workers were male compared to 79 per cent of non-family workers.
- 6 Figures from Eurostat show that real agricultural income fell by 3 per cent in 2018 while net entrepreneurial income fell by 7 per cent. The principal falls occurred in Denmark, Sweden, Lithuania and Belgium.

- 7 The Agricultural Price Index for December for all outputs increased by 1.3 per cent compared to November and by 4 per cent compared to a year earlier. The index for all inputs increased by 0.2 per cent and 8 per cent respectively.
- 8 Total Income from Farming in Scotland is estimated to have fallen by £57 millions in 2018 partly as a result of an increase of £74 millions in feedstuffs, £26 millions in labour costs and £18 millions in fuel costs.

V Product prices

A Market background

- 1 Sterling gained strength against the Euro in January but the volatility remained. Opening at 90.1p per €, the rate reached a low of 90.6p early in the month, peaked near the end of the month at a 22-month high of 86.2p and eventually relaxed to a close of 87.3p per €. Sterling's performance against the US Dollar was similar in trend; weakening initially from its opening rate of 78.4p per \$, to a low of 79.7p, followed by steady improvement for much of the month, peaking at 75.7p and relaxing in the final days to close at 76.2p per \$. Brent Crude oil prices continued the trend set in late December, improving for most of the month; from an opening position of \$53.80, the average price pushed above \$60 in the first week and closed at \$62.75 per barrel.

B Crops

- 1 Average wheat prices started on a positive note but relaxed as the month progressed. Reports of reduced wheat output in Argentina (overly wet weather) and Brazil (overly dry weather) helped the initial increases but subsequent lack of information from the US due to the Federal shutdown and reports, from the likes of Strategie Grains, suggesting material uplifts in the expected 2019/20 world production, saw the market fall back and futures hit hard. LIFFE feed wheat futures have fallen week on week since the start of the year, culminating in material reductions. In late January, deliveries for November 2019 and 2020 stood at £153/tonne (-9) and £153/tonne (-7) respectively. Oilseed prices have been suppressed by the relative strengthening of Sterling, whilst the underlying market has been improving as a result of lower rapeseed plantings in mainland Europe and a rising soya market. Meanwhile, pulse prices continue to rise.

Average spot prices in late January (per tonne ex-farm): feed wheat £168 (-3); milling wheat £177 (-4); feed barley £151 (-13); oilseed rape £318 (-4); feed peas £218 (+3); feed beans £232 (+12).

- 2 The average potato price started the year comfortably above the year before but remained somewhat flat, with packers and chippers seeking minimal tonnages from the spot market as contracted supplies met their demand. The continuing cool weather remains helpful to ambient stores; even so those with less than grade 1 quality are actively seeking to move crop which, in turn, is suppressing the market. Throughout January the average potato price hardly moved, closing the month up £2, at £198 per tonne (£52 above the January 2018 close). The free-buy average weakened over the course of the month; from an opening position of £273 per tonne it dropped to £246 per tonne where it closed the month (£27 down, to sit £158 above the average in January 2018).

2018 crop prices for grade 1 in late January (per tonne ex-farm): Salad varieties, whilst remaining wide-spread, improved to between £250 and £450; Maris Piper had reduced in spread and improved further to between £345 and £420; King Edwards had tightened and dropped marginally to between £360 and £380; Estima and other white varieties had spread to between £240 and £320, whilst red skin varieties (Mozart and Desiree) were steady at between £200 and £250.

C Livestock

- 1 Cattle prices diverged this month with steers improving and heifers dropping. The average finished steer price almost replicated January's movements: from an opening position of 185p/kg lw, it reached an early peak of 198p, before dropping back to 185p, with a late improvement leading to a close of 187p/kg lw (2p up in the month and 2p/kg below the closing average a year earlier). The average finished heifer price rose from an opening average of 201p/kg lw to peak at 207p, but lost strength thereafter to close at 195p/kg lw (6p down in the month and 6p below the price a year earlier). The average dairy cow price stayed volatile but was generally positive: increasing from its opening position of £1,136 per head to peak at a long-term high of £1,472; dropping back to £1,078 and gaining again to close at £1,290 per head (£154 up and £52 above the average a year earlier).
- 2 Lamb prices have demonstrated material movement this month: gaining 20p in the first week of the New Year. The average new season finished lamb price (SQQ live weight) rose from an opening position of 182p/kg lw to peak at 202p; dropped back to 194p but eventually closed the month at 200p/kg lw (18p up overall to sit 9p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) enter a negative phase this month; opening at 146.7p/kg dw, the average dropped week on week to close at 143.6p/kg (down 3.1p to sit 7.4p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for November, published in January, reported a small increase (0.09p), but an increase nonetheless, giving an average of 31.61ppl (0.34ppl below the average in November 2017 and 3.89ppl above the rolling 5 year average of 27.72ppl). The UK's ranking against the 'EU28' farmgate milk price for October placed the UK 15th (one place lower) against an improved EU28 weighted average of 32.72ppl (up 0.08ppl in the month).

VI Other crop news

- 1 In 2017, 129,000 hectares of land in the UK were used to grow crops for bioenergy, this amounts to a little over 2 per cent of all arable land. Of the total, 48 per cent was used for biofuel for the road transport market, this amounted to 217 million litres of biodiesel and bioethanol. Over 5.5 million tonnes oil equivalent of plant biomass were used to produce electricity and heat. The area of sugar beet for biofuel increased by 70 per cent while the area of wheat fell by 15 per cent.
- 2 The AHDB Early Bird Survey of 2019 cropping intentions predicts an increase of 4 per cent in winter wheat plantings and 14 per cent in winter barley plantings. However, spring barley is forecast to be down 3 per cent, oilseed rape down 3 per cent and arable fallow down 15 per cent.
- 3 A survey conducted by the Association of Independent Crop Consultants has suggested that 11 per cent of this year's winter oilseed rape crop could be lost to cabbage stem flea beetle with 82 per cent of crops in the south west and 78 per cent of crops in the eastern counties affected.
- 4 Research conducted at the University of Illinois has revealed that plants use photorespiration to assist with photosynthesis but this adversely affects yields. Crops engineered with a photorespiratory shortcut have been found to be 40 per cent more productive in field conditions.
- 5 Bayer has reported that 45 per cent of oilseed rape leaf samples assessed between 4-11 January showed light leaf spot systems.

- 6 The Agricultural Price Index for December showed an increase of 2.3 per cent for the output of crop products compared to November and an increase of 16 per cent compared to a year earlier; the index for cereals rose by 0.1 per cent and 24 per cent respectively; the index for potatoes rose 9.9 per cent and 43 per cent respectively; the index for fresh fruit rose by 0.1 per cent compared to November but fell 12 per cent compared to a year earlier; the index for fresh vegetables fell by 5.6 per cent compared to November but rose 17 per cent compared to a year earlier; and the index for forage plants fell 13 per cent compared to a year earlier.
- 7 Wageningen University & Research is studying the role of beneficial organisms in the soil and the way they can suppress pests and diseases.
- 8 ITV and VegPower have launched Eat Them to Defeat Them, a campaign to get children to eat more vegetables.
- 9 The John Innes Centre has applied for consent to carry out field trials of genetically modified wheat and CRISPR brassicas.
- 10 ADM is to acquire the remaining 50 per cent of Gleadell, including Dunns.
- 11 Greenyard Fresh UK has opened six new ripening chambers at its facility in Spalding.
- 12 Fresh produce supplier Stubbins Food Partnerships has entered administration.

VII Other livestock news

- 1 Germany has reported outbreaks of bluetongue virus BTV-8 with the latest outbreaks close to the borders with Luxembourg, Netherlands and Belgium.
- 2 Slaughterings of prime cattle in December increased by 0.3 per cent compared to a year earlier; beef and veal production rose by 0.3 per cent to 72,000 tonnes; sheep slaughterings fell by 7.5 per cent to 1,184,000; mutton and lamb production fell by 3.9 per cent to 26,000 tonnes; pig slaughterings rose 0.1 per cent to 835,000; and pigmeat production rose 0.9 per cent to 72,000 tonnes.
- 3 The Agricultural Price Index for December for the output of animals and animal products rose 0.3 per cent compared to November but fell 3.2 per cent compared to a year earlier; the index for animal feeding stuffs rose by 0.1 per cent and 12 per cent respectively; and the index for veterinary services rose by 0.1 per cent and 14 per cent respectively.
- 4 Bovine TB figures for October show a reduction of new herd incidents in England of 7 per cent compared to a year earlier with a fall of 11 per cent in the High risk area but increases of 7 per cent and 4 per cent in the Edge and Low risk areas respectively. There was an increase of 14 per cent in Scotland but a fall of 3 per cent in Wales. There was a fall in the number of herds not officially TB free of 8 per cent in England with a fall of 12 per cent in the High risk area but increases in the Edge and Low risk areas of 14 per cent and 11 per cent respectively. There was an increase of 1 per cent in Wales.
- 5 The Welsh Government is funding the training of veterinary surgeons to support Export Health Certification status.
- 6 The Scottish Government is calling for views on proposals to increase the penalties for animal welfare offences.
- 7 Scotland is to introduce mandatory CCTV in abattoirs.
- 8 A report on the 2019 global organic dairy market issued by Omsco suggests that worldwide consumption, distribution and market research of organic dairy is increasing and now represents 20 per cent of all organic food and drink sales globally. In the UK the organic dairy market has grown by 3.1 per cent and the number of households purchasing organic milk since 2017 has increased by 10 per cent.

- 9 Arla has reduced the price of a standard litre by 1.3ppl to 30.24ppl.
- 10 The Scottish Dairy Cattle Association has reported a fall in the number of dairy herds by 27 to 891 although overall the number of milking cows rose by 610.
- 11 Dairy Crest has reduced its price by 0.5ppl to 29.9ppl.
- 12 Lidl UK has launched a Grassroots Dairy Partnership with Muller. It includes training for Young Farmer ambassadors as well as workshops with Lidl's senior management teams.
- 13 First Milk has reduced the price of a standard litre by 0.25ppl to 27.5ppl and a manufacturing litre to 28.43ppl.
- 14 In December, UK dairies processed 1,170 million litres of milk, 0.1 per cent up on a year earlier and 4.6 per cent up on November. Liquid milk production fell by 0.6 per cent on a year earlier but rose 1.3 per cent compared to November; cheese production rose by 0.2 per cent and 14 per cent respectively; butter production rose by 0.6 per cent compared to a year earlier but was unchanged compared to November; and milk powder production fell by 0.3 per cent compared to a year earlier but was up 4 per cent on November.
- 15 Muller has reduced the price of a standard liquid contract by 1.25ppl to 26.25ppl. Producers who qualify for the Muller Direct Premium will receive 26.75ppl.
- 16 Average UK butterfat content fell 0.9 per cent in November to 4.16 per cent and by 1 per cent compared to a year earlier while average protein content fell to 3.34 per cent.
- 17 Wyke's Farm is to double the capacity of its dairy at Bruton, Somerset.
- 18 Milk production in December rose by 5.1 per cent to 1,234 million litres.
- 19 The Animal and Plant Health Agency is investigating a new strain of Salmonella Typhimurium in sheep. The strain appears to be associated with an on-going human outbreak involving the handling and consumption of lamb and mutton.
- 20 In the final quarter of 2018, 7.9 million cases of eggs were packed in the UK, 5 per cent up on the same period in 2017 and 2.4 per cent up on the third quarter. The average farm-gate price was 69.8p per dozen, 0.3 per cent down on the same period in 2017 but 0.6 per cent up on the third quarter. Production of egg products totalled 23,600 tonnes, 2.2 per cent up on the same period in 2017 but 3.4 per cent down on the third quarter.
- 21 In December, UK commercial layer chick placings rose by 14 per cent to 3.1 million chicks; broiler chick placings fell by 2.6 per cent to 82.8 million chicks; turkey chick placings rose by 4.6 per cent to 800,000 chicks; turkey slaughterings rose by 4.9 per cent to 2 million birds; broiler slaughterings rose 1.4 per cent to 77.4 million birds; and total poultry meat production rose 0.4 per cent to 140,600 tonnes.

VIII Inputs/Supply businesses

- 1 The Health and Safety Executive has announced that all diquat products will be withdrawn from the UK market by 31 July with stocks to be used by 4 February 2020.
- 2 The European Commission's Standing Committee on Plants, Animals, Food and Feed is considering the non-renewal of approval of sugar beet herbicide active desmedipham.
- 3 The Agricultural Price Index for December for energy and lubricants rose by 0.3 per cent compared to November and 16 per cent compared to a year earlier.

IX Marketing

- 1 Japan has opened its markets to imports of lamb and beef. The agreement is estimated to be worth £75 millions in the first 5 years for beef and £52 millions for lamb.

- 2 In the 12 weeks to December 2, Kantar Worldpanel figures show that UK primary meat sales recorded 0.5 per cent year-on-year growth in sales volumes but falls in average prices resulted in the total spending being down 0.7 per cent.
- 3 The survey Attitudes to Dairy commissioned by AgriBriefing has revealed that 70 per cent of respondents have not changed their views on dairy in the past 2 years while 8 per cent have a more positive outlook.
- 4 The AHDB has reported a 2.2 per cent increase in consumption following the campaign 'Potatoes: More than a Bit on the Side'.
- 5 Defra has published a consultation document concerning the rules which should apply to food outlets selling pre-packaged food and the disclosure of allergen labelling.
- 6 Coregeo is to market through M&S Tenderstem Royale, a purple sprouting broccoli, supposedly more versatile than the standard product.
- 7 Application has been made for Protected Geographical Status of Scottish Wild Venison.

X Miscellaneous

- 1 Research conducted by Knowledge Academy has revealed that students studying veterinary sciences at university has increased from 4,850 in 2007/08 to 7,145 in 2016/17. There was also an increase of 5.4 per cent in students studying agriculture.
- 2 Linking Environment and Farming has launched a consultation on its Leaf Marque Standard.

Postscripts

Wisdom!

The Budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed, lest Rome will become bankrupt. People must again learn to work instead of living on public assistance." – Cicero, 55 BC

So, evidently we've learned sod all over the past 2,073 years.

Monthly Farming Update

Elitism!

If you are trudging through snow and mud, worrying about the safety of your livestock, aware of the threat of Brexit etc, this is somewhat unlikely. But never forget, perception is more important than reality. The perception of a beautiful farmhouse and a new Range Rover is that you are a member of the 'elite'.

Remember the simple tenet, assuming you are an honest citizen, the more tax you pay the more wealthy you are. Not exactly true but not far off the mark.

So how elite are you?

In 2018/19, the top 1 per cent of earners paid 27.9 per cent of all income taxes, up from 21.3 per cent of taxes 20 years ago. The top 5 per cent paid nearly half of all taxes while the top 10 per cent paid 60 per cent of all taxes.

There are some who consider the UK to be a tax haven. It soon could be. A Corbyn-led government could result in the top x per cent paying all the Income Tax in the UK. Then we would truly be as near as you can get to a tax haven – although perhaps not how most expected it to happen!!

We welcome feedback on the MFU.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

Please ring one of our agricultural specialists:

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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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