



CHAVEREYS

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# MONTHLY FARMING UPDATE

# March 2022



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### I Policy issues

- 1 Governments of the four home countries have published a policy document, 'Agricultural support common framework'. The framework seeks to cover working arrangements for future agricultural support including agricultural spending and associated regulation and enforcement; marketing standards; crisis measures, Public Intervention and Private Storage Aid; cross border holdings within the UK; and data collection and sharing. Similar policy documents have been published covering animal health and welfare, fertilizer, air quality, integrated pollution prevention and control, chemicals and pesticides, organics, plant health and plant varieties and seeds.

### II Reform

- 1 Outline details of the Lump Sum Exit Scheme have been published. Applicants must have claimed Basic Payment Scheme payments in the 2018 scheme year or earlier, or have succeeded to a 1986 AHA tenancy or inherited land after 15 May 2018. Payments will be based on a multiplier of 2.35 times the average of the 2019, 2020 and 2021 Basic Payments with a cap on the average of £42,500 making the maximum payment £99,875. No adjustment will be made to the average for 2021 progressive reductions or reductions for amounts over €150,000. All agricultural land, other than 5 hectares, must be transferred to a third party, not a spouse or co-habitee, or entered into a woodland creation scheme. Alternatively, it can be let under a Farm Business Tenancy for a minimum of 5 years with no break clauses. If the lump sum is claimed by a partnership or limited company, the land cannot be transferred to a fellow partner or shareholder. The lump sum will be taxed as a capital receipt.
- 2 Defra has announced the launch of the Animal Health and Welfare Pathway later this year. It will include an Annual Health and Welfare review which will be an annual funded vet visit. Reforms on the use of farrowing crates for pigs and enriched cages for laying hens are being considered. The Better Chicken Commitment will require the use of slower-growing breeds, lower stocking densities and restrictions on thinning birds. For laying birds improved feather cover management to address the root causes of feather pecking; and reduce the need for infra-red beak trimming. In pigs, the Porcine Reproductive and Respiratory Syndrome will be tackled; a reduction in sow confinement will be sought; and reduced use of stressors to keep tails intact. For cattle, the issue of Bovine Viral Diarrhoea is to be addressed; a reduction in the rate of lameness and mastitis; the encouragement of improvements in cow comfort, ventilation, loafing areas and enrichments such as scratching brushes; improved pain management during disbudding, dehorning and castration; and the improved welfare of cattle at pasture through improvements in shelter, drainage, gateways and tracks. In sheep, priorities are to tackle a range of endemic diseases, initially focusing on internal and external parasites; mastitis, 'iceberg' diseases and those inducing abortion; reducing lameness; improved ewe sustainability; and improved pain management during castration and tail docking.
- 3 Defra has announced an increase in the size of the Farming Investment Fund from £17 millions to £48 millions.
- 4 The 2023 Countryside Stewardship Scheme has opened for applications.

- 5 The Landscape Recovery Fund has opened for applications. The first round is open to those who wish to deliver schemes which cover 500-5,000 hectares. Natural England will administer projects which aim to recover and restore England's threatened native species. The Environment Agency will administer schemes which aim to restore England's streams and rivers, improving water quality, biodiversity and adapting to climate change.
- 6 Defra has agreed that metal fencing can be used under Countryside Stewardship guidelines.

### **III Grants/regulations/legislation/environment**

- 1 Defra has published guiding principles setting out priorities and expectations for drainage and wastewater management plans in England and Wales including being comprehensive, evidence based and transparent in assessing current capacity and actions needed over the next 25 years; striving to deliver resilient systems that will meet operational pressures and minimise system failures; considering the impact of drainage systems on immediate and wider environmental outcomes including habitats; collaborating with other sectors; showing leadership and linking with other strategic planning frameworks; and improving customer outcomes and awareness and considering social benefits.
- 2 In association with Natural Resources Wales, Natural England has set out new guidelines for land managers, published under the Countryside Code, to help them ensure that visitors to the countryside can enjoy it in a responsible way.
- 3 To combat *Phytophthora pluvialis*, the Forestry Commission has extended the demarcated areas in Devon and Cornwall. A first reported case has occurred in Surrey. Following further findings in Wales, a new demarcated area has been established in Herefordshire.
- 4 Light Science Technologies has been awarded £503,000 by Innovate UK to develop its intelligent LED grow-lighting cloche solution. The grow-lighting cloche is expected to be the first retrofittable, all-in-one lighting-sensing-automation rig designed for polytunnels and glasshouses.
- 5 The Scottish Government is making financial support available to crofters and farmers on Orkney, Uist, Lewis and Harris to address the damage caused by greylag geese to barley crops and pasture.
- 6 The Welsh Government is to create woodland memorials to the coronavirus pandemic. The first two will be on National Trust Cymru's Erddig Estate in Wrexham and a site chosen by Natural Resources Wales at Brownhill in the Tywi Valley in Carmarthenshire.

### **IV Other matters of farm finance and tenure**

- 1 Defra is to spend £200 millions upgrading the Animal and Plant Agency scientific laboratories at Weybridge with a focus on tackling and eradicating high-risk animal diseases.
- 2 The average annual rent for Full Agricultural Tenancy agreements in 2020 was £185 per hectare, 5 per cent up on 2019; the largest increase was 21 per cent in the North East, to £166 per hectare, while the largest fall was 6 per cent in the South West, to £178 per hectare. Rents under Farm Business Tenancy agreements increased by 8 per cent, to £239 per hectare; the largest increase was 17 per cent in the North West, to £149 per hectare; the largest fall was 13 per cent in the North East, to £203 per hectare; and the average term was 4 years 11 months.

Seasonal rent only increased by 1 per cent, to £150 per hectare, with the average term 9 months. Informal rents fell by 4 per cent to £219 per hectare although in the North East the average increased by 122 per cent to £169 per hectare. There are now estimated to be 15,000 Full Agricultural Tenancies, down from 20,000 in 2011; 40,000 Farm Business Tenancies, about the same as in 2011; 14,000 seasonal tenancies, down from 15,000 in 2011; and 24,000 informal tenancies, up from 14,000 in 2015.

- 3 Revised estimates of Total Income from Farming for 2020 for the UK have been published with material variances from the first estimate. The second estimate of TIFF has increased by 36.8 per cent to £3.552 billions with gross output increased by 1.2 per cent, input costs down by 4.6 per cent and gross value added up by 11.9 per cent. Based on the revised estimates, TIFF fell by 5 per cent, compared to 2019. Output of wheat fell by 38.5 per cent and oilseed rape by 41.6 per cent although input costs fell by 3.6 per cent. The contribution to the Gross Domestic Product fell by 3.5 per cent.
- 4 The Agricultural Price Index for December shows that outputs increased by 3.1 per cent, compared to November, and by 13.5 per cent compared to a year earlier. The index for inputs increased by 0.2 per cent and 18.3 per cent respectively.
- 5 It has been reported that, by mid-February, only 2 per cent of beef producers and 4 per cent of lamb producers had responded to the AHDB survey on how levies should be spent.
- 6 The Forestry Commission has announced the Development Woodland Officer programme, a three-year apprenticeship for individuals wishing to start a career in forestry. The programme will be led by the Forestry Commission, the University of Cumbria and the Institute of Chartered Foresters.
- 7 Scottish rural charity RSABI has relaunched its Help for Heating campaign offering grants of up to £300 to those who are eligible.

## **V Product prices**

### **A Market background**

- 1 Sterling exchange rates were more volatile this month as world markets tried to adjust to the ever-increasing Russia / Ukraine tension. Sterling lost ground against the Euro and held ground against the Dollar, with significant swings against each. Sterling opened at 83.2p per € and spent the early part of the month falling to a low of 84.7p then, amid various ups and downs, it went on to peak at 83.1p, closing at 84.0p per € (0.8p weaker). Meanwhile, against the US Dollar, Sterling opened at 74.6p and improved to a peak of 73.3p; in the final days of the month it dropped heavily to 75.3p but recovered partially to close at 74.5p per \$ (0.1p stronger).
- 2 Crude oil prices continued to climb disregarding the underlying volatility. Brent Crude opened the month at \$90.54 per barrel and rose to peak at \$99.08 near the end of the month, the highest since September 2014, but closed the month marginally back at \$97.93 per barrel (up \$7.39 overall).

### **B Crops**

- 1 Feed wheat prices fell back early on, but improved over the remainder of the month, as the political tension in the Black Sea region intensified, increasing market concerns over tightening supplies. The true effect of the Ukraine position was masked marginally by the underlying downward price pressure from signs that the 2022 harvest has generally over-wintered well. The milling premium, whilst still well above the 5-year average, fell back marginally to £37/tonne. Feed wheat futures closed significantly higher in late February for the shorter term, with improvements less marked in the longer term; the price swings were material at over £21/tonne.

By late February, deliveries for November 2022 and 2023 were £216/tonne (+17) and £191/tonne (+5) respectively. Despite the underlying metrics of the oilseed rape price suggesting downward pressure, tensions in Ukraine and the resulting effect on oil prices and currency markets led to volatility and price support, seeing the average price jump back above £600 early on and fall back to opening levels shortly thereafter but then rise again to close at the month peak of £606/tonne.

Average spot prices in late February (per tonne ex-farm): feed wheat £225 (+5); milling wheat £262 (+4); feed barley £208 (-); oilseed rape £606 (+38); feed peas £239 (+1); feed beans £247 (+1).

## C Livestock

- 1 The average live-weight cattle prices for steers and heifers retained their volatility but rose marginally overall. The average finished steer price initially dropped from its opening average of 230p/kg lw to 229p/kg, then recovered, climbing to 236p/kg, before closing the month at 235p/kg lw (up 5p, to sit 25p/kg above the average a year earlier). The average finished heifer price improved on its opening average of 238p/kg lw to peak at 247p/kg, before falling back to 242p/kg and closing the month at 243p/kg (up 5p, to sit 23p above the average a year earlier). Dairy cow prices improved this month; opening at £1,210 per head, the average rose throughout the month to close at the month's peak of £1,399 per head (up £189 sitting £39 above the average in February 2021).
- 2 The average finished lamb price (SQQ live weight, old-season) fell marginally back this month, after a small gain in the early days. Opening at 267p/kg lw, the average peaked at 269p/kg before then dropping back for the remainder of the month to 263p/kg lw (down 4p, to sit 15p/kg below the average a year earlier).
- 3 The average UK all pig price (APP) fell back again this month. Opening at 146.0p/kg dw, the average dropped to 143.0p/kg dw, bounced back to 143.5p/kg but then dropped back to close at 143.0p/kg dw (down 3.0p to sit on a par with the closing average a year earlier).
- 4 The UK average 'all milk' price for December, reported this month, recorded a gain of 0.65ppl, to reach an average of 34.12ppl (3.72ppl above the average a year earlier and 4.79ppl above the rolling 5-year average). The EU (ex UK) average for November remains the most recent update – an average of 34.94ppl.

## VI Other crop news

- 1 The Scottish Government has announced it is to align with the EU on the latter's strict rules on gene editing.
- 2 Vertical farming company GrowUp Farms has obtained over £100 millions from Generate Capital to fund the development of a new facility in Kent.
- 3 The Agricultural Price Index for December shows increases of 7.7 per cent for wheat, compared to November, 5.6 per cent for barley, 4.6 per cent for oats, 6 per cent for oilseed rape, 0.5 per cent for fresh vegetables and 29.7 per cent for fresh fruit. Compared to a year earlier there were increases of 17.1 per cent for wheat, 42.1 per cent for barley, 29 per cent for oats, 24.8 per cent for potatoes, 61.2 per cent for oilseed rape, 9.3 per cent for fresh vegetables and 28.4 per cent for fresh fruit but there was a fall of 46 per cent for forage plants.
- 4 Lea Valley, home to 100 growers and 350 acres of production and known as the UK's salad bowl, has between 60-70 per cent of greenhouses unplanted due to high energy prices and the shortage of seasonal workers.
- 5 East of Scotland Growers has reported a reduction of 688 hectares in the area planted to vegetables as a result of increased costs.

- 6 A growers' group, GP Potatoes, is seeking to replace the AHDB potato sector.

## VII Other livestock news

- 1 Under the Animal Health and Welfare Pathway, Defra has announced that it will fund an annual vet visit of between £372 and £684, depending on the species. The choice of vet will be down to the farmer. The visit will include diagnostic tests for BVD in cattle, Drench tests in sheep for resistance to certain parasitic worms and a PRRS test for pigs.
- 2 The Scottish Government is to transfer the field animal health and welfare functions from the Animal and Plant Health Agency to a new Scottish Veterinary Service.
- 3 Dairy calf registrations in 2021 hit a 10-year high at 1.5 million births, up 2.9 per cent on 2020.
- 4 The Agricultural Price Index for December shows increases of 1.8 per cent for cattle and calves, compared to November, 5.9 per cent for sheep and lambs and 1.9 per cent for eggs while there was a fall of 1.6 per cent for pigs. Compared to a year earlier, there were increases of 12.4 per cent for cattle and calves, 29.1 per cent for sheep and lambs, 2.6 per cent for poultry, 12.2 per cent for milk and 8 per cent for eggs but a fall of 5.4 per cent for pigs.
- 5 During January, UK prime cattle slaughterings fell 9.9 per cent, compared to a year earlier, to 153,000 head; beef and veal production fell by 7.9 per cent to 71,000 tonnes; sheep slaughterings rose 4.4 per cent to 909,000 head; mutton and lamb production rose 8.5 per cent to 21,000 tonnes; pig slaughterings rose 2.3 per cent to 873,000 head; and pigmeat production rose by 8.1 per cent to 86,000 tonnes.
- 6 Muller has increased its price by 1ppl taking the Muller Advantage criteria price to 35ppl.
- 7 On 1 February, the Global Trade Index reached its highest point since 2014 at \$4,630/tonne, up 4.1 per cent on 18 January. Whole milk powder rose by 5.8 per cent while skim milk powder and butter all saw 5-year highs.
- 8 Saputo has increased its standard manufacturing litre price by 0.25ppl to 36ppl.
- 9 Average butterfat content in January was 4.26 per cent, down 1.7 per cent on December and 1.5 per cent on a year earlier. Average protein was 3.34 per cent, down 1.8 per cent on December and 0.8 per cent on a year earlier.
- 10 Barber's Cheesemakers has increased its manufacturing standard litre price by 1.3ppl to 36.26ppl.
- 11 Arla has increased its price by 1.8ppl taking its standard manufacturing litre to 39.38ppl and its organic litre to 46.83ppl.
- 12 First Milk has increased its member price by 1ppl to 35.75ppl.
- 13 Defra has extended the pigmeat support scheme by three months.
- 14 Defra has introduced new rules whereby piglets of less than 10kg liveweight, lambs of less than 6kg and kid goats of less than 4kg can be killed by non-penetrative captive bolt devices in both emergency and non-emergency cases.
- 15 Defra has announced a review of the pig market sector to ensure fairness in the supply chain.
- 16 Browns Food Group has acquired the Brechin pig processing plant previously owned by Quality Pork Processors.
- 17 During February, there have been outbreaks of HPAI H5N1 in a commercial broiler chicken unit in Hampshire; a conservation park in Norfolk; backyard flocks in Northumberland; and in commercial poultry units in Powys and Lincolnshire.

- 18 During January, UK commercial layer chick placings fell by 18 per cent, compared to a year earlier, to 3 million chicks; broiler chick placings rose 7.2 per cent to 120.9 million chicks; turkey chick placings rose 0.1 per cent to 1.2 million chicks; turkey slaughterings fell 27 per cent to 700,000 birds; broiler slaughterings fell 2 per cent to 100.1 million birds; and total poultry meat production rose 7 per cent to 181,800 tonnes.

## VIII Inputs/Supply businesses

- 1 The Seaweed report has been published by the Scottish Seaweed Review Steering Group seeking to assist expansion of the seaweed industry while preserving sustainability.
- 2 The Agricultural Price Index for December shows increases of 1.7 per cent for chemicals, compared to November, 0.3 per cent for veterinary services, 1.5 per cent for animal feedingstuffs and 0.4 per cent for buildings maintenance but there were falls of 0.4 per cent for energy and lubricants and 4 per cent for fertilizers. Compared to a year earlier, there were increases of 2.5 per cent for seeds, 35 per cent for energy and lubricants, 119.8 per cent for fertilizers, 6.4 per cent for chemicals, 0.7 per cent for veterinary services, 11.3 per cent for animal feedingstuffs and 21.5 per cent for buildings maintenance.

## IX Marketing

- 1 According to Kantar, during December the average household spent £412 on take home groceries, £66 more than in the average month in 2021. However, the average Christmas shop fell by £3.31, compared to 2020, to £73.84. Volume sales of red meat at Christmas were down 8,000 tonnes on 2020, at 162,000 tonnes, but were up 1,000 tonnes on 2019. However, sales by value were up £196 millions, compared to 2020, due to a £229 millions jump in out of house sales. Compared to 2020, roasting pork fell by 13.9 per cent, gammon by 8.4 per cent, roasting beef by 19.7 per cent, whole chicken by 12.9 per cent, whole turkey by 20.1 per cent and whole fish by 11.2 per cent. The only increase was that of roasting lamb, up 0.9 per cent.
- 2 Retail volumes of meat-free products rose by 15 per cent in January, compared to a year earlier, but the market share remained at 2 per cent. Dairy alternatives fell by 5 per cent while their market share remained at 6 per cent.
- 3 During December, imports of beef fell by 9 per cent, year on year, to 23,300 tonnes. Total imports for 2021 were up 4 per cent at 241,300 tonnes. Exports in December were down 5 per cent at 10,500 tonnes and were down 12 per cent for the year at 102,900 tonnes.
- 4 During 2021, cheese volumes increased by 13.2 per cent, compared to 2019, with cheddar up 11 per cent and speciality and continental cheeses up 27 per cent; butter volumes rose by 16.5 per cent; cream rose by 21.3 per cent; and yoghurt volumes rose by 4.3 per cent.
- 5 Exports of sheep meat in December totalled 7,800 tonnes, up 500 tonnes on November but down 2,400 tonnes on a year earlier. Exports for the year fell by 20 per cent to 70,000 tonnes. Imports in December were down 23 per cent, at 3,900 tonnes, compared to a year earlier. For the year, imports were down 19 per cent at 46,500 tonnes.
- 6 An application has been lodged for Welsh Leeks to have Protected Geographical Indication status.

- 7 During December, pork exports totalled 16,900 tonnes, up 1.5 per cent on November but down 24 per cent on a year earlier. Over the year, exports fell by 25 per cent to 258,400 tonnes. Imports in December were 27,500 tonnes, down 13 per cent on November and 20 per cent on a year earlier. For the year as a whole, imports fell 13 per cent to 320,100 tonnes.
- 8 Applications have been made for English Whisky and Cornish Cyder Brandy for UK Geographical Indication Status.
- 9 The Soil Association has reported a growth of 5.2 per cent in sales of organic produce in 2021.

## **X Miscellaneous**

- 1 Research by AHDB shows that 65 per cent of consumers think farmers care more about the planet than others in the food supply chain while research undertaken by IGD shows that 49 per cent consider it is the responsibility of retailers to only sell sustainable products and 60 per cent feel retailers should not sell out-of-season products if their production emits more greenhouse gases.
- 2 The Scottish Government has introduced the Hunting with Dogs Bill which aims to restrict the use of dogs to kill foxes, hares and other wild mammals.
- 3 NFU data has revealed that the cost of livestock rustling in 2021 fell by 5.5 per cent to £2.1 millions.
- 4 The latest Farming Opinion Tracker for England, to October, has been published. 7 per cent of farmers fully comprehended Defra's vision for farming while 54 per cent roughly understood. The total, 61 per cent, is 6 per cent down on last April. Farmers on 64 per cent of holdings expect to make changes to their business in the next 3-5 years. The percentage is rising, up by 10 per cent on a year earlier and by 4 per cent since last April. 68 per cent of farmers are not confident that the proposed changes to schemes and regulations will be beneficial for agriculture and the positive feel among farmers has fallen to 45 per cent.
- 5 The Lancashire Police Force has allocated an additional £700,000 to tackle rural crime.

## **Postscripts**

### **Linguistic enlightenment**

#### **Read Slowly:**

ARBITRATOR: A cook who leaves Arby's to work at McDonalds.

AVOIDABLE: What a bullfighter tries to do.

BERNADETTE: The act of torching a mortgage.

BURGLARIZE: What a crook sees with.

COUNTERFEITERS: Workers who put together kitchen cabinets.

ECLIPSE: What a South London barber does for a living.

EYEDROPPER: A clumsy ophthalmologist.

HEROES: What a guy in a boat does.

LEFTBANK: What the robber did when his bag was full of money.

MISTY: How golfers create divots.

PARADOX: Two physicians.

PARASITES: What you see from the top of the Eiffel Tower.

PHARMACIST: A helper on the farm.

POLARIZE: What penguins see with.

PRIMATE: Removing your spouse from in front of the TV.

RELIEF: What trees do in the spring.

RUBBERNECK: What you do to relax your wife.

SELFISH: What the owner of a seafood store does.

SUDAFED: Brought litigation against a US government official.

# Monthly Farming Update

## The Chancellor fills his pockets!

In the last couple of years, with the Chancellor needing funds from somewhere, speculation pointed to a significant increase in the rate of Capital Gains Tax. It never came and now it would seem the Chancellor is doing quite nicely without an increase.

In the year to March 2021, receipts from Capital Gains Tax rose by 13.3 per cent, or £1.3 billions, to £11.3 billions. This increase is likely to be dwarfed by an increase of 19 per cent in 2021/22 based upon latest estimates.

Usually, Capital Gains Tax is collected in and around January but, with effect from April 2020, it has been necessary to settle any tax bill arising on a sale of residential property within 30, now 60, days. In the period April to December, tax receipts shot up from £45 millions in 2019 to £470 millions in 2020. It is reasonable to assume that the lion's share of this tax take is down to buy-to-let house owners cashing in on the property boom. In the period April to December 2021, the tax collected has risen even further to £1.45 billions.

The significant reduction in Entrepreneurs' Relief and a resurgence in the stock market will both have helped but perhaps investors interest in the buy-to-let market has peaked.

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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