



CHAVEREYS

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MONTHLY FARMING UPDATE

September 2020



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I Policy issues

- 1 The Government has set up a farming trade advisory group which will join 10 other groups and the Trade and Agriculture Commission to advise Ministers on negotiations with Japan, the US, Australia and New Zealand.

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

- 1 The Third Woodland Carbon Guarantee auction has opened for applications. £10 millions is available, out of a total fund of £50 millions, to enable farmers and land managers to create new woodlands. The previous auction facilitated the planting of 1,517 hectares of trees. Applications should be made by 11 October.
- 2 The Welsh Government has introduced the 2020 Basic Payment Support Scheme which will provide a loan of up to 90 per cent of an anticipated BPS claim.

III Grants/regulations/legislation/environment

- 1 Following the publication of an independent review aimed at reducing the risk of surface water flooding across England, the Government has announced it is to accept the principal recommendations. These include supporting local authorities in understanding the expert advice on all sources of flood risk; reviewing statutory powers to ensure proper inspection and maintenance of privately owned flood assets; providing guidance to local authorities investigating flooding; ensuring a long-term approach to maintain the network of flood defences; assessing whether updating the non-statutory technical standards for sustainable drainage systems could help provide for multi-functional benefit sustainable drainage systems; and ensuring guidance is available to lead local authorities on maintaining a register of structures which have an effect on flood risk.
- 2 Five schemes, led by various research institutes, have been awarded grants of up to £100,000 each to detect TB in cattle. Projects include machine learning for improved interpretation of the bTB skin test; rapid and increased sensitivity test to determine bTB status; mass spectrometry profiling of non-invasive cattle samples to accurately detect bTB at an early infection stage; mid-infrared spectroscopy of milk samples as a rapid and non-invasive tool for monitoring the bTB status in a herd; and identifying novel diagnostics antigens to underpin a future test for Detecting Infected amongst Vaccinated Animals.
- 3 Provisional estimates have been published of 2019 soil nutrient balances in the UK. The nitrogen balance is estimated to be a surplus of 84kg/ha of managed agricultural land, down by 10 per cent on 2018, while the phosphorus balance is a surplus of 5.4kg/ha, down by 23 per cent on 2018.
- 4 The Scottish Government has awarded a total of £5 millions to 30 food and drink businesses to invest in infrastructure, purchase new equipment and upgrade or replace facilities.
- 5 Cornwall, Buckinghamshire, Greater Manchester, Northumberland and Cumbria have been selected to set up 'Local Nature Recovery Strategies' pilot studies to map the most valuable sites and habitats for wildlife in their area and identify where nature can be restored.
- 6 The Welsh Government has introduced the Forest Industry Recovery Scheme providing £1.55 millions to enterprises involved in the sustainable harvesting of trees in Wales. A key aim of the scheme is to improve the capacity of tree nurseries to supply trees.

- 7 The South East Local Enterprise Partnership has awarded £1.68 millions to provide infrastructure, services and high-tech plant growing facilities at The East Malling Advanced Technology Horticultural Zone.

IV Other matters of farm finance and tenure

- 1 The Agricultural (Retained EU Law and Data) (Scotland) Bill has passed Stage 3 in the Scottish Parliament. The Bill enables Scottish Ministers to continue the Common Agricultural Policy beyond 2020.
- 2 A survey carried out by the Tenant Farmers' Association has found that almost one-third of tenants have struggled to pay rent during the pandemic.
- 3 In 2018/19 there were 550,000 businesses registered in rural areas representing 23 per cent of all businesses in England. Rural businesses employed 3.6 million people, 13 per cent of all those employed. Agriculture, forestry and fishing accounted for 15.1 per cent of all rural businesses.
- 4 The Agricultural Price Index for June for outputs rose by 3.3 per cent, compared to a year earlier, and by 1.3 per cent compared to May. The index for inputs fell by 2.8 per cent and 0.7 per cent respectively.

V Product prices

A Market background

- 1 The volatility of Sterling exchange rates, against the Dollar and Euro, reduced this month with Sterling closing marginally up in both cases. With an opening position against the Euro of 90.0p per €, Sterling's weakest point (90.6p) was mid-month, whilst its strongest (89.1p) was shortly before it closed the month at 89.6p per € (0.4p stronger overall). Against the US Dollar, Sterling opened at 76.4p per \$ and, despite dropping to 77.0p and spending most of the month at a very similar level, a late improvement saw it closing at a peak of 74.9p per \$ (1.5p stronger). Crude oil prices remained changeable, trending marginally upwards, but the movements in price were small. The Brent Crude oil price, from a starting position of \$43.30 per barrel, climbed to a peak of \$45.86 and dropped back to \$44.35 before closing the month at \$45.81 per barrel (up \$2.51).

B Crops

- 1 Cereal prices fell back in the early part of the month before recovery led to an overall improvement. With the Northern Hemisphere harvest largely complete (with yields and quality generally below the five year average), market focus has moved towards expectations from Southern Hemisphere crops; however, Argentina in particular is already struggling from dry soil and ground frosts. A global surplus remains on the cards with the International Grains Council revising its overall global yield predictions up by the same 5 million tonnes in reduced it by last month. LIFFE feed wheat futures fell back for the first half of the month but bounced back in the latter half. By late August prices had improved marginally in the short term and materially in the long term, whilst medium term levels closed where they started the month; deliveries for November 2020, 2021 and 2022 were £169/tonne (+3), £152/tonne (-) and £146/tonne (+9) respectively. Oilseed rape prices fell in the early part of the month but recovered as time passed, closing marginally down overall as a result of the battle between positive crude oil price movements, stronger Sterling, low EU yields and good anticipated Australian and Canadian yields. Pulse pea and bean prices continued to weaken as 2020 crops came to the marketplace.

Average spot prices in late August (per tonne ex-farm): feed wheat £162 (+3); milling wheat £186 (+2); feed barley £123 (+1); oilseed rape £329 (-1); feed peas £187 (-8); feed beans £195 (-8).

- 2 The average potato price for 2020 crop dropped materially this month, with the free-buy price dropping further still. Being early in the season, the market was (and is) still finding its feet but all indicators point towards a low price year as demand remains suppressed by CV19, despite the relaxation of restrictions and the 'eat out to help out' effect. Harvest of early maincrop is now underway with favourable conditions interspersed with delays from localised heavy rainfall. Reports of above average yields continue, to add downward pressure on prices. By late August the average potato price had dropped £39 below its opening position of £206 per tonne, to close at £167 per tonne (£3 below the August 2019 closing average). The free-buy average opened at £207 per tonne but dropped back heavily to close the month 51 per cent down at £101 per tonne (£42 below the August 2019 close). The 2020 main crop continues to develop well in general as harvest approaches but localised storms have added complications for some.

For 2020 crop; prices for grade I packing, in late August (per tonne ex-farm): Maris Piper were trading at between £110 and £150; reds were moving at approximately £180 (small sample numbers); whilst white varieties were ranging from £60 up to £130.

C Livestock

- 1 Cattle prices, after July's favourable movements, were generally negative this month. The average finished steer price, from an opening position of 203p/kg lw, held static for the first two weeks but dropped back for the remainder to close at 198p/kg lw (down 5p and sitting 24p above the closing average a year earlier). The average finished heifer price quickly reversed the jump seen at the end of July, then followed a similar trend to steers; from an opening position of 219p/kg lw, the average dropped to 210p/kg early on, then fell back to a close of 206p/kg over the remainder of the month (down 13p to sit 16p above the price a year earlier). The average dairy cow price stayed volatile; starting at £1,384, it dropped to £1,297 and peaked back at £1,359 before dropping further to close the month at £1,189 (a fall of £195, to sit £11 above the closing average a year earlier).
- 2 The average finished lamb price (SQQ live weight) fell by more than 10 per cent in total this month; from an opening position of 224p/kg lw, the fall was linear throughout the month closing at an average of 201p/kg lw (down 23p but still sitting 25p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) fell back this month, after what has been almost a full year of upward movement. Opening at 168.5p/kg dw, the average relaxed marginally in the first half of the month to 168.0p/kg but fell further in the latter half to close at 166.3p/kg (down 2.2p to sit 10.6p/kg above the closing average a year earlier).
- 4 The UK average 'all milk' price for June, published in August, was reported as 27.15ppl, a gain of 0.47ppl above the May average (0.84ppl below the average in June 2019 and 0.19ppl below the rolling 5 year average of 27.38ppl). The initial estimate for the UK average 'all milk' price for July is 27.56ppl (a further improvement of 0.31ppl). In the rankings against the 'EU28' farmgate milk price for June, published in August, the UK ranked 25th against a stronger EU28 (ex UK) weighted average of 30.15ppl.

VI Other crop news

- 1 Details of provisional arable crop areas at 1 June have been published. The English wheat area is estimated to be 1.27 million hectares, 24 per cent down on a year earlier and the lowest since the 1970's; the barley area has increased by 26 per cent to 1.05 million hectares, the largest area since 1990; winter barley fell by 35 per cent to 253,000 hectares while spring barley increased by 79 per cent to 795,000 hectares; and the oats area increased by 19 per cent to 170,000 hectares. The area of winter oilseed rape fell by 32 per cent to 331,000 hectares. The largest fall in the wheat area was 36 per cent in the North West while 49 per cent of all wheat was grown in the Eastern and East Midlands regions.
- 2 2020 harvest results for AHDB Recommended List winter wheat trials have recorded average yields of 9.29t/ha, down on the five-year average of 10.87t/ha. The control varieties are Skyfall, KWS Siskin, KWS Barrel, Elaton and Gleam.
- 3 The 2020 harvest average treated yield of the five control AHDB barley varieties is 9.1t/ha, 0.67t/ha below the five-year average of 9.77t/ha.
- 4 British Sugar and the NFU have published the sugar beet contract for 2021. The contract introduces a Virus Yellow's crop assurance fund to compensate growers for a proportion of yield losses where Virus Yellow's is present in the crop. The contract will also include a futures-linked variable price which growers can access.
- 5 The Agricultural Price Index for June shows increases of 2.5 per cent for wheat, compared to a year earlier, 2.7 per cent for oilseed rape, 21 per cent for forage plants, 7.6 per cent for fresh vegetables and 32.4 per cent for fresh fruit. However, there were falls of 13.5 per cent for barley, 19.1 per cent for oats and 6.5 per cent for potatoes. Compared to May there were increases of 3.4 per cent for wheat, 2.6 per cent for oats, 1.3 per cent for oilseed rape, 7.3 per cent for forage plants and 9 per cent for fresh vegetables but falls of 1.1 per cent for barley, 0.4 per cent for potatoes and 50.4 per cent for fresh fruit.

VII Other livestock news

- 1 The Animal and Plant Health Agency is expecting use of a polymerase chain reaction test to be available early next year. The test can identify bTB in post-mortem tissue samples producing results within seven days rather than the usual two months.
- 2 The number of new herd bovine TB incidents in the rolling year to May fell by 10 per cent, compared to a year earlier, with falls of 9 per cent in the High risk area, 12 per cent in the Edge area and 21 per cent in the Low risk area. There was a fall of 17 per cent in Wales but a rise of 32 per cent in Scotland. The number of herds not officially TB free fell by 15 per cent in England with falls of 14 per cent in the High risk area, 13 per cent in the Edge area and 33 per cent in the Low risk area. There was a fall of 11 per cent in Wales but a rise of 25 per cent in Scotland.
- 3 During July, UK prime cattle slaughterings rose by 9.6 per cent, compared to a year earlier, to 177,000; beef and veal production rose by 9 per cent to 80,000 tonnes; sheep slaughterings rose by 17 per cent to 1,273,000; mutton and lamb production rose by 14 per cent to 29,000 tonnes; pig slaughterings rose by 6.3 per cent to 964,000; and pigmeat production rose by 9.2 per cent to 86,000 tonnes.

- 4 The Agricultural Price Index for June shows increases of 7.1 per cent for cattle and calves, compared to a year earlier, 10 per cent for pigs, 6 per cent for sheep and lambs and 8.3 per cent for eggs. However, there were falls of 1.1 per cent for poultry and 3.5 per cent for milk. Compared to May there were rises of 2.8 per cent for cattle and calves, 0.2 per cent for pigs, 1 per cent for poultry and 1.7 per cent for milk but a fall of 7.6 per cent for sheep and lambs.
- 5 In the period January to May, the EU produced 2.7 million tonnes of beef, down 5 per cent on the same period a year earlier. The largest contributor to the fall was Italy, down 16 per cent. Exports fell by 4 per cent while imports fell by 21 per cent.
- 6 As at the end of June, the GB milking herd totalled 1.68 million dairy cows, down 2.9 per cent on the previous year. However, youngstock numbers rose by 0.4 per cent, the first increase since 2016.
- 7 First Milk has increased its price by 0.5ppl taking the standard litre price to 27.25ppl and its manufacturing litre price to 28.15ppl.
- 8 Compared to a year earlier, average butterfat in July rose by 0.7 per cent to 3.99 per cent while average protein fell by 0.6 per cent to 3.28 per cent.
- 9 EU pig slaughterings fell by 8 per cent in May, compared to a year earlier, contributing to a fall of 3 per cent in the first five months of the year.
- 10 Statistics Denmark has reported that, at the end of June, pig numbers had risen by 5 per cent compared to a year earlier.
- 11 Poland has reported a further 19 outbreaks of African Swine Fever in domestic pigs, two of which are close to the German border. Latvia has reported two outbreaks in large domestic pig units while Lithuania has reported an outbreak in a small unit. Russia has reported the largest monthly increase, four-fold in July.
- 12 The re-emergence of Bluetongue virus BTV-4 has been reported in North Macedonia. In addition the disease has spread south into Greece.
- 13 In July, UK commercial layer chick placings rose by 39 per cent, compared to a year earlier, to 4.4 million chicks; broiler chick placings rose by 0.7 per cent to 104.1 million chicks; turkey chick placings fell by 6.1 per cent to 2.1 million chicks; turkey slaughterings rose by 30 per cent to 1.3 million birds; broiler slaughterings fell by 4.3 per cent to 96 million birds; and total poultry meat production fell by 6.4 per cent to 171,500 tonnes.
- 14 Spain has reported its first case this year of West Nile Virus in horses with 16 outbreaks. Portugal has reported 4 horses as being infected, Italy has reported cases too while the virus has been found in birds in Germany.

VIII Inputs/Supply businesses

- 1 Fargro has introduced Taegro, a micro-organism-based fungicide for the control of foliar diseases on protected crops and grapevines.
- 2 Emergency authorisation has been granted to Spotlight Plus, a desiccant to be used for linseed seed production but not for main crop linseed.
- 3 The Agricultural Price Index for June shows increases of 0.6 per cent for seeds, compared to a year earlier, 13.3 per cent for chemicals and 2.8 per cent for vehicle maintenance. However, there were falls of 22.4 per cent for energy and lubricants, 16.1 per cent for fertilizers, 1.7 per cent for veterinary services, 1.9 per cent for animal feedingstuffs and 0.7 per cent for building maintenance. Compared to May there was an increase of 1 per cent for energy and lubricants but falls of 5.8 per cent for fertilizers, 0.6 per cent for animal feedingstuffs and 0.1 per cent for vehicle maintenance.

IX Marketing

- 1 Imports of potatoes in the 2019/20 season fell by 33 per cent year-on-year and by 10 per cent from the 3-year average to 1.03 million tonnes.
- 2 Beef imports fell by 4 per cent in June while exports fell by 7 per cent but, year-on-year, while imports fell by 11 per cent, exports rose by 1 per cent.
- 3 Love Lamb Week runs from 1 to 7 September.
- 4 Exports of sheep meat in June grew 3 per cent, year-on-year, while imports fell 16 per cent. Despite the June increase, exports in the year to date are down 13 per cent.
- 5 Exports of pig meat in June rose 6 per cent, year-on-year, with imports down 3 per cent. In the year to date, exports are up 2 per cent while imports are down 13 per cent.
- 6 EU pork exports in June rose by 43 per cent compared to a year earlier with an increase of 114 per cent to China.

X Miscellaneous

- 1 In 2018, the mid-tier population estimate for England was 56 millions of which 9.5 millions lived in rural areas, up from 9.1 millions in 2011. The peak age group is 50 to 54 with 8 per cent of the rural population. Those over 65 comprise 24.8 per cent of the rural population compared to only 16.8 per cent of the urban population. The average age of the rural population was 45.5 years compared to 40.1 years for England as a whole.
- 2 In 2019/20, the rate of violence against the person was 23.1 per 1,000 population in predominantly rural areas compared to 30.4 in predominantly urban areas. In mainly rural areas, the rate of robbery offences was 0.2 per 1,000 population, the rate of domestic burglary offences was 4.7 and the rate of vehicle offences was 2.9. Urban areas with major conurbations had the highest rate of robbery offences at 2.7 and the highest rate of vehicle offences at 10.4 while urban areas with minor conurbations had the highest rate of domestic burglary offences at 15.7.

Postscripts

Covid-19 test

A new and easy test for COVID-19 is doing the rounds.

Take a glass and pour a decent dram of your favourite whisky (or gin or rum), then see if you can smell it.

If you can then you are halfway there. Then drink it and if you can taste it then it is reasonable to assume you are currently free of the virus.

I tested myself nine times last night and was virus-free every time, thank goodness.

I will have to test myself again today though, as I have developed a headache, which can also be one of the symptoms.

Monthly Farming Update

Now is the season of speculation!

Rishi Sunak is somewhat short of funds. One of the most common utterances at the moment is “well, someone’s got to pay for it.” And so the rumour mongers come out of the woodwork.

Interestingly, HM Revenue & Customs has just published some statistics on Capital Gains Tax for 2018/19. In that year, 276,000 taxpayers achieved chargeable gains totalling £62.8 billions. But the tax take was only £9.5 billions, an average rate of 15 per cent.

Of the total tax take, 40 per cent came from those who made gains in excess of £5 millions and these taxpayers represented only 1 per cent of those who paid the tax. Further, 42 per cent of gains were achieved by only 13 per cent of those liable for the tax. So 36,000 people achieved average gains in the year of £735,000.

Entrepreneurs’ Relief was claimed by 46,000 taxpayers on gains totalling £27.7 billions resulting in a tax take of only £2.7 billions!

Is the government going to find it politically acceptable, in the current climate, that such a small proportion of the population can benefit from such vast sums and yet make so little a contribution in tax?

After all, Income Tax and NIC are payable at rates totalling 42 per cent by individuals working throughout the year and earning over £50,000.

So, for once, the speculation is likely to have some substance.

Reverting to Capital Gains Tax being at rates on a par with Income Tax, as was the case some years ago, would seem to be on the cards along with a swathe of other tax-raising measures where there is perceived to be inequity.

Will any changes be effective from the date of the Autumn Budget or from the start of the next tax year? It is anyone’s guess but, either way, there is not much time in which to take remedial action.

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

Ben Wilkinson

Chavereys
2 Jubilee Way
Faversham
Kent
ME13 8GD

Tel: 01795 594495
Fax: 01795 594499

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 Glead

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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