



CHAVEREYS

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MONTHLY FARMING UPDATE

December 2020



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I Policy issues

- 1 The Government has published the 'Path to Sustainable Farming' document. (See last page).
- 2 The Government has announced a Ten Point Plan to 'kick-start the nation's green recovery'. In 2021 a formal process will begin leading to the designation of new National Parks and Areas of Outstanding Natural Beauty. A further £40 millions will be committed to the Green Recovery Challenge Fund to create and retain jobs in areas such as tree planting, environmental education and the restoration of damaged habitats.
- 3 The Agricultural Bill has been passed into law.

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

- 1 Defra has announced that farmers in receipt of Basic Payment of up to £30,000 per year will face a cut of 50 per cent by 2024, those receiving up to £50,000 per year will lose 55 per cent, receipts of up to £150,000 per year will be cut by 65 per cent and those in excess of £150,000 per year will lose 70 per cent. The cuts will start to take effect in 2021.
- 2 Defra has decided not to make a Financial Discipline deduction in 2020 resulting in a small increase in the Basic Payment.
- 3 The Rural Payments Agency has published the results of breaches of cross-compliance in 2013. The most common breaches were failure to meet the conditions of any permit issued by the Environment Agency; failure to obtain a relevant permit; incomplete records in nitrate vulnerable zones; applying organic manure too close to watercourses and insufficient slurry storage; inadequate livestock movement records; lack of animal tagging; not complying with the conditions of approved use of chemicals; inadequate welfare of youngstock; and an incomplete Soil Protection Review.

III Grants/regulations/legislation/environment

- 1 Natural England has launched the Nature Recovery Network Delivery Partnership. Representatives of over 600 organisations have come together to restore protected sites and landscapes and provide over 500,000 hectares of new wildlife-rich habitat across England. Participants include the Council for Sustainable Business, Wildlife and Countryside Link, National Parks England, the RSPB and the Country Land and Business Association.
- 2 A 9-month Sustainable Agriculture Collaboration has been launched by the Sustainable Food Trust, Linking Environment and Farming and Hummingbird Technologies with funding from the Sustainable Innovation Fund. The project aims to change the way farmers report on and measure sustainability and automate data collection.
- 3 The Scottish Government is to introduce a system of licensing for grouse shooting to tackle raptor persecution. In addition, muirburn will be licensed and there will be a ban on peatland burning except for habitat restoration projects.
- 4 The Welsh Government has announced the first 14 sites which will form part of the Welsh National Forest.
- 5 Over 50 projects led by community and volunteer groups, councils and individuals have been awarded a share of the £10 million Urban Tree Challenge Fund following the second round of applications. The award will result in the planting of 84,000 trees in towns and cities in England.

- 6 Defra and the Welsh Government have published the Healthy Bees Plan 2030. The plan proposes outcomes which include effective biosecurity and good standards of husbandry to minimise pest and disease risks; enhanced skills and production capability of beekeepers; sound science and evidence to support bee health; and increased knowledge exchange on bee health and pollinator needs.
- 7 The Scottish Government has announced plans to commission a Scottish Centre of Enterprise in Biodiversity.
- 8 The Welsh Government has launched the National Peatlands Action Programme.
- 9 Following the discovery of large amounts of contaminated agricultural plastic waste being seized before export, the Environment Agency has warned that farmers face enforcement action if their waste management processes are non-compliant.
- 10 Applications have opened for grants of between £5,000-£100,000 to enable small organisations as well as more established groups playing a role in accelerating a green recovery as part of the Welsh Government's Green Recovery Taskforce.
- 11 Following on from the creation of the Suckler Beef Climate Group, the Arable Sector Climate Group has been formed in Scotland to provide information on how to cut emissions and tackle climate change.
- 12 Compared to 1970, in 2019 the all-species bird index in England was down by 6 per cent; the farmland bird index was down 42 per cent; the woodland bird index was down 27 per cent; the water and wetland bird index was up 1 per cent; and the seabird index was up 76 per cent. In the case of farmland birds, the majority of the decline occurred in the late 1970s and early 1980s, there has been a fall of only 6 per cent between 2013 and 2018. Numbers of turtle dove, tree sparrow, grey partridge, corn bunting and starling have declined by over 80 per cent but numbers of stock dove and goldfinch have more than doubled. In the past 5 years numbers of turtle dove, grey partridge and yellowhammer have continued to decline. Generalist farmland birds have fared somewhat better than specialists. Numbers of woodpigeon and jackdaw have more than doubled since 1970 but yellow wagtail and greenfinch have both fallen by over 60 per cent.

IV Other matters of farm finance and tenure

- 1 The Government has announced an extension until 1 January 2022 of the temporary £1 million limit to the Annual Investment Allowance.
- 2 The Government has announced that overseas seasonal poultry workers will be able to work during their 14-day quarantine period but they will still be required to isolate from the general public. They must form 'cohorts' whereby they live and work with a select group of the same workers during their stay.
- 3 The latest UK Forest Market Report reveals an increase of 39 per cent in forestry values, from £11,749 per hectare in 2019 to £15,962 per hectare.
- 4 The Agricultural Price Index for outputs for September increased by 10.2 per cent while the index for inputs only increased by 1.4 per cent, in both cases compared to a year earlier. Compared to August, the index for outputs increased by 3.1 per cent while the index for inputs increased by 0.8 per cent.

V Product prices

A Market background

- 1 Sterling exchange rates improved against the Dollar and Euro again this month, with moderate levels of volatility, more so against the Euro. From an opening position against the Euro of 89.9p per €, Sterling fell to 90.6p early on, followed shortly afterwards by a peak of 88.7p; a similar cycle occurred later in the month before settling at a late November close of 89.7p per € (0.2p up overall).

Against the US Dollar the gain was more linear: Sterling opened at 77.2p per \$ and gained strength throughout the month to close at 74.9p per \$ (2.3p stronger overall). Crude oil prices showed material improvements throughout the month, with a minor dip early on that was soon recovered. The Brent Crude oil price, from a starting position of \$37.46 per barrel, improved to a late month peak of \$48.53, before closing the month marginally back at \$48.18 per barrel (up \$10.72).

B Crops

- 1 Cereal prices held up well and improved further this month, benefiting from the same two main factors as last month: world weather and export demand, in spite of Sterling's relative strength. Dry conditions in South America, with reduced prospects of rain arriving at this point in the season, have pushed down expectations, whilst the increased Asian demand for EU wheat (particularly from France) is also buoying prices. Milling premiums are back to exceeding £20/tonne. LIFFE feed wheat futures made small gains overall this month, having been higher earlier in the month. By late November, deliveries for November 2021 and 2022 were £159/tonne (+2) and £155/tonne (+1) respectively. Oilseed rape prices continued to benefit from high soya demand, the globally low oilseed output this season and the high global demand for vegetable oil. The rising crude oil price has underpinned the positive movement. Pulse pea and bean prices followed the general uplift in protein crop prices.

Average spot prices in late November (per tonne ex-farm): feed wheat £186 (+4); milling wheat £206 (+5); feed barley £141 (+5); oilseed rape £355 (+14); feed peas £201 (+4); feed beans £209 (+4).

- 2 The average potato price for 2020 crop improved this month despite the second lockdown; the operation of takeaway food services throughout the period was a material driver of this. Buyers' appetites remain small, with many operating close to 'just in time' to minimise exposure to a further, more onerous, lockdown; as a result, the free-buy price has tracked relatively low by comparison. Those with crop still in the ground have been held back by wet weather and now face pest damage, rot and disease issues with the remaining tonnage. By late November the average potato price had bounced back from its opening position of £132/tonne, peaking mid-month at £160/tonne, before relaxing to a closing average of £147/tonne (£15 above last month but £15 below the November 2019 closing average). The free-buy average opened at £104/tonne and, having peaked mid-month at £115 and fallen back again, it closed the month £1 higher at £105/tonne (£57 below the November 2019 close). 2020 crop prices for grade I packing, in late November (per tonne ex-farm): Maris Piper had improved materially to between £140 and £240; King Edwards had increased significantly to between £175 and £250; Reds had improved at the lower end to between £155 and £200; whilst white varieties were marginally stronger at between £70 and £140.

C Livestock

- 1 Cattle prices were less volatile this month, as the market settled into the second, marginally less stringent, lockdown. The average finished steer price, from an opening position of 193p/kg lw, rose to 198p/kg early on, dropped back to 197p/kg but gained again to a closing average of 199p/kg lw (up 6p overall to sit 18p above the closing average a year earlier). The average finished heifer price movements were again different from those of steers; holding the opening position of 208p/kg lw for the first week before improving, first to 210p/kg, then to 213p/kg where it closed the month (up 5p to sit 19p above the price a year earlier). The average dairy cow price, opening at £1,247 per head, rose to £1,329 before dropping back to £1,292, where it held before a late surge saw the average hit a closing peak of £1,532 (a material improvement of £285, to sit £566 above the closing average a year earlier).
- 2 The average finished lamb price (SQQ live weight) remained volatile this month, albeit with an underlying positive trend. The average rose sharply at the start of the month, from the opening position of 196p/kg lw to 207p/kg then, after holding static for the middle of the month, jumped a further 6p in the final week to a closing average of 213p/kg lw (up 17p to sit 27p/kg above the average a year earlier).
- 3 The average UK all pig price (APP) continued the declining trend this month. Opening at 161.5p/kg dw, the average fell throughout the month to a close of 158.7p/kg (down 2.8p to sit 1.5p/kg below the closing average a year earlier).
- 4 The UK average 'all milk' price for September, reported this month, showed further improvement, to 28.96ppl; a gain of 1.04ppl (sitting 0.25ppl below the average in September 2019 but 1.37ppl above the rolling 5-year average of 27.59ppl). In the rankings against the 'EU28 (ex UK)' farmgate milk price for August, published in early November, the UK retained its ranking of 21st against a static EU28 (ex UK) weighted average of 30.66ppl.

VI Other crop news

- 1 Defra has provisionally set the UK 2020 wheat crop at 10.1 million tonnes and, allowing for imports and opening stocks, the total availability is estimated to be 14.8 million tonnes, down 23 per cent on 2019. Domestic usage is forecast to fall by 8 per cent to 13.4 million tonnes with reduced demand from bioethanol, starch and animal feed. The balance of supply and demand is estimated to be down 3 million tonnes at 1.3 million tonnes which is less than the operating stock requirement of processors of 1.5 million tonnes.
- 2 Results of the AHDB Early Bird Survey indicate that the 2020/21 UK wheat area is likely to increase by 28.3 per cent to 1.815 million hectares; the winter barley area will increase by 24 per cent to 394,000 hectares; the oilseed rape area will fall by 18.1 per cent to 318,000 hectares, the lowest this century; the oats area will increase by 3.6 per cent to 219,000 hectares; the spring barley area will fall by 30 per cent to 767,000 hectares; and the area left fallow will fall by 29.9 per cent to 277,000 hectares.
- 3 Simpsons Malt, a malting and merchanting business based in Berwick-upon-Tweed and Norfolk, has acquired WNL Lindsay which operates from three sites in Scotland. The combination will create by far the largest malting barley merchant in the UK.

- 4 The Agricultural Price Index for September shows increases of 35.2 per cent for wheat, compared to the previous year, 12.9 per cent for barley, 15.2 per cent for oats, 4 per cent for oilseed rape, 73.9 per cent for forage plants, 16.1 per cent for fresh vegetables and 27.5 per cent for fresh fruit but there was a fall of 0.7 per cent for potatoes. Compared to August, there were increases of 7.6 per cent for wheat, 5.3 per cent for barley, 4 per cent for oilseed rape, 26.3 per cent for forage plants, 16 per cent for fresh vegetables and 28.5 per cent for fresh fruit but falls of 0.3 per cent for oats and 17.9 per cent for potatoes.
- 5 Agronomists are reporting a surge in damage in crops caused by frit fly where planting after a crop of spring oats. The problem is usually caused where planting after grass.
- 6 The first estimate of the 2020 GB potato crop is 5.3 million tonnes with the average net yield at 46.2 tonnes per hectare, around the 5-year average. Despite a reduced cropping area of 2.3 per cent, production is estimated to be up 2.8 per cent.
- 7 Scottish Agronomy has suggested that sowing wildflowers into potato crops could reduce aphid-carried viruses as an alternative to insecticides.
- 8 Jazz has been named the UK's tastiest apple for four years in a row and in six of the last eight years at the National Fruit Show.

VII Other livestock news

- 1 The UK-Veterinary Antibiotic Resistance and Sales Surveillance annual report has revealed that, while sales of antibiotics increased by 1.5mg/kg to 31mg/kg compared to the previous year, there was a reduction in the use of the more potent critical antibiotics. Antibiotic use in 2019 was the second lowest since reporting commenced and is one of the lowest levels in Europe.
- 2 New Bluetongue virus BTV-8 outbreaks have been reported in north-west France, Spain and Switzerland. The French case is a matter of 230 miles from England.
- 3 The US Department of Agriculture has forecast that global beef production will rise by 2 per cent in 2021 to 61.5 million tonnes. Increases of 4 per cent are expected for Brazil, 1 per cent for the US and 2 per cent for China but production in the EU and the UK is forecast to fall by 1 per cent. Exports from Brazil are forecast to increase by 5 per cent and by 6 per cent from the US.
- 4 In 2019, the UK was 86 per cent self-sufficient in beef, up 6 per cent on the previous year. Total production was 914,500 tonnes compared to consumption of 1.1 million tonnes. With exports at 163,000 tonnes, imports of 315,000 tonnes were required.
- 5 During October, UK prime cattle slaughterings fell by 7.3 per cent, compared to a year earlier, to 173,000; beef and veal production fell by 6.6 per cent to 81,000 tonnes; sheep slaughterings fell by 4.9 per cent to 1,236,000; mutton and lamb production fell by 7 per cent to 27,000 tonnes; pig slaughterings fell by 2.1 per cent to 981,000; but pigmeat production rose by 1.2 per cent to 90,000 tonnes.
- 6 In the year to August, the number of new herd bovine TB incidents in England fell by 8 per cent, compared to a year earlier, with falls of 7 per cent in the High risk area, 7 per cent in the Edge area and 27 per cent in the Low risk area. There was a fall of 10 per cent in Wales but a rise of 6 per cent in Scotland. The number of herds not officially TB-free in England fell by 11 per cent with falls of 12 per cent in the High risk area and 36 per cent in the Low risk area. There were falls of 15 per cent in Scotland and 10 per cent in Wales.

- 7 Dale Farm has offered its farmer members a three year fixed price milk contract valued at 26ppl from April to September and 29ppl from October to March. The agreement will involve a fixed supply of milk and will involve a base butterfat content of 3.85 per cent and a base protein content of 3.18 per cent.
- 8 Average butterfat in October was 4.28 per cent, up 3.2 per cent on September and 1 per cent on a year earlier. Average protein was 3.44 per cent, up 1.5 per cent on September but unchanged compared to a year earlier.
- 9 The Agricultural Price Index for September shows increases of 14.1 per cent for cattle and calves, compared to the previous year, 3 per cent for pigs, 21.4 per cent for sheep and lambs, 0.1 per cent for poultry and 10 per cent for eggs but a fall of 1.5 per cent for milk. Compared to August, there were increases of 0.9 per cent for poultry and 3.2 per cent for milk but falls of 0.7 per cent for cattle and calves, 2.3 per cent for pigs and 0.3 per cent for sheep and lambs.
- 10 In 2019, the UK was 109 per cent self-sufficient in lamb, up by 10 per cent on 2018, as a result of an increase in production but a fall in consumption.
- 11 The US Department of Agriculture has forecast an increase of 4 per cent in global pork production in 2021 to 102 million tonnes. Brazil is expected to increase exports by 4 per cent but EU and UK exports are forecast to fall by 3 per cent.
- 12 Statistics Denmark has reported a 6 per cent increase in the Danish pig breeding herd to 13.36 millions over the past year with a 9 per cent increase in maiden gilts.
- 13 At the beginning of November, an outbreak of low pathogenicity avian influenza LPAI H5N2 was confirmed on a small mixed poultry farm near Deal, in Kent. This was followed by an outbreak of the highly pathogenic version, HPAI H5N8, in a broiler-breeder rearer farm in Cheshire resulting in 13,500 birds being culled. HPAI H5N8 was then reported in five geese found dead in Gloucestershire. By the middle of the month, further outbreaks were reported in black swans in Devon and Canada geese in Dorset and in a broiler breeder unit in Herefordshire. There have since been outbreaks in poultry and captive birds at a theme park in Leicestershire, at a wetland reserve in Gloucestershire, in wild geese in Lincolnshire and in a nature reserve in Lancashire. To finish the month, 10,500 turkeys have been culled at a farm in Yorkshire.
- 14 During October, UK commercial layer chick placings rose by 18 per cent, compared to a year earlier, to 4.5 million chicks; broiler chick placings fell by 1.5 per cent to 102.1 million chicks; turkey chick placings rose by 8.7 per cent to 1.3 million chicks; turkey slaughterings fell by 64 per cent to 600,000 birds; broiler slaughterings fell by 0.2 per cent to 103 million birds; and total poultry meat production fell by 4 per cent to 181,390 tonnes.

VIII Inputs/Supply businesses

- 1 The Government has launched a consultation process on the reduction of ammonia emissions from solid urea fertilizers. The consultation has presented the options of a total ban on solid urea fertilizer, a requirement to stabilise solid urea fertilizers with the additional of a urease inhibitor which slows the conversion of urea to ammonium, and a restriction on the spreading of solid urea fertilizers between 15 January and 31 March.
- 2 The sugar beet industry has applied for emergency authorisation of Cruiser SB (thiamethoxam) as a neonicotinoid seed treatment for 2021.
- 3 Severn Trent Water Authority is offering to dispose of unwanted pesticides from farmers in its priority catchment areas at no cost until 16 December.

- 4 The Agricultural Price Index for September shows increases of 1.8 per cent for seeds, compared to a year earlier, 15.7 per cent for chemicals, 0.1 per cent for veterinary services, 7.6 per cent for animal feedingstuffs, 4.3 per cent for vehicle maintenance and 0.4 per cent for building maintenance but falls of 14.7 per cent for energy and lubricants and 11.9 per cent for fertilizers. Compared to August, there were increases of 0.5 per cent for energy and lubricants, 1.1 per cent for fertilizers, 0.4 per cent for chemicals, 2 per cent for animal feedingstuffs and 0.6 per cent for vehicle maintenance but a fall of 0.1 per cent for building maintenance.

IX Marketing

- 1 Figures from Kantar show that grocery sales rose by 9.4 per cent in the 12 weeks to 4 October but growth was 10.6 per cent in weeks 9-12.
- 2 The Scottish Government has developed a plan with the food and drink industry to stimulate demand for produce in key markets. The parties will jointly contribute £5 millions towards the plan.
- 3 UK exports of beef in September were unchanged from August at 13,700 tonnes but were down 5,500 tonnes on the same period in 2019. The main falls were in shipments to the Netherlands and to Ireland. Imports rose by 5 per cent, compared to August, to 26,200 tonnes and are up 12 per cent on a year earlier. The main increase was an additional 2,400 tonnes imported from Ireland.
- 4 Imports of beef into China rose by 40 per cent to 1.57 million tonnes in the year to September. Brazil's market share increased from 22 per cent to 40 per cent while Ireland achieved an export increase of 56 per cent.
- 5 Exports of UK sheep meat fell by 22 per cent in September compared to a year earlier, with exports to France down by 23 per cent, Germany by 27 per cent and Ireland 31 per cent, but prices were up by 29 per cent. In the year to date, exports are down by 9 per cent at 62,800 tonnes but the overall value of exports is up by 10 per cent. Imports in September rose by 41 per cent to 4,000 tonnes but imports in the year to date are down by 7 per cent to 45,600 tonnes.
- 6 Morrisons has asked its branded suppliers to reduce the amount of plastic used in product packaging, shelf display packaging as well as in transportation materials.
- 7 Global sheep meat exports to East Asia in the period January to September fell by 6 per cent to 361,100 tonnes. China was the main reason for the fall with imports down 5 per cent.
- 8 UK dairy exports in the quarter to September fell by 15 per cent on the same period in 2019 to 295,000 tonnes resulting in a fall in the year to date of 12 per cent.
- 9 Scottish Brand Footprint 2020, published by Kantar WorldPanel, has revealed that Graham's The Family Dairy has overtaken Irn Bru as the leading Scottish food brand.
- 10 In the year to September, UK pig meat exports increased by 4 per cent to 289,000 tonnes while imports fell by 12 per cent to 605,000 tonnes.
- 11 Exmoor Blue Cheese has been granted Protected Geographical Indication status.
- 12 The following products are currently receiving consideration under the EU protected food name scheme: Sussex wine; watercress; Broighter gold rapeseed oil; Iveagh rapeseed oil; Dundee cake; Forfar Bridies; Scottish Wild Venison; Cambrian Mountains lamb; and Gower Salt Marsh lamb.

X Miscellaneous

- 1 Sir Nicholas Soames has been appointed President of the South of England Agricultural Society.

Postscripts

1. When one door closes and another door opens, you are probably in prison.
2. To me, “drink responsibly” means don’t spill it.
3. Age 60 might be the new 40, but 9.00pm is the new midnight.
4. It’s the start of a brand new day, and I’m off like a herd of turtles.
5. The older I get, the earlier it gets late.
6. When I say, “The other day,” I could be referring to any time between yesterday and 15 years ago.
7. I remember being able to get up without making sound effects.
8. I had my patience tested. I’m negative.
9. Remember, if you lose a sock in the dryer, it comes back as a Tupperware lid that doesn’t fit any of your containers.
10. If you’re sitting in public and a stranger takes the seat next to you, just stare straight ahead and say, “Did you bring the money?”

Monthly Farming Update

Path to Sustainable Farming

The Government has published the 'Path to Sustainable Farming' document setting out changes which will come into force over the next seven years in England. By 2028, 'farmers can sustainably produce healthy food profitably without subsidy, whilst taking steps to improve the environment, improve animal health and welfare and reduce carbon emissions.'

Principal changes are:

- Introduction of the Environmental Land Management Scheme.
- Improving animal health and welfare, initially focusing on controlling or eradicating endemic diseases amongst cattle, pigs and sheep.
- Reducing Direct Payments with effect from 2021.
- Launching a Farming Investment Fund to provide grants for equipment, technology and infrastructure.
- Simplifying existing schemes and designing a more targeted regulatory system.

A farming resilience programme is to be introduced to cover the first three years of the agricultural transition period to assist those farmers most affected by the phasing out of Direct Payments.

A statutory instrument is to be laid before Parliament this week to cover the simplification of cross-compliance rules and the abolition of the greening requirement for 2021.

Environmental Land Management will consist of:

- Sustainable Farming Incentive to support approaches to farm husbandry which benefit the environment
- Local Nature Recovery to create, manage or restore habitats, flood management and species management
- Landscape Recovery such as woodland creation, peatland restoration and the creation or restoration of coastal habitats

The Farming Investment Fund will comprise the Farming Equipment Technology Fund, providing small grants towards the cost of equipment, and the Farming Transformation Fund, providing larger grants towards the cost of equipment, technology or infrastructure.

We welcome feedback on the MFU.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

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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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