



CHAVEREYS

CHAVEREYS.CO.UK

MONTHLY FARMING UPDATE

January 2020



January 2020

I Policy issues

- 1 A Scottish farmer has suggested the first policy decision of the new Government should be to rename the Brussels Sprout! Suggestions likely to be more acceptable include the creation of a Trade and Standards Commission (Minette Batters); the delivery of an EU trade deal (Glyn Roberts); and 'Certainty' (Clare Slipper).

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

- 1 The Welsh Government has announced it will continue the Basic Payment Scheme in 2020 at the same level as recent years while 15 per cent of the Basic Payment Scheme budget will be transferred to support rural development in 2021/22.
- 2 Under the Less Favoured Areas Support Loan Scheme (2019) the Scottish Government has offered eligible farmers and crofters up to 95 per cent of their anticipated Basic Payment in January.
- 3 The Rural Payment Agency has reported that 92.4 per cent of Basic Payments were made by 13 December.

III Grants/regulations/legislation/environment

- 1 Defra has agreed to match funds raised by charity South Yorkshire Flood Disaster Relief Appeal Fund up to a maximum of £1 million.

IV Other matters of farm finance and tenure

- 1 The Scottish Agricultural Wages Board has agreed to increase the wage of all agricultural workers by 3 per cent from April, equivalent to the increase in the National Living Wage. However, the Chancellor has just announced an increase of 6.2 per cent for those over 25 with effect from April with increases of 4.6 per cent to 6.5 per cent for younger workers.
- 2 The first forecast for Total Income from Farming for 2019 has been published. TIFF is expected to be £5,380 millions, an increase of £736 millions, or 16 per cent, on 2018. Agriculture is expected to contribute £10,355 millions to the national economy, an increase of £987 millions, or 10 per cent, on 2018. Gross output increased by £1,175 millions, or 4 per cent, with crop output up by £1,051 millions, or 11 per cent, driven by increased production with stable prices. Livestock output rose by £80 millions, or 1 per cent, to £14,820 millions. The value of intermediate consumption rose by £188 millions, or 1 per cent, to £17,202 millions.
- 3 Final figures for the year to June 2019 have been published. The total utilised agricultural area in the UK increased by 1 per cent to 17.5 million hectares although the area of uncropped arable land fell by 15.4 per cent. Wheat yields increased by 15.2 per cent to an average of 8.9 tonnes per hectare, this, coupled with a 3.9 per cent increase in the planted area, led to a 19.7 per cent increase in production to 16.2 million tonnes. Spring barley production increased by 15.7 per cent to 4.5 million tonnes while winter barley production increased by 35.4 per cent to 3.6 million tonnes, making a total yield of 6.9 tonnes per hectare. The area of oats increased by 6 per cent to 182,000 hectares and this, coupled with a 19.3 per cent yield increase to 5.9 tonnes per hectare, resulted in an increase of 26.5 per cent to 1.1 million tonnes. A reduction in the planted area of 9.2 per cent and a yield fall of 4.1 per cent to 3.3 tonnes per hectare resulted in a fall in oilseed rape production of 12.9 per cent to 1.8 million tonnes. The area of horticultural crops fell by 1 per cent to 163,000 hectares. The total number of cattle and calves fell by 1.5 per cent to 9.7 millions while sheep and lambs fell by 0.6 per cent to 33.6 million animals. The number of pigs rose by 1.3 per cent to 5.1 million head. The agricultural workforce fell by 0.3 per cent to 476,000.

- 4 In 2018 Gross Value Added from predominantly rural areas contributed £261 billions or 15.9 per cent of England's Gross Value Added. This was a fall from 17.3 per cent in 2001, although if London is excluded the fall was from 22.7 per cent to 21.8 per cent.
- 5 The Agricultural Price Index for October shows outputs down by 7.6 per cent compared to a year earlier and by 1.3 per cent compared to September. Inputs are down 32 per cent compared to a year earlier but are up 0.1 per cent on September.
- 6 The latest Index of Multiple Deprivation has been published. This covers income deprivation, employment deprivation, education deprivation, health deprivation and disability, crime, barriers to housing and services and living environment deprivation. 12 per cent of people living in urban areas are within the most deprived 10 per cent of the Index compared with only 1 per cent of people living in rural areas. Within rural areas, 18 per cent of people living in rural town and fringe areas are in the least deprived 10 per cent but this falls to 4 per cent of those living in rural village and dispersed areas and to 1 per cent for those living in rural village and dispersed areas in a sparse setting.
- 7 A report by the New Economics Foundation has revealed that the acreage of county council farms has fallen from 172,396 hectares 40 years ago to 84,579 hectares today.
- 8 In 2018/19 there were 3.4 additions to affordable housing stock per 1,000 households in rural areas compared with 2.0 additions in urban areas. There were 16,770 additions to affordable housing stock in rural areas.

V Product prices

A Market background

- I The exchange rates of Sterling against Dollar and Euro followed very similar volatile paths in December. Against the Euro, having opened at 85.2p per €, Sterling improved early on to peak at 82.9p, then weakened materially to 87.0p before building back to close the month at 84.7p per € (0.5p stronger). Against the US Dollar, opening at 77.3p per \$, the Pound gained 3p to peak at 74.1p, fell back to 77.3p mid month but improved again to close at 75.4p per \$ (1.9p stronger). Brent Crude oil prices made healthy gains this month, having first weakened in the early stages. Opening at \$64.06, the average price fell to a low of \$60.82 before spending most of the month improving; after peaking at \$68.44 the average closed at \$66.00 per barrel; a net increase of \$1.94 (3 per cent).

B Crops

- I The average wheat price improved this month, albeit not materially. The improvement was largely attributable to the market confidence provided by positive US / China trade deal talks; and has been assisted by the introduction of Argentinean export tariffs and reports of dry conditions in South America. LIFFE feed wheat futures fell back in the first half of the month as Sterling strengthened, reversing the losses in the second half, with gains in the short term; in late December, deliveries for November 2020 and 2021 stood at £162/tonne (+6) and £153/tonne (+1) respectively. The increase in the oil price, the global increase in oilseed futures and the general concern over the poor and late start to the 2020 harvest season have all provided positive pressure on oilseed rape prices; tight supplies of old crop and the reduced 2020 crop areas continue to underpin this.

Average spot prices in late December (per tonne ex-farm): feed wheat £143 (+3); milling wheat £158 (-); feed barley £120 (-); oilseed rape £335 (+16); feed peas £174 (+3); feed beans £180 (+3).

- 2 The average potato price improved early on, but held steady for most of December, as many traders slowed their operations in the lead up to Christmas. The wet weather remained entrenched, further reducing the chances of successfully lifting the maincrop remaining in the ground; plus many samples lifted in the month are not expected to store well so will have hit the market promptly. On the same basis the free-buy price made gains as some packers and processors sought to cover potential shortfalls they might encounter. By late December the average potato price had gained £15 on its opening position of £162 per tonne to close at £177 per tonne (£20 below the December 2018 closing average). The free-buy average opened at £162 per tonne and, after a slightly stronger uplift, closed the month at £186 per tonne (£24 up in the month but £88 below the December 2018 close).

2019 crop prices for grade I packing in late December (per tonne ex-farm): Salad varieties (<45mm - mainly Annabelle, Maris Peer and Gemson) had improved to between £250 and £425; Maris Piper had improved at the lower end to between £180 and £300; King Edwards were moving at between £165 and £200 and white varieties had improved further to between £160 and £300; meanwhile red skin varieties had improved further to between £220 and £300.

C Livestock

- 1 Cattle prices were mixed and volatile this month. The average finished steer price, from an opening position of 181p/kg lw, jumped to 192p/kg in the early stages, then fell back over the next fortnight to 182p/kg before a partial recovery led to a close of 185p/kg lw (up 4p to sit on a par with the closing average a year earlier). The average finished heifer price was less volatile and did not benefit from a final stage recovery. From an opening position of 197p/kg lw, the early improvement brought a peak of 205p/kg but the average dropped back over the course of the month to close at 196p/kg lw (down 1p to sit 5p below the price a year earlier). The average dairy cow price remained volatile: from an opening position of £966 per head, the average peaked at £1,274 and dropped to £1,057 before closing at £1,094 per head (£128 up in the month but £42 below the average a year earlier).
- 2 Lamb prices continued to improve this month, with only a small, mid-month relaxation that was followed by a further improvement. The average new season finished lamb price (SQQ live weight), from an opening position of 186p/kg lw, first peaked at 193p/kg, but dropped back by a penny mid month before additional gains saw a late December close of 203p/kg lw (17p up and 20p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) continued to rebel against the expected seasonal trend this month. At this stage in season the average price would ordinarily fall away but it remained positive. Opening at 160.2p/kg dw, the average improved to a pre Christmas close of 163.4p/kg (up 3.2p to sit 16.9p/kg above the closing average a year earlier).
- 4 The UK average 'all milk' price for October, published in December, reported a drop of 0.12p to an average of 29.35ppl (2.09ppl below the average in October 2018 and 2.19ppl above the rolling 5 year average of 27.16ppl). In the rankings against the 'EU28' farmgate milk price, the October figures recorded the UK improved by one place at 19th against a reduced EU28 weighted average of 31.48ppl (0.22ppl down).

VI Other crop news

- 1 Revised EU estimates show soft wheat at 147.2 million tonnes with wheat exports forecast up 2 million tonnes to 28 million tonnes although by week 24 of the current season exports had only reached 12.8 million tonnes. Barley production has also been raised to 63 million tonnes, the highest level since 2008.

- 2 Scientists at the Zoological Society of London, Rothamsted Research and the University of Sheffield have calculated that black-grass is costing the UK economy £400 millions and 800,000 tonnes of lost wheat yield each year. The scientists suggest that increased resistance indicate that herbicide use must reduce in favour of more diverse crop rotation, cultural control, direct and delayed drilling, strict hygiene and regular monitoring.
- 3 In 2018, 94,000 hectares of agricultural land in the UK were used to grow crops for bioenergy, 1.6 per cent of the total arable area. 29 per cent of land used for bioenergy was for biodiesel and bioethanol for use in road transport with the remainder for heat and power production. Biofuel production for road transport totalled 236 million litres while 6 million tonnes oil equivalent of plant biomass was used to produce heat and power.
- 4 The Agricultural Price Index for October shows crop products as being down 14 per cent compared to a year earlier and by 0.8 per cent compared to September. Cereals fell by 40.4 per cent compared to a year earlier, wheat by 36.3 per cent, barley by 53.2 per cent, oats by 49.5 per cent, potatoes by 24.6 per cent, sugar beet by 1 per cent and fresh vegetables by 8.4 per cent. However, there were increases of 2.8 per cent for oilseed rape and 17.2 per cent for fresh fruit. Compared to September there were increases of 1.9 per cent for cereals, 2.2 per cent for wheat, 0.7 per cent for barley and 1.1 per cent for oilseed rape but falls of 0.7 per cent for oats, 7.1 per cent for potatoes, 5.3 per cent for fresh vegetables and 0.6 per cent for fresh fruit.
- 5 ADAS has discovered an ALS-resistant population of prickly sow-thistle for the first time in the UK in a field of spring wheat in the West Midlands.
- 6 Bird-cherry oat aphid, a vector of barley yellow dwarf virus, has been found to be pyrethroid tolerant in Ireland.
- 7 The Maltsters' Association of Great Britain has removed Olympus from its approved list.
- 8 The AHDB has revised its provisional potato production estimate upwards to 5.19 million tonnes with an estimated yield of 46 tonnes per hectare.
- 9 Recommended Lists published by the Processors and Growers Research Organisation include a full recommendation for combining pea Manager, provisional recommendation for combining peas Kameleon and Orchestra, full recommendation for large blue peas Bluetime, Karioka and Blueman as well as new varieties Kactus, Greenwich and LG Aviator. Winter bean Vespa has achieved full recommendation as has Mallory in the spring bean category.

VII Other livestock news

- 1 Scientists at the University of Edinburgh have found that cattle are 10 times more likely to catch bovine TB from badgers than vice-versa while the disease passes between members of the same species at least twice as often as between cattle and badgers.
- 2 The Agricultural Price Index for October shows a fall of 3.8 per cent for animals and animal products compared to a year earlier. There were falls of 6.8 per cent for cattle, 2.8 per cent for sheep and lambs, 1.9 per cent for poultry, 8.6 per cent for milk and 0.8 per cent for eggs. However, pigs rose by 9.9 per cent. Compared to September there were falls of 3.1 per cent for cattle, 0.9 per cent for sheep and lambs and 0.5 per cent for milk while there were increases of 2 per cent for pigs and 1.7 per cent for poultry.

- 3 The number of new herd bovine TB incidents in the year to September 2019 fell by 5 per cent in England with a fall of 9 per cent in the High risk area but increases of 5 per cent in the Edge area and 17 per cent in the Low risk area. There were falls of 34 per cent in Scotland and 9 per cent in Wales. The number of herds not officially TB free fell by 7 per cent in England with a fall of 9 per cent in the High risk area but increases of 1 per cent in the Edge area and 27 per cent in the Low risk area. There was a fall of 8 per cent in Scotland but an increase of 3 per cent in Wales.
- 4 During November, UK prime cattle slaughterings fell by 2.1 per cent, compared to a year earlier, to 178,000; beef and veal production fell by 0.6 per cent to 83,000 tonnes; sheep slaughterings rose by 0.2 per cent to 1,238,000; mutton and lamb production rose by 1.9 per cent to 28,000 tonnes; pig slaughterings rose by 0.9 per cent to 961,000; and pigmeat production rose by 2.6 per cent to 85,000 tonnes.
- 5 During October, UK dairies processed 1,120 million litres of milk, a year on year fall of 0.1 per cent. Liquid milk production fell by 1 per cent but there were increases of 0.3 per cent in cheese production, 0.5 per cent in butter production and 1.3 per cent in milk powder production.
- 6 During December there have been further outbreaks of African Swine Fever in wild boar in Poland, the latest only 40km from the German border. There have also been new outbreaks in southern Bulgaria close to the border with Macedonia.
- 7 Further outbreaks of African Swine Fever have been reported in domestic pigs in Indonesia and cases have also been found in wild boar in China and South Korea. China has announced a three-year plan to accelerate the recovery of pig production including a stop on price increases.
- 8 Low pathogenic avian flu of the H5N3 strain has been identified at a commercial chicken farm in mid-Suffolk.

VIII Inputs/Supply businesses

- 1 The Agricultural Price Index for October shows a fall of 2.1 per cent for seeds, compared to a year earlier, with falls of 4.1 per cent for energy and lubricants, 6.7 per cent for fertilizers, 3.6 per cent for chemicals and 8.5 per cent for feeding stuffs. However, there were increases of 0.3 per cent for veterinary services, 1.9 per cent for vehicle maintenance and 1.1 per cent for building maintenance. Compared to September there were falls of 0.5 per cent for energy and lubricants and 0.4 per cent for fertilizers but increases of 0.1 per cent for seeds, 0.3 per cent for chemicals, 0.1 per cent for veterinary services, 0.3 per cent for feeding stuffs and 0.2 per cent for both vehicle and building maintenance.

IX Marketing

- 1 The number of countries importing British turkeys for Christmas has increased by 17 to 64 while the demand for Brussels Sprouts increased by 40 per cent to a value of £1.5 millions with the Netherlands by far the largest market. Exports of British carrots and turnips increased by 52 per cent while cheese exports rose by 21 per cent with demand from China increasing by 19 per cent annually. Whisky continues to dominate the export market at £4.8 billions followed by chocolate at £713 millions.
- 2 Mintel's Global Food and Drinks Trend 2030 report has suggested that consumers will demand a greater stake in food production and insist it is more healthy both for consumers and the planet. It also suggests that a majority of consumers in Spain, France, Italy, Germany and Poland want more evidence that organic products are more healthy than non-organic.

- 3 Figures released by Kantar Worldpanel reveal that 24 per cent of the population claim to be reducing or avoiding the consumption of meat but only 0.6 per cent are removing animal products completely from their diet. While beef volumes fell by 1.4 per cent in the past year, with declines in steaks and roasting joints, minced beef increased in both volume and value and beef is 28 per cent more likely to feature in meals cooked from scratch compared to the use of other proteins. Changes in purchasing habits have resulted in consumers making three fewer trips to restaurants, cafes, bakeries, sandwich shops and supermarkets in the 12 weeks to October 2019 compared to the same period a year earlier while restaurant sales fell by 9.9 per cent.
- 4 The Food and Drink Federation has reported that exports in the 9 months to September 2019 totalled £17.4 billions, up 6.3 per cent on the same period in the previous year. Sales to non-EU markets rose by 11 per cent to 6.9 billions with EU sales growing by 3.4 per cent to £10.5 billions. Exports to China rose by 25 per cent to £557 millions. While Ireland remains the largest market at £3 billions, exports fell by 3.2 per cent in contrast to Poland, the fastest growing market at 12.7 per cent to £320 millions. Exports of whisky continue to grow, up 11.3 per cent to £3.7 billions while the fastest growing export is salmon, up 30 per cent to £614 millions.
- 5 UK butter exports to non-EU markets reached 5,442 tonnes in the 10 months to October 2019, up by 1,700 tonnes on a year on year basis.
- 6 In the 9 months to September 2019 imports of Irish cheddar rose by 24 per cent, compared to a year earlier, to 90,000 tonnes, the highest for over 20 years.
- 7 The Lloyds Register UK Food Trends Report has revealed that 26.9 per cent of consumers were 'not confident at all' that products labelled organic were grown or reared using organic methods.

X Miscellaneous

- 1 ADAS and Scotland's Rural College have formed a joint venture which will enable users to access specialist consultancy and diagnostic services as well as education and training courses.
- 2 Tilly Pass has launched a free trailer safety 'Head to Tow' mobile app.
- 3 In the New Year honours, Charles Barfoot was awarded a CBE, William Gill an OBE, while John Copland, William Emmanuel-Jones and George Soutar were all awarded an MBE.

Postscripts

Sometimes it DOES take a Rocket Scientist!!

Scientists at Rolls Royce built a gun specifically to launch dead chickens at the components of airliners and military jets, all travelling at maximum velocity. The idea was to simulate the frequent incidents of 'bird strike', collisions with airborne fowl, to test the strength of the components.

American engineers heard about the gun and were eager to test it on the windshields of their new high speed trains. Arrangements were made and a gun was sent to the American engineers.

When the gun was fired the engineers stood shocked as the chicken hurled out of the barrel, crashed into the shatterproof shield, smashed it to smithereens, blasted through the control console, snapped the engineer's back-rest in two and embedded itself in the back wall of the cabin, like an arrow shot from a bow. The horrified Yanks sent Rolls Royce the disastrous results of the experiment, along with the designs of the windshield and begged the British scientists for suggestions.

Rolls Royce responded with a one-line memo:

"Defrost the chicken."

Monthly Farming Update

I may be old but I still farm!

Recently a university professor was 'retired' against his wishes, as he was deemed to be 'old' and thereby denying an opportunity to the younger academics. The eminent college lost the case. Age has always been a problem to the farming community. Farming is largely a physical activity and as bones begin to creak it becomes increasingly difficult. But does reduced activity give HM Revenue & Customs the right to deny the owner beneficial tax reliefs.

It is not difficult for a landowner to retain Agricultural Property Relief on farm land even after the landowner has ceased active farming. But how does the reduced activity affect the farmhouse, possibly the single most valuable asset?

Take the case of the late Thomas Gill. Mr Gill farmed 22 acres, this was mainly pasture but included an area where he cultivated crops which were bartered at a local shop. By virtue of age, Mr Gill ceased to own any livestock. Instead he allowed farmers to graze their livestock under annual grazing licences.

One agreement in particular involved more than 20 cattle and calves. Mr Gill would make silage for the cattle and he would move the stock from field to field. He would ensure the fences were livestock-proof, clear ditches and roll the fields. The livestock owner described Mr Gill as 'the boots on the ground', the 'director of operations'. Further he was described as 'a farmer on the spot looking at my stock every day with an experienced eye ... I knew Tom was looking after them and that if there was a problem he would be on the phone to me ...'

The tribunal ruled that the activities carried out by Mr Gill were those of a farmer, working an active farm and that, although the manner in which he farmed was modified with time and age, he did not cease to be a farmer. The house in which Mr Gill lived therefore qualified as a farmhouse.

So, as age transfers physical activity to wisdom, ultimately wisdom can prevail!

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:

Karen Blackiston

Nick Holmes

Iain Morris

Henry Mullens

Ben Wilkinson

South

2 Jubilee Way
Faversham
Kent
ME13 8GD

Tel: 01795 594495

Fax: 01795 594499

East

1 Penn Farm Studios
Harston Road
Haslingfield
Cambridge
CB23 1JZ

Tel: 01223 874693

Fax: 01223 874451

E-mail: mfu@chavereys.co.uk
www.chavereys.co.uk

If you would like to add a friend or colleague's name to the mailing list please contact Lindsay Gleed

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



CHAVEREYS