



CHAVEREYS

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MONTHLY FARMING UPDATE

May 2022



I Policy issues

- 1 The Government is planning to introduce a UK-wide digital waste tracking system in 2023/24. It aims to provide a comprehensive way to: see what is happening to waste; help support more effective regulation of waste; help businesses comply with their duty of care with regards to waste; move towards a more circular economy to maximise the value extracted from resources; and reduce the ability for criminals to operate in the area of waste disposal.

II Reform

- 1 An AHDB report has suggested that, at the current payment rates, most Sustainable Farming Initiative standards will only provide a small financial benefit once the costs of compliance are accounted for. Those who are already taking some of the actions required and will not have to take land out of production will benefit the most.
- 2 Defra has published full guidance on how the Sustainable Farming Initiative will work.
- 3 The Lump Sum Exit Scheme has opened for applications and will close on 30 September.
- 4 The Scottish Government has introduced the first phase of Track 1 of the National Test Programme: Preparing for Sustainable Farming which aims to help farmers prepare to meet the conditions of future agriculture policy and support. The guidance includes information on how to prepare and make a claim towards the cost of carbon audits and soil analysis. Suckler beef producers will have access to YourHerdStats, an online tool within the ScotEID system that will present herd management information.

III Grants/regulations/legislation/environment

- 1 Emergency legislation, restricting the movement of pine and cedar trees into Great Britain to help protect against the threat of Pine Processionary Moth, came into force on 28 April. Imports of these species will only be permitted from countries officially confirmed by the National Plant Protection Organisation as free of Pine Processionary Moth; from officially designated pest-free areas; and from nurseries where the trees have been grown under complete physical protection for their lifetime.
- 2 The Biosecure Procurement Requirement will be introduced in June whereby applicants for funding under the England Woodland Creation Offer and the Future Farming Tree Health Pilot must commit to sourcing their trees from suppliers who are either accredited under the Plant Healthy Certification Scheme or who have passed a Ready to Plant assessment as provided by Fera Science Ltd.
- 3 Following the discovery of tree pathogen *Phytophthora pluvialis* which affects western hemlock, Douglas fir, tanoak and several pine species and which causes needle cast, shoot dieback and lesions on the stem, branches and roots, the Forestry Commission has extended the demarcation areas in Devon and Cornwall; introduced a new demarcated area in Surrey; and, following further findings in Wales, introduced a new demarcated area in Gloucestershire.
- 4 A report published by Scotland's Centre of Expertise for Waters has revealed that, between 2015 and 2019, 97 per cent of monitored lochs and reservoirs increased in temperature, most by up to 1.0° C per year but 9 per cent by up to 1.3° C per year.
- 5 The next round of Scotland's Sustainable Agriculture Capital Grant Scheme has opened for applications and will close on 1 June.
- 6 A sighting of an Asian Hornet in Felixstowe has been confirmed on 29 April.

- 7 Applications for grants for low emission slurry spreading equipment and slurry store covers under the Scottish Sustainable Agriculture Capital Grant Scheme have opened but will close on 1 June.

IV Other matters of farm finance and tenure

- 1 According to Knight Frank, average bare land prices have risen by 4 per cent in the first quarter of this year, the fastest rate of growth since 2014.
- 2 During February, the agricultural price index for outputs increased by 11.5 per cent, compared to a year earlier, and by 1.1 per cent compared to January. The index for inputs increased by 17.1 per cent, compared to a year earlier, but fell by 0.2 per cent compared to January.
- 3 The results of a horticulture survey by Defra show that growers with a turnover greater than £100,000 (42 per cent) are more likely to report high confidence in their business than those with a turnover of below £100,000 (24 per cent); edibles growers (58 per cent) are more likely to be planning business growth than ornamentals growers (55 per cent); input costs are the most important factor in determining whether to increase production and productivity; growers with a turnover above £100,000 (75 per cent) are more likely to be planning to increase productivity than those with a turnover below £100,000 (31 per cent); and electricity is required for the growing systems of 28 per cent of growers and a source of non-solar heat is required for 16 per cent.
- 4 A Rural Land Market Insight report published by the Scottish Land Commission has found the average farmland value increased by 30 per cent in 2021 with 40 per cent of purchasers being investors and amenity buyers.
- 5 The Agricultural Wages (Wales) Order 2022 has come into force and is effective from 1 April. The Order includes a new grading structure and grade descriptions; changes to the minimum rates of pay and allowances; and establishes a qualifications-based progression route through the grading structure based on qualifications within a relevant Welsh Government Apprenticeship Framework.
- 6 In 2020/21, there were 549,000 businesses registered in rural areas, representing 23 per cent of all registered businesses in England. Those businesses employed 3.6 million people, 13 per cent of all those employed. The main sectors were professional, scientific and technical services at 14 per cent; agriculture, forestry and fishing at 14 per cent; construction at 13 per cent; and wholesale, retail and the repair of motor vehicles at 13 per cent. Between 2019/20 and 2020/21 the number of businesses in the agriculture, forestry and fishing sector fell by 8 per cent.

V Product prices

A Market background

- 1 Ongoing Russian military action in Ukraine was by far of greatest concern to markets and investors, further enforcing the Dollar's 'safe haven' status. Sterling closed down against the Euro and significantly down (again) against the US Dollar. Sterling, from a late March position of 83.3p per €, gained ground in the first half of the month to peak at 82.6p, then fell back to 84.6p in the latter half before eventually closing at 83.8p per € (0.5p weaker). Against the US Dollar, Sterling opened at 76.1p and held relatively steady for much of the month before falling back to 80.5p, its lowest point since March 2020. A small recovery saw Sterling close at 79.5p per \$ (3.4p weaker and 7.8p below April 2021).

- 2 Crude oil prices gained a little this month, despite retreating from the high peaks seen in March, remaining well above the five-year average. Brent Crude opened the month at \$107.91 per barrel and fell back to \$98.48 before peaking at \$113.16. A further fall/rise cycle eventually led to an April close of \$109.34 per barrel (up \$1.43 overall).

B Crops

The war in Ukraine remained the biggest influence for the grains markets this month but US crop conditions held second place, with reports of drought conditions in the main grain belt and rain halting planting for maize growers. Crop inputs, both price and availability, for the coming seasons continue to worry many; the effect on global production of reduced fertilizer usage on crops, due to price, is yet to be fully forecast but feed wheat prices once again pushed all-time highs. The milling premium fell back further to £22/tonne. Feed wheat futures rose significantly for a second month. By late April, deliveries for November 2022 and 2023 were £299/tonne (+32) and £262/tonne (+35) respectively. March 2024 futures opened at £229 and rose as the month progressed to close at a peak of £265. The oilseed rape price dropped back at the start of the month, in line with the relaxing oil price and reports of good US soya crops, but the underlying supply and demand equation could not be ignored, leading to significant improvement overall.

Average spot prices in late April (per tonne ex-farm): feed wheat £319 (+18); milling wheat £341 (+10); feed barley £305 (+18); oilseed rape £877 (+54); feed peas £306 (+21); feed beans £318 (+25)

C Livestock

- 1 The average live-weight cattle prices for steers and heifers continued to increase but the gain was marginal and the averages remained volatile. The average finished steer price rose early on from its opening average of 238p/kg lw to 245p/kg, where it remained for much of the month before a further small rise saw it close at 247p/kg lw (up 9p, to sit 24p/kg above the average a year earlier). The average finished heifer price also rose from its opening average, steadily increasing from 247p/kg lw to 252p/kg, before dropping back to 243p and recovering again to close at the month's peak of 257p/kg (up 10p, to sit 28p above the average a year earlier). Dairy cow prices fell from the opening position of £1,250 per head to an early low of £1,185 before jumping to a short-lived peak of £1,500 and closing the month at £1,234 per head (down £16 and sitting £108 below the average in April 2021).
- 2 The average finished lamb price (SQQ live weight, old-season) improved this month albeit only by comparatively small increments. Opening at 262p/kg lw, the average rose fastest early in the month, then by small margins in the final weeks to close the month at 279p/kg lw (up 17p, but still sitting 12p/kg below the average a year earlier).
- 3 The average UK all pig price (APP) turned a corner, increasing significantly this month, although many producers maintain that the increase has only really caught up with the rises in feed and input prices seen over previous months. Opening at 144.7p/kg dw, the average improved markedly each week to close at 167.8p/kg dw (up 23.1p to sit 19.9p above the closing average a year earlier).
- 4 The UK average 'all milk' price for February, reported this month, recorded an increase of 0.42ppl, giving an average of 35.88ppl (5.95ppl above the average a year earlier and 6.16ppl above the rolling 5-year average). Initial reports suggest that the March average will be a further improvement of 0.91ppl. The EU (ex UK) average for February was 36.75ppl; 0.80ppl up from the January average.

VI Other crop news

- 1 Bee Vectoring Technology of Canada is to introduce into the UK commercially reared bumble bees which can deliver a beneficial fungus which boosts a plants immune system increasing its resilience to botrytis. The active ingredient is delivered while the plants are being pollinated with only one teaspoon per acre required.
- 2 Cambridge University Crop Science Centre has been granted consent to release genetically modified Barley *Hordeum vulgare* plants, based on the cultivar Golden Promise, to investigate the impacts of arbuscular mycorrhizal fungus inoculation on biomass and yield.
- 3 The agricultural price index for February shows increases of 17.8 per cent for wheat, compared to a year earlier, 46.5 per cent for barley, 32.1 per cent for oats, 17.8 per cent for potatoes, 58.1 per cent for oilseed rape and 42.7 per cent for fresh fruit but there were falls of 50.9 per cent for forage plants and 5.4 per cent for fresh vegetables. Compared to January there were increases of 0.7 per cent for wheat, 6.3 per cent for barley, 0.1 per cent for oats, 0.5 per cent for oilseed rape and 0.3 per cent for fresh fruit but there were falls of 0.6 per cent for forage plants and 1.4 per cent for fresh vegetables.
- 4 Application has been made to trial genetically-edited *Camelina* to determine the composition of its seeds for oil, protein and carbohydrate.
- 5 The Rothamsted Insect Survey has recorded the first peach-potato aphid catches of 2022 while the British Beet Research Organisation has reported that green wingless aphids are increasingly being found in crops which have not been treated with thiamethoxam.
- 6 Harryetha KWS, Annatina KWS, BTS3610, Morgan, Stewart, Tawny, Adder, Button and BTS Smart 9485 have been added to the sugar beet Recommended and Descriptive Lists for 2023.
- 7 Norfolk-based Global Plant Genetics, an intellectual property business which protects and licences strawberry, raspberry, blueberry, blackberry, asparagus, grape and nut varieties, has won the Queen's Award for Enterprise: International Trade 2022.
- 8 Scientists at the University of Aberdeen have joined forces with The Data Lab and Angus Soft Fruits Ltd to build an artificial intelligence system to forecast soft fruit harvests.
- 9 An indoor farming test facility at Wageningen University & Research in the Netherlands has produced a crop of sweet peppers, in a vertical farm, having produced tomatoes by that method in 2021.

VII Other livestock news

- 1 During March, UK prime cattle slaughterings fell by 0.6 per cent, compared to a year earlier, to 175,000 head; beef and veal production rose by 1.5 per cent to 80,000 tonnes, sheep slaughterings rose by 11 per cent to 1,023,000 head; mutton and lamb production rose by 12 per cent to 25,000 tonnes; pig slaughterings rose by 0.2 per cent to 1,057,000 head; and pigmeat production rose by 5.2 per cent to 102,000 tonnes.
- 2 The agricultural price index for February shows increases of 11.7 per cent for cattle and calves, compared to a year earlier, 2 per cent for poultry and 19.7 per cent for milk but there were falls of 1.1 per cent for pigs, 1.4 per cent for sheep and lambs and 0.9 per cent for eggs. Compared to January there were increases of 3.4 per cent for cattle and calves, 0.3 per cent for poultry and 1.2 per cent for milk but falls of 0.3 per cent for pigs and 2 per cent for sheep and lambs.

- 3 GB milk deliveries fell by 1.5 per cent, compared to 2020/21, to 12.36 billion litres. The forecast for 2022/23 is a further fall of 0.9 per cent to 12.25 billion litres.
- 4 Barber's has increased the price of a standard manufacturing litre by 2.07ppl to 39.62ppl.
- 5 Having reached a peak of \$5,065 on 1 March, the Overall Price on the Global Dairy Trade platform has fallen back to \$4,855 at the auction on 19 April.
- 6 Meadow Foods has increased the price of a standard litre by 4.5ppl to 41ppl.
- 7 Global milk production in 2022 is forecast to be flat following a 0.8 per cent increase in 2021.
- 8 First Milk has increased the price of a standard manufacturing litre by 2.3ppl to 40.05ppl.
- 9 Arla is to introduce a scheme to reward those farmers who produce finer grass for their dairy cows and as a result reduce methane emissions.
- 10 Muller has increased the price paid to its Muller Advantage farmers by 1.5ppl to 41.5ppl.
- 11 Average butterfat content in March was unchanged at 4.26 per cent but was up 0.2 per cent on a year earlier. Average protein content was also unchanged at 3.34 per cent and was 0.4 per cent higher than a year ago.
- 12 Arla has increased its price by 3.58ppl taking a standard manufacturing litre to 43.30ppl and an organic litre to 49.58ppl.
- 13 The latest AHDB quarterly cost of production estimate for pigs shows an increase in full economic cost of production to 193p/kg deadweight resulting in a negative margin of £39 per head.
- 14 The Large White Pig, also known as the Yorkshire Pig, has been placed in the Rare Breeds Survival Trust 'highest priority' category. The number of licensed boars has fallen from 16,751 in 1954 to just 66 in 2021.
- 15 Mandatory housing measures for poultry and captive birds to protect against avian influenza were lifted on 2 May.
- 16 In the first quarter of 2022, 7.6 million cases of eggs were packed in UK egg packing stations, 3.2 per cent down on a year ago and 1.3 per cent down on the December quarter. The average farm-gate egg price was 83.9p, 3.6 per cent down on a year ago and 4.3 per cent down on the December quarter. The production of egg products was 18,000 tonnes, 0.5 per cent down on a year ago and 4 per cent down on the December quarter.
- 17 During April, HPAI H5N1 avian influenza has been confirmed in commercial mixed poultry premises in Devon, Somerset and Suffolk, in a commercial fattening duck premises in Cambridgeshire and in a backyard flock of mixed species in Devon.
- 18 During March, UK commercial layer chick placings fell by 11 per cent compared to a year earlier, to 2.7 million chicks; broiler chick placings rose by 6.1 per cent to 103.3 million chicks; turkey chick placings fell by 13 per cent to 900,000 chicks; turkey slaughterings fell by 2.8 per cent to 90.5 million birds; and UK poultry meat production rose by 7 per cent to 157,400 tonnes.

VIII Inputs/Supply businesses

- 1 Under the Official Controls (Plant Protection Products) Regulations 2020, all users of professional plant protection products must notify Defra by 22 June. The information will be held by the Health and Safety Executive which will be conducting inspections.

- 2 Trial data from N2 Applied, a European agricultural technology business, has reported that dairy slurry material produced by an N2 unit has outperformed the yield characteristics of ammonium nitrate-based fertilizers. Air and electricity perform a plasma conversion which locks in methane and ammonia to the liquid waste material producing a sustainable fertilizer.
- 3 The agricultural price index for February shows increases of 3.7 per cent for seeds, compared to a year earlier, 29.3 per cent for energy and lubricants, 93 per cent for fertilizers, 10.3 per cent for chemicals, 0.8 per cent for veterinary services, 10 per cent for animal feedingstuffs, 6.5 per cent for equipment maintenance and 20.2 per cent for buildings maintenance. Compared to January, there were increases of 1.6 per cent for energy and lubricants, 0.8 per cent for animal feedingstuffs, 1.2 per cent for equipment maintenance and 1.2 per cent for buildings maintenance but there were falls of 0.4 per cent for fertilizers and 0.4 per cent for veterinary services.
- 4 Ascra, produced by Bayer, has received approval for one application per season on winter and spring barley crops to counter rhynchosporium, net blotch and ramularia. It has also been granted approval by the Maltsters' Association of Great Britain.
- 5 Reports have surfaced of early levels of mildew and crown rust in winter oats as well as septoria leaf blotch.
- 6 The Health and Safety Executive has authorised the use of Certis' Spruzit on kale, collard and oriental cabbage to control mealy cabbage aphid, peach-potato aphid, small white butterfly, diamond-back moth, silver-Y moth and whitefly.

IX Marketing

- 1 The US Department of Agriculture has forecast global pork production to rise by 3 per cent in 2022, mainly due to an increase of 7 per cent in production in China. Global trade in pork is forecast to fall by 4 per cent to 11.7 million tonnes with Chinese imports expected to fall by 19 per cent and those of the Philippines by 18 per cent. Global beef production is forecast to rise by 1 per cent with rises of 12 per cent in Australia and 4 per cent in Brazil but a fall of 3 per cent in Canada. Global beef trade is expected to rise by 3 per cent with increased demand from East Asian markets. Global chicken production and global trade are both expected to remain unchanged.
- 2 Chile has given approval to 27 pork processing sites across all four devolved nations to start commercial exports.
- 3 Exports of pigmeat, excluding offal, rose by 9 per cent in February, compared to a year earlier, to 19,800 tonnes. Exports to the EU tripled, year-on-year, to 11,200 tonnes while volumes to China fell by 61 per cent to 4,200 tonnes. Exports of offal were 5 per cent down on a year ago at 11,000 tonnes. Imports of pigmeat, at 71,700 tonnes, were lower than in January but up 41 per cent on a year ago.
- 4 Exports of beef to Japan in January totalled 334 tonnes, up from 24 tonnes a year earlier, with a value of £1.78 millions, 20 per cent of the total value of exports to Japan in 2021. Exports only started in 2019 but Japan imported 585,000 tonnes of beef in 2021.
- 5 During February, imports of sheep meat rose by 66 per cent, compared to a year earlier, to 4,700 tonnes with most of the increase, 1,100 tonnes, coming from Ireland. Exports totalled 6,300 tonnes, up 37 per cent year-on-year.
- 6 UK exports of red meat in 2021 rose by £33 millions to £1.45 billions.
- 7 Scotland's Regional Food Fund, which aims to support the food and drink sector's recovery from the coronavirus pandemic, closes for applications on 9 May.

X Miscellaneous

- 1 The Government has published a technical consultation which, if implemented, will prevent local authorities from charging for the disposal of household waste, including construction materials. It has also called for evidence on the waste disposal booking system. The proposals are designed to combat the increase in fly-tipping.
- 2 The Glue Traps (Offences) Act, which bans the use of inhumane glue traps, and the Animals (Penalty Notices) Act, under which people who fail to properly look after animals in their care can be fined up to £5,000, have both received Royal Assent.
- 3 Average life expectancy in the period 2018-20 in England was highest in Mainly Rural areas where people are expected to live 2½ years longer than those in Urban with Minor Conurbation areas. Average life expectancy was 79.3 years for men and 83.1 years for women.
- 4 WCG has launched a new BSc Hons Agri-Tech degree course, based at Pershore College, which will focus on the future of sustainable food production in horticulture.
- 5 In 2020/21, there were 8.6 dwelling completions per 1,000 households in Predominantly Rural areas compared to 5.3 dwelling completions in Predominantly Urban areas.
- 6 The EIT Food Trust report, conducted in 18 European countries, found that 75 per cent of UK consumers trusted UK farmers compared to a European average of 67 per cent.
- 7 In 2020, there were 263,000 dwellings classed as second homes in England with 37 per cent in Predominantly Rural areas and 53 per cent in Predominantly Urban areas. In Predominantly Rural areas 1.8 per cent of dwellings are classed as second homes compared to 0.9 per cent in Predominantly Urban areas and 0.9 per cent in Urban with Significant Rural areas. In Predominantly Rural and coastal areas the figure increases to 3 per cent. The main areas are North Norfolk at 9.8 per cent, South Lakeland, Cumbria at 7.3 per cent, South Hams, Devon at 8.3 per cent and Cornwall 5.1 per cent.
- 8 Open Farm Sunday will take place on 12 June.
- 9 Lord Plumb, former president of the NFU and the European Parliament, founder of the Henry Plumb Foundation and Warwickshire farmer, has died aged 97.

Postscripts

The English Language!

We'll begin with a box, and the plural is boxes,
 But the plural of ox should be oxen, not oxes.
 Then one fowl is a goose, but two are called geese,
 Yet the plural of moose should never be meese,
 You may find a lone mouse or a whole nest of mice,
 But the plural of house is houses, not hice.

If the plural of man is always called men,
 Why shouldn't the plural for pan be called pen?
 The cow in the plural may be cows or kine,
 But a bow if repeated is never called bine,
 And the plural of vow is vows, never vine.

If I speak of a foot and you show me your feet,
 And I give you a boot would a pair be called beet?
 If one is a tooth, and a whole set are teeth,
 Why shouldn't the plural of booth be called beeth?

If the singular's this and the plural is these,
 Should the plural of kiss ever be nicknamed keese?
 Then one may be that and three would be those,
 Yet hat in plural would never be hose,
 And the plural of cat is cats, not cose.

We speak of a brother, and also of brethren,
 But though we say mother, we never say methren,
 Then the masculine pronouns are he, his and him,
 But imagine the feminine she, shis and shim,

So the English, I think, you all will agree,
 Is the queerest language you ever did see.

Monthly Farming Update

Like a good scout, be prepared!

If you are a sole trader or a member of a partnership, then read on. The taxation of such entities is about to undergo a fundamental change.

With effect from 2024/25, taxable profits must be aligned to the tax year. If the year end is 31 March, this will have no effect, even though the date is a few days adrift of 5 April. If any other accounting date is involved, either the year end will need to be changed to 31 March or annual estimates will come into play.

For example, profits for the year ended 31 March 2025 will be taxed in 2024/25. But where the accounting date is 30 September 2025, 50 per cent of those profits plus 50 per cent of the profits for the year ended 30 September 2025 will be taxed in 2024/25. As the results for the year ended 30 September 2025, may not be accurately known by the Tax Return filing date of 31 January 2025, the profits will need to be estimated. It may then be necessary to file a corrective Tax Return when the final results are known.

To get from the existing to the new system, 2023/4 will be a transitional year. Taking again a 30 September year end as an example, at present the profits for the year ended 30 September 2022 are taxed in 2022/23. The profits to be taxed in 2023/24 will be those arising in the year to 30 September 2023 PLUS 50 per cent of those arising in the year to 30 September 2024. In other words, 18 months profits will be taxed in a 12-month period. Ouch!

Two reliefs will be available to mitigate the effects of the potentially extra tax charge.

Firstly, those individuals/businesses which have a year end other than 31 March are likely to be carrying unused Overlap Relief. This relief will be available for use in 2023/24 and will then cease to exist.

Secondly, any extra profits taxed in 2023/24, over and above the normal 12 months' worth, can be spread over a period of 5 years, starting with 2023/24.

This will be a major upheaval to the tax system and will involve considerable thought. Should the year end be changed to 31 March or should estimates be used? What is the likely tax effect of the transitional year?

Time to start planning!

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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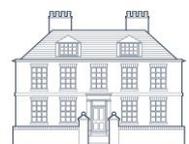
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