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MONTHLY FARMING UPDATE

April 2019

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I Policy issues

1 The Government has announced that, under a no-deal Brexit, most imports into the UK, including almost all fruit and vegetables, would be tariff free. Tariffs would be zero on 87 per cent of imports by value, up from 80 per cent at present.

2 The US Government has published its negotiating objectives for a future UK – US trade deal. They include the lowering or elimination of agricultural tariffs, the adoption 'international standards' on products such as hormone-treated beef and the removal of 'unjustified trade restrictions' that affect technologies such as genetic modification or gene editing.

3 Defra has published a Bilateral Agreement between the UK and Welsh Governments on how provisions in the Agriculture Bill which relate to the World Trade Organisation Agreement on Agriculture will operate.

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

1 Are we in or are we out?

III Grants/regulations/legislation/environment

1 During 2017 there was an increase of 7.5 per cent in the direct abstraction of water from non-tidal surface water and groundwater in England following increases over the past 4 years of between 3 per cent and 7.5 per cent.

2 The Agreement on International Trapping Standards has come into force across England, Wales and Scotland. It is designed to improve the welfare of fur-bearing animals trapped for their pelts as well as for conservation and pest control purposes. It sets out clearly-defined minimum trap humaneness standards and trap testing procedures.

3 Under the Wildlife and Countryside Act 1981, with effect from 28 March, a licence will be required to trap otters, badgers, beavers and pine martens.

4 The UK recycling rate for waste from households was 45.7 per cent in 2017, up from 45.2 per cent in 2016. The rate was 45.2 per cent in England, 46.3 per cent in Northern Ireland, 57.6 per cent in Wales and 43.5 per cent in Scotland. Biodegradable municipal waste fell from 7.8 million tonnes to 7.4 million tonnes. Of UK packaging waste, 70.2 per cent was recycled, down from 71.4 per cent in 2016.

5 The Glastir Woodland and Restoration schemes opened for bids on 1 April. The schemes are aimed at combating climate change, improving water management and maintaining and enhancing biodiversity.

6 The Forestry Commission is making available £4 millions for the creation of new native woodland of between one and 25 hectares within 25 miles of the HS2 phase one route from London to the West Midlands.

7 The Welsh Government has made available £240,000 to assist farmers affected by the 2018 drought.

8 The Irish-based meat processing company Kepak has been awarded a Food Processing, Marketing and Co-operation grant of £1.6 millions to upgrade its factory in Aberdeenshire.

9 Natural England has granted Langdon Ridge, near Basildon, Site of Special Scientific Interest status.

IV Other matters of farm finance and tenure

1 The second estimate of Total Factor Productivity of the UK agriculture industry for 2017 has been published. Overall productivity is estimated to have increased by 2.8 per cent with an increase in outputs of 3.4 per cent and an increase in inputs of 0.6 per cent.

2 Latest figures have been published in respect of farm rents in England. In 2017, the average rent for AHA agreements was £170 per hectare, 6 per cent down on 2016 but in the North West the fall was 29 per cent to £93 per hectare and on less favoured area grazing livestock farms the fall was 18 per cent to £56 per hectare. For FBT agreements, there was a 4 per cent increase in the average to £227 per hectare; in the Yorkshire and Humber and North East regions there were falls of 22 per cent and 11 per cent respectively; in the East Midlands and East of England regions there were increases of 14 per cent and 17 per cent respectively; average rents for general cropping farms increased by 18 per cent to £331 per hectare; and average rents for lowland grazing livestock farms increased by 13 per cent to £177 per hectare.

3 In 2017/18 Scottish farm business income rose by 19 per cent to £35,400, the highest in 6 years. The increase in the income of dairy farms was the highest taking the average to £73,100. However, without subsidy, 60 per cent of farms reported a loss.

4 The number of farms in England has fallen by 20 per cent since 2005 to 132,400. Only farms greater than 200 hectares increased, by 8.2 per cent.

5 The total area of rented land in England under AHA tenancies in 2017 fell by 0.7 per cent to 1.396 million hectares but there was an increase of 10 per cent in the area used for general cropping to 197,000 hectares. The total area under FBT tenancies rose by 1.3 per cent to 1.208 million hectares, again the main increase was in land used for general cropping.

6 The Agricultural Price Index for January records a fall of 0.6 per cent in outputs compared to December but an increase of 4.7 per cent compared to a year earlier. The index for inputs shows a fall of 0.4 per cent compared to December but an increase of 6.6 per cent compared to a year earlier.

V Product prices

A Market background

1 As the Brexit fiasco continued throughout March, Sterling remained unexpectedly flat against the Euro but with a healthy degree of volatility. Opening at 85.7p per €, Sterling weakened to 87.0p and peaked at a 23-month high of 84.8p but eventually closed slightly weaker at 86.1p per €. Meanwhile, against the US Dollar, the performance of Sterling was poorer. From an opening rate of 75.4p per $, the Pound weakened to a low of 77.1p and peaked at 75.1p before losing strength again to close at 76.7p per $. Brent Crude oil prices remained volatile this month, but did not lose ground overall. From an opening position of $66.97, the average price dropped early on to $65.79, climbed to $68.31 but eventually closed, still marginally up, at $67.58 per barrel.

B Crops

1 The movement on average wheat prices between last month's close and this month belies the underlying factors in the market. The net weakening of Sterling has bolstered prices, as have concerns of wet weather delaying spring planting in parts of the US, however, the same rain has in turn reduced concerns over the lack of moisture for the growing winter crop. LIFFE feed wheat futures were less volatile on a daily basis but fell gently throughout the month in the longer term, with prices in the shorter term also falling but recovering in the latter stages. In late March, deliveries for November 2019 and 2020 stood at £148/tonne (+2) and £148/tonne (-) respectively. Oilseed prices have followed the relative strength of Sterling, dropping in the month but closing on a positive note, ending up back where they started; the effect of the Chinese ban on Canadian Canola is yet to be quantified but is thought to be a longer-term issue. Pulse pea and bean prices fell back as the market settled after the bullish gains of recent months.

Average spot prices in late March (per tonne ex-farm): feed wheat £163 (+1); milling wheat £179 (-); feed barley £132 (-4); oilseed rape £299 (-); feed peas £211 (-10); feed beans £246 (-4).

2 The average potato price continues to hold its ground as the season progresses without any signs of material movement. The status quo continues, in that contracted supplies to the packing and chipping trades are the predominant element, meanwhile the spot free-buy market is quiet, as is the bag trade. Export demand has reduced week on week, suggesting that the high demand in previous months was as a result of countries trying to cover off the period of disruption during Brexit. Meanwhile, general trade was slower this month as many growers have been more concerned with getting the 2019 crop established. The average potato price gained £5 early on in the month to peak just below £202 per tonne, fell back to £192 but closed the month at £193 per tonne (£3 down and £36 above the late March 2018 close). The free-buy average was again more volatile: From an opening position of £246 per tonne it dropped to £214 recovered partially to close the month at £222 per tonne (£24 down, to sit £120 above the average in late March 2018).

2018 crop prices for grade 1 in late March (per tonne ex-farm): Salad varieties, in very limited numbers, were moving at £420; Maris Piper had reduced at the lower end to between £260 and £400; King Edwards had dropped back by over 30 per cent to between £230 and £250; Estima and other white varieties remained steady at between £200 and £320, whilst red skin varieties (Mozart and Desiree) had relaxed at the top end to between £200 and £250, with Desiree at the lower end of the range.

C Livestock

1 Cattle prices have been volatile with an underlying weakening trend this month. The average finished steer price dropped back from its opening position of 184p/kg lw to 181p over the course of the month but an improvement in the final stages led to a closing average of 182p/kg lw (2p down in the month and 14p/kg below the closing average a year earlier). The average finished heifer price by comparison moved further in both directions; dropping from its opening average of 196p/kg lw to a low of 193p/kg and climbing to 197p/kg before dropping back again to close at 195p/kg lw (1p down in the month and 9p below the price a year earlier). The average dairy cow price dropped marginally from its opening position of £1,009 per head to £983 early on, before jumping to £1,246 and relaxing to £1,223 per head mid-month, where it remained and closed the month (£214 up and £37 above the average a year earlier).

2 Lamb prices were more buoyant in March, after February's losses. The average new season finished lamb price (SQQ live weight), after a 1p reduction in the first week, rose from an opening position of 192p/kg lw to close the month at its peak of 201p/kg lw (9p up to sit 32p/kg below the average a year earlier).

3 The average UK all pig price (APP) was, for a second month, volatile with little net price movement; opening at 143.8p/kg dw, the average dropped to 142.2p, rose to 143.0p and eventually closed up at 142.8p/kg (down 1.0p to sit 5.5p/kg below the closing average a year earlier).

4 The UK average 'all milk' price for January, published in March, reported a reduction of 0.55p resulting in an average of 29.86ppl (0.50ppl below the average in January 2018 and 2.26ppl above the rolling 5 year average of 27.60ppl). In the ranking against the 'EU28' farmgate milk price for January, the UK held steady at 18th against an improved EU28 weighted average of 31.96ppl (down 0.91ppl in the month).

VI Other crop news

1 The Sainsbury Laboratory in Norwich has applied to conduct trials of genetically modified potatoes to increase resistance to Phytophthora infestans and potato cyst nematodes and to enhance tuber quality.

2 AHDB estimates show that potato stocks stand at 1.84 million tonnes, 13 per cent down on the 5-year average and 24 per cent down on the same time in 2018.

3 The Agricultural Price Index for January records an increase of 2.1 per cent in the output of crop products, compared to December, with increases of 3 per cent in wheat; 0.1 per cent in barley; 1.3 per cent in potatoes; 0.1 per cent in oilseed rape; 5.1 per cent in vegetables and 22.3 per cent in fruit. However, there was a fall of 2.8 per cent in oats.

4 The AHDB Aphid News service has reported that aphids will start to fly two weeks earlier than average in view of the mild weather.

5 A new show, Viti-Culture, will take place on 11 July at Plumpton College.

VII Other livestock news

1 As at 1 December 2018, there were 9.61 million cattle in the UK, down 1.8 per cent on a year earlier; the breeding herd was also down 1.8 per cent as were youngstock but male cattle were down 22.6 per cent. As at 1 June 2018 the sheep flock was down 3 per cent at 33.78 millions with the breeding flock down 2.3 per cent and youngstock down 4.1 per cent. As at 1 December the pig herd was down 0.2 per cent at 502,000 with the breeding herd down 0.4 per cent and fattening pigs down 1.2 per cent; and the poultry flock was up 3.6 per cent at 188.4 millions with the laying flock up 0.9 per cent and the broiler flock up by 5.4 per cent.

2 A single complaint from an anonymous dog walker has resulted in the Health and Safety Executive banning a herd of Highland cattle from grazing Baslow Edge, in the Peak District, which it has done for over 40 years.

3 Germany has reported further outbreaks of Bluetongue virus BTV-8 in the south-west of the country with some cases encroaching on the borders with Luxembourg, Belgium and the Netherlands. Belgium has reported four outbreaks in the Luxembourg region having been declared BTV-8 free in 2012.

4 In 2018, 641 badgers were vaccinated against bovine TB in England, 221 in the High risk area and 420 in the Edge area.

5 In the year to December the number of new herd bovine TB incidents in England fell by 6 per cent with a fall of 9 per cent in the High risk area but rises of 9 per cent and 3 per cent in the Edge and Low risk areas respectively. There were falls of 6 per cent in Wales and 14 per cent in Scotland. The number of cases where TB free status had been withdrawn fell by 13 per cent in England with falls of 14 per cent in the High risk area, 2 per cent in the Edge area and 32 per cent in the Low risk area. There were also falls of 6 per cent in Wales and 47 per cent in Scotland.

6 Defra has reported that badgers in Cumbria infected with bovine TB have the same genotype of the disease as cattle in the area. It is thought the strain emanated from an infected bull imported from Northern Ireland.

7 In February, UK prime cattle slaughterings rose by 3.3 per cent, compared to a year earlier, to 161,000; beef and veal production rose by 4.2 per cent to 76,000 tonnes; sheep slaughterings fell by 6.7 per cent to 907,000; mutton and lamb production rose by 0.2 per cent to 22,000 tonnes; pig slaughterings fell by 3.9 per cent to 834,000; and pigmeat production fell by 2.8 per cent to 74,000 tonnes.

8 Outbreaks of foot-and-mouth disease have been reported in Algeria, Morocco and Tunisia.

9 In February, UK dairies processed 1,102 litre of milk, 0.3 per cent up on the rolling average to January but 7.9 per cent down on January itself. Liquid milk production fell by 7 per cent to 535 million litres, cheese production fell by 11 per cent to 35,300 tonnes, butter production fell by 10 per cent to 13,500 tonnes while milk powder production rose by 8.5 per cent to 7,700 tonnes.

10 First Milk has increased the liquid standard litre price by 0.25ppl to 27.75 ppl and the manufacturing standard litre price to 28.68ppl.

11 In February, average butterfat fell by 1.6 per cent, compared to a year earlier, and by 0.2 per cent, compared to January, to 4.1 per cent. Average protein rose by 0.4 per cent to 3.34 per cent.

12 Meadow Foods has reduced its standard A litre price by 0.75ppl to 26.75ppl.

13 Defra has reversed its decision to use a fixed cut-off date of 30 June to age lambs instead of checking teeth claiming it could affect the UK's ability to regain EU third country status.

14 In the past 3 months outbreaks of African Swine Fever in Europe have been restricted to 61 cases in Romania, mainly in backyard domestic pigs, 7 cases in Ukraine and 1 case in Poland. Most new cases concern wild boar but there have been no significant geographical movements.

15 The Agricultural Price Index for January records a fall in the output of animals and animal products of 1.2 per compared to December. There were falls of 0.1 per cent in cattle, 2.4 per cent in pigs, 0.7 per cent in poultry and 2.3 per cent in eggs. However, there was an increase of 1.7 per cent in sheep and lambs. There was an increase of 0.1 per cent in both feeding stuffs and veterinary services.

16 New outbreaks of Classical swine fever have been reported in domestic pigs in Japan.

17 In February, UK commercial layer chick placings fell by 5.5 per cent, compared to a year earlier, to 3 million chicks; broiler chick placings fell by 8.1 per cent to 80.2 million chicks; turkey chick placings fell by 7.5 per cent to 900,000 chicks; turkey slaughterings fell by 20 per cent to 800,000 birds; broiler slaughterings fell by 3.3 per cent to 81.2 million birds; and total poultry meat production fell by 0.2 per cent to 145,260 tonnes.

VIII Inputs/Supply businesses

1 The Agricultural Price Index for January shows a fall in the cost of energy and lubricants of 3.7 per cent compared to December and a fall of 2.4 per cent in the cost of fertilizer. However, there were increases of 0.8 per cent in chemicals and 0.1 per cent in vehicle and property maintenance costs.

IX Marketing

1 The Chief Plant Health Officer for Scotland has advised growers that the EU has a blanket ban on the importation of seed potatoes from anywhere in the world with the exception of Switzerland.

2 Protected Geographical Status has been awarded to Cornish clotted cream.

3 The US Department for Agriculture and The US Meat Export Federation have reported beef exports of 1.35 million tonnes in 2018, up 7 per cent to the highest level ever.

4 Protected Geographical Status has been awarded to Welsh Lamb.

5 The 'Mission 4 Milk' campaign has been launched by a Cheshire farmer to persuade the public of the health benefits of milk.

6 The Gower Salt Marsh Lamb Group has applied for Protected Geographical Status.

7 The Welsh Government is to invest £22 millions into the marketing of Welsh food and drink.

X Miscellaneous

1 The results of the Seasonal Labour in Horticulture Survey 2018 for England have been published. Horticulture farms requiring seasonal labour ranged from 36 per cent in quarter 1 to 25 per cent in quarter 4; the average shortfall ranged from 4 per cent in October and November to 12 per cent in January and March; and those respondents who had a shortfall ranged from 7 person days in November to 51 person days in July.

2 In 2017/18, farms in England spent £1.98 billions on new and used machinery or £1.52 billions net of sales but, adjusting for inflation, there has been little change since 2009/10. The average gross expenditure was £36,200 or £27,900 net of sales. The average expenditure on tractors was £57,700.

3 Average broadband speeds in 2018 in rural areas were 34 Mbit/s compared with 53 Mbit/s in urban areas; 7 per cent of premises in rural areas were not able to access a service delivering a download speed of at least 10 Mbit/s and upload speed of at least 1 Mbit/s compared to 1 per cent of premises in urban areas; and superfast broadband is available for 83 per cent of premises in rural areas compared to 98 per cent of premises in urban areas.

4 Red Tractor has launched the Farmed With Care Line to facilitate the disclosure of poor practices in the assurance chain.

5 Sir David Naish, former NFU President, has died age 78.

6 George Eustace has resigned as farming minister and has been replaced by Robert Goodwill.

Postscripts

Q: Name the four seasons.
A: Salt, pepper, mustard and vinegar.

Q: Explain one of the processes by which water can be made safe to drink.
A: Flirtation makes water safe to drink because it removes large pollutants like grit, sand, dead sheep and canoeists.

Q: How is dew formed?
A: The sun shines down on the leaves and makes them perspire.

Q: What is a planet?
A: A body of earth surrounded by sky.

Q: What causes the tides in the oceans?
A: The tides are a fight between the Earth and the Moon. All water tends to flow towards the moon, because there is no water on the moon, and nature abhors a vacuum. I forget where the sun joins in this fight.

Q: What happens to your body as you age?
A: When you get old, so do your bowels and you get intercontinental.

Q; Name a major disease associated with cigarettes.
A: Premature death.

Q: How can you delay milk turning sour?
A: Keep it in the cow.

Q: How are the main parts of the body categorized? (e.g. abdomen)
A: The body is consisted into three parts - the brainium, the borax and the abdominal cavity. The branium contains the brain, the borax contains the heart and lungs, and the abdominal cavity contains the five bowels, A,E,I,O and U.

Q: What is the Fibula?
A: A small lie.

Q: What does "varicose" mean?
A: Nearby.

Q: What is the most common form of birth control?
A: Most people prevent contraception by wearing a condominium.

Q: Give the meaning of the term "Caesarean Section."
A: The caesarean section is a district in Rome.

Q: What is a seizure?
A: A Roman emperor.

Q: What is a terminal illness?
A: When you are sick at the airport.

Q: Give an example of a fungus. What is a characteristic feature?
A: Mushrooms. They always grow in damp places and so they look like umbrellas.

Q: What does the word "benign" mean?
A: Benign is what you will be after you be eight.

Q: What is a turbine?
A: Something an Arab wears on his head.

To be a building or to be plant – that is the question!

Don't get too excited but, for once, a tax case has gone in favour of the taxpayer and, what is more, HM Revenue & Customs has indicated it does not intend to appeal the decision. However, the decision is likely to create massive uncertainty and either will be appealed or will be subject to further case decisions.

Back in 1975, the case of Schofield (Inspector of Taxes) v R & H Hall Ltd ruled that a grain silo was plant for the purpose of capital allowances. But when the Capital Allowances Act was passed in 2001 it included a provision which restricts expenditure on plant from including expenditure on a building. However, the Act specifically included, because of the 1975 case, silos provided for temporary storage.

In the case of May v HMRC (2019) UKFTT32, the appellant had incurred expenditure on the construction of a facility for drying, conditioning and storing his cropped grain until it was sold.

The facility consisted of a steel framed building with a concrete floor designed so that different crops could be stored separately. Each area contained the facility for drying.

It was accepted by both sides that the facility constituted a building but the Tribunal had to decide:

a) whether the facility was a 'silo provided for temporary storage' *and*

b) whether the facility was 'plant and machinery'

HMRC contended the facility was a 'grain storage building', not a silo for temporary storage, and was providing the passive storage of grain. The appellant claimed it was performing the function of drying and cooling grain and keeping it in saleable condition.

HMRC pointed out that, in the 1975 case, the grain was only in store for about 7 days, in this case it was stored for many months and if the temperature control equipment was removed all that would be left would be a building.

The Tribunal decided that the special features in the building rendered it a "silo" within the dictionary definition.

The Tribunal also decided the storage was 'temporary' as there would be frequent movements of grain out and the maximum storage period was probably 10 months.

The Tribunal further decided that the specific design of the building, even to the thickness of the concrete walls, meant that it was essential to the functioning of the whole apparatus and that the whole constituted 'plant'.

This case may be significant if it is allowed to stand, although it should be noted that, as a First-tier Tribunal, it does not create a binding legal precedent. Whilst this does not mean that all buildings used for grain storage will qualify as plant, it would seem that buildings specifically designed for this purpose alone may do so.

It is expect this will not be the last on the matter. In light of the ambiguity, be sure investment decisions are not dependent on this case.

Monthly Farming Update

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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