

Monthly *Farming* *Update*

Chavereys

CHARTERED
ACCOUNTANTS



June 2015

I Policy issues

- 1 Proposals for mandatory country of origin labelling for dairy products have been rejected by the European Commission claiming that voluntary labelling would be more suitable as it would avoid a higher regulatory burden.
- 2 The Government has reappointed Liz Truss, George Eustace and Rory Stewart to the Defra team following the election.
- 3 The European Union has adopted 10 new authorisations of genetically modified organisms for food/feed use and 7 renewals of existing authorisations.

II CAP (etc.) support details/payments

- 1 An NFU survey conducted three weeks prior to the submission deadline has revealed that 10 per cent of those surveyed had still not received Basic Payment Scheme application forms. In addition, 25 per cent who had received forms claimed that data on the pre-populated forms was incorrect. With just over a fortnight remaining, the Rural Payments Agency had only received 30,000 completed forms out of 85,000 issued.
- 2 The Rural Payment Agency has granted an extension to Basic Payment Scheme applicants until 30 September to submit RLE1 maps denoting permanent ineligible features which have not previously been mapped.
- 3 The European Commission has announced a range of simplification measures including: that member states only need to map declared ecological focus areas; flexibility will be allowed over the identification of ecological focus areas; hedges or wooded strips with gaps up to 4 metres will be allowed; a limited buffer between a boundary and ecological focus areas will be allowed; a simpler identification method will be used for some types of permanent grassland in the land parcel identification system; and missing ecological focus areas can be compensated by another area even if the latter has not been declared.
- 4 Scottish and Welsh Rural Development Programmes have been approved by the European Commission.
- 5 The Rural Payments Agency has clarified the position with regard to grass buffer strips in that arable land taken out of production under agri-environment schemes will retain its arable status rather than being treated as permanent grassland.
- 6 The Scottish Government has announced a Less Favoured Area Support Scheme; a Scottish Suckler Beef Support Scheme; an Upland Sheep Support Scheme; an Agri-Environment Climate Scheme; a Knowledge Transfer and Innovation Fund, all part of its Rural Development Programme.

III Grants/regulations/legislation/environment

- 1 A study conducted by Cranfield University has concluded that plans of the Environment Agency to limit each abstraction licence to the average volume used in 2003-2009 will have a disproportionate impact on agriculture.
- 2 Defra has awarded Arun District Council £50,000 to define up to five areas in which Local Development Orders for horticultural businesses would apply enabling premises to expand within size and location limits without prior planning approval.
- 3 US certified organic producers increased by 5 per cent last year to 19,474, 250 per cent higher than in 2002.

IV Other matters of farm finance and tenure

- 1 The 2014 Total Income from Farming figures show that income fell by 4.4 per cent to £5.4 billions. Income per annual work unit fell by 4.4 per cent; “gross value added” rose by 3.2 per cent; income from fresh vegetables fell by 10 per cent to the lowest value since 2010; income from potatoes fell by 29 per cent; and fruit income rose by 1.5 per cent. Fertilizer costs fell by 6.3 per cent but chemical costs rose by 8.6 per cent; energy costs fell by 7 per cent; seed costs fell by 20 per cent. Labour costs remained unchanged from the previous year.
- 2 Defra statistics in respect of 2013/14 show that output fell by £214 millions to £9.23 billions; livestock output rose to £14.26 billions; milk output increased by £331 millions to £4.6 billions; exchange rate movements resulted in subsidies falling £401 millions to £2.9 billions; spring barley generated a negative net margin of £107 per acre; oilseed rape produced a negative net margin of £104 per acre and winter wheat a negative net margin of £47 per acre. Overall cereal farms generated income of £96 per acre.
- 3 The Scottish Government has begun a consultation on the future of the Scottish Agricultural Wages Board. The consultation is seeking views on whether the Board should continue as it does now, be retained as an advisory body or be removed, leaving workers arrangements to be covered by general employment law.
- 4 The Gangmasters Licensing Authority is to conduct a detailed review of labour provided in the production of spring onions.
- 5 The National Institute of Agricultural Botany is to conduct a restructuring programme which is likely to see the loss of up to 20 jobs.
- 6 Forage Aid has been granted charitable status by the Charity Commission.
- 7 BP has sold its 47 per cent stake in bioethanol plant business Vivergo Fuels to Associated British Foods.

V Product prices

A. Crops

- 1 After a further month of weakening UK crop prices, largely hampered by strong Sterling, a modicum of hope was glimpsed as the end of May approached. The more bullish angle was driven by concerns over the high rainfall in the US wheat belt, particularly impacting on Hard Red varieties; this is a u-turn from the concerns over lack of rain seen in previous months. The International Grains Council, in its May report, saw a different view of the market: forecasting a material increase in total grain output which, despite a higher expected consumption, predicts a higher carry-over of stock than before. Milling wheat premiums fell further this month as the market moved to align itself with expectations of the 2015 harvest. Oilseed rape prices saw a small revival, as information from the US suggested that some soya planting may be replaced by maize and that the Canadian canola crop area will be lower than previously expected. The thorn in the UK’s side has been the strength of Sterling, with a minor ‘blip’ early on; Sterling was again approaching a high against the Euro at the month end. Wheat futures were more volatile, with LIFFE feed wheat futures dropping £3 - £5/tonne early in the month before a subsequent improvement, followed by a late relaxation, saw them close static or slightly improved. In late May, deliveries for November 2015 and 2016 stood at £119/tonne (static) and £130/tonne (up £3) respectively, whilst futures for March 2017 also closed £3 up at £130 and May 2017 futures opened the batting at £130/tonne.
Average spot prices in late May (£/tonne ex-farm): feed wheat 107 (static); milling wheat 125 (-7); feed barley 102 (-4); oilseed rape 261 (+7); feed peas 172 (-23); feed beans 187 (-22).

- 2 The potato market remains uninspiring. The GB average price climbed £7 to peak at £137/tonne, before dropping back to £133/tonne where it closed (an improvement of £2 but 17 per cent below the prior year average). The free-buy average showed a greater degree of improvement, often seen at this point in the season, when buyers start to firm up the final months' supplies before the new crop comes to market. From an opening position of £95/tonne, prices improved to close at £104/tonne, £9 up overall but 24 per cent below the average a year earlier. Quality samples were still very much in demand to supplement the predominantly contract-fed market, leading to sizeable premiums on the limited tonnages available. Planting of the 2015 maincrop was broadly completed this month and growth progress to date has been good, albeit a little delayed by cooler temperatures.

2014 crop prices for grade 1 samples in late May: Estima prices had improved at the top end, to between £50 and £170 per tonne; Maris Piper prices were slightly weaker, at between £115 and £250 per tonne; King Edwards saw a small tonnage moved at £230 whilst Desiree, also with small tonnages moving, were weaker at the lower end at between £125 and £200 per tonne.

B. Livestock

- 1 Cattle prices held relatively steady this month. The average steer price, from its opening position of 181p/kg lw dropped to 178p/kg, before recovering again to close back at 181p/kg lw (the same as last month's close and 8p above the average a year earlier). The average heifer price recorded similar movements but lost a penny from its premium in the latter part of the month, ending the month 1p/kg lower overall at 191p/kg lw (6p/kg above the price a year earlier). The average dairy cow price remained suppressed for a further month; dropping as low as £1,090 per head from the opening average of £1,145, before closing at £1,113 (£1,262 at the end of May 2014).
- 2 Reporting of the average finished lamb price (SQQ) shifted from old season to new season this month. The old season average showed signs of improvement, gaining 3p to sit at 179p/kg lw mid-month. By contrast the new season average opened 20p higher at 199p/kg, although this swiftly dropped back, eventually closing at 184p/kg lw (8p up overall) and 59p/kg below the closing average a year earlier.
- 3 The average UK all pig price (APP) spent the month in a state of flux; small movements, both up and down, throughout the month saw the price close broadly where it started. From an opening position of 135.9p/kg lw, the average peaked at 136.5p/kg and dropped to 135.7p/kg before closing at 136.0p/kg; 28.3p/kg below the prior year DAPP comparative.
- 4 The average UK milk price for March (published in early May) demonstrated a sharp price collapse. After the improvement of just below 1ppl in February, the March average was 2.22ppl (8 per cent) lower at 24.99ppl; 8.72ppl below the average price a year earlier (33.71ppl). This combined with the retained strength of Sterling saw the UK dropping within the EU28 rankings by the four places it gained in February; back to 9th.

VI Other crop news

- 1 HGCA has launched a new online tool to help growers compare and choose wheat varieties with location-specific information.
- 2 Syngenta has commissioned the National Institute of Agricultural Botany to investigate the black-grass suppression ability of hybrid barley varieties.
- 3 Latest estimates report potato stocks at the end of March as being 1.3 million tonnes, up 300,000 tonnes on 2014. Production in 2015 is estimated to be up 3 per cent at 5.74 million tonnes.

- 4 The North-Western European Potato Group has estimated the potato area for consumption potatoes to be down by 2.5 per cent to 530,000 hectares. Using the five-year average yield, production should be 25.2 million tonnes, 11.6 per cent down on last year.
- 5 The British Beet Research Organisation has announced four new varieties resistant to beet cyst nematode in its 2016 Descriptive List, BTS 755 from Limagrain; Leesha KWS from KWS; Aurora from SESVanderHave; Tabatha KWS from KWS.
- 6 The British Beet Research Organisation is to conduct new research into real-time field monitoring systems and developing resistance to virus yellows.
- 7 Marks and Spencer is to market a Japanese variety of tomato, Kent Pink Umami, grown in Kent. The variety is pink in colour and tastes both sweet and sour.
- 8 Tesco has introduced Burgundine, a purple and green cross asparagus which can be eaten raw.
- 9 Field trials into growing quinoa have commenced in the Netherlands by Wageningen University & Research.
- 10 The Society of Growers of Top Fruit, Fruit Growers Alliance and Norman Collett are to merge their fruit marketing operations into Avalon Produce Ltd.
- 11 British Summer Fruits has forecast an increase in strawberry production this year to 76,000 tonnes valued at £325 millions, up from £275 millions last year.
- 12 Commercial field trials are to commence on the use of an automated strawberry picker, designed for use on raised bed hydroponic systems and developed by Spanish company Agrobot.
- 13 Angus Soft Fruits and Dutch grower Genson are to jointly develop new varieties of strawberries and raspberries for the European market.
- 14 UK wine production, following the 2014 harvest, reached 47,433 hectolitres or 6.3 million bottles, an increase of 42% over 2013. The UK vineyard area is about 4,900 acres.

VII Other livestock news

- 1 A group involving veterinary and farming organisations has proposed that a new body, Animal Health England, is created to drive delivery of the 25-year bovine TB eradication strategy published in 2014; to establish a TB advisory service; and to improve the cattle health status of the country by tackling non-statutory diseases such as BVD, Johne's disease and infectious bovine rhinotracheitis.
- 2 The Beef Shorthorn Society has reported registrations up 41 per cent in the past 5 years.
- 3 St. Merryn, part of the 2 Sisters group, is to increase the charges for processing a beef animal to £19.20. There will also be an increase of £1.95 for lamb processing.
- 4 Buitelaar Production UK and Sterling Sires has introduced a new Shorthorn beef expansion programme offering guaranteed premium calf prices and subsidised access to top quality stock bulls and high genetic merit semen so as to increase supply to Morrisons' Traditional Beef Scheme.
- 5 The latest Global Dairy Trade auction saw prices fall by 2.2 per cent, the fifth reduction in a row.
- 6 First Milk has created 7 geographical milk pools of which 4 are manufacturing pools and 3 are balancing pools. Prices to farmers will be based on net commercial returns from manufacturing sites and customers. There will also be 70 job losses mainly in head office and support team staff.
- 7 Arla has reduced its standard litre price by 0.84ppl to 24.99ppl.
- 8 Dairy Crest Direct has become the first group to form a dairy producer organisation.

- 9 Research conducted at Schothorst Feed Research in the Netherlands has revealed a substantial improvement in rumen pH, volatile fatty acid production and butterfat yield together with a 3 per cent advantage in fat-corrected milk production rumen function in dairy cows including a rumen conditioner in feed in addition to a yeast.
- 10 Arla has reduced the price paid to direct suppliers by 1.4ppl taking the standard litre price to 22ppl.
- 11 Data collected by Dairy Energy Savings has revealed that the dairy sector has achieved a 15 per cent improvement in energy efficiency since 2008, surpassing a target it had to achieve by 2020.
- 12 The 2015/16 Recommended Grassland and Clover List has published new varieties Caledon, Elyria and Ramore, all intermediate perennial rye-grasses; Glenorm, Hurricane, Cavendish, Youpi, Solas and Timing, all late perennial rye-grasses; and Cazzano, an Italian rye-grass.
- 13 AHDB/Eblex has forecast high supplies of lamb remaining for the rest of 2015.
- 14 The New Zealand sheep flock fell to 29.8 millions in 2014, the first time in 70 years it has fallen below 30 millions.
- 15 The British Wool Marketing Board has forecast wool prices remaining largely static.

VIII Inputs/Supply businesses

- 1 Defra's pesticide advisory body is reported to be considering an emergency use application to allow farmers to use neonicotinoid seed treatments in oilseed rape this autumn.
- 2 The Government's chief scientist has called for more rigorous clinical trials into the effects of neonicotinoids on bees.
- 3 The European Food Safety Authority is to ask national authorities, research institutions, industry and other interested parties to provide new information relevant to the evaluation of risks posed to bees by neonicotinoid pesticides clothianidin, thiamethoxam and imidacloprid.
- 4 Swiss-based Syngenta has rejected a bid, valued at £29 billions, from US-based Monsanto.
- 5 The ammonium nitrate price for June is averaging £235 per tonne, down £20 per tonne on last year but a rise is forecast.
- 6 The International Bremia Evaluation Board has identified a new strain of downy mildew on lettuce, *bremia lactucae*.
- 7 30,000 doctors, scientists and environmentalists in Argentina have called for Monsanto products to be banned following a study which found they could contain carcinogens.
- 8 Interfarm UK has launched Vivax and Spatial Plus, both containing chlormequat + ethephon to reduce lodging in winter wheat, winter barley and spring barley.
- 9 Dow AgroScience has been granted an Extension of Authorisation for Minor Use for use of herbicide DowShield 400 on crops grown for game cover.
- 10 The Chemicals Regulation Directorate has approved the use of Asulam in the form Asulox for the control of bracken.

IX Marketing

- 1 Kantar Worldpanel has reported Tesco sales down 1 per cent in the 12 weeks to 26 April, Asda down 2.2 per cent, Sainsbury's down 0.2 per cent and Morrisons down 1.1 per cent. However, sales at Aldi rose by 15.1 per cent and Lidl rose by 10.1 per cent.

- 2 A study carried out by researchers at Cornell University in the US has suggested that shoppers who eat an apple before grocery shopping will then buy 25 per cent more fruit and vegetables than they would otherwise do.
- 3 Kantar Worldpanel has reported that retail sales of cereal-based snacks rose by 4 per cent in the last year to £948 millions but crisp sales fell by 2 per cent to £923 millions.

X Miscellaneous

- 1 The National Rural Crime Network survey is inviting people who live or work in rural areas to complete an online survey on rural policing. New data covering the year to March 2014 has revealed a 129 per cent increase in livestock thefts.
- 2 Fly-tipping on farmland is on the increase. There were 563,000 incidents in England in 2013/14. 66 per cent of fly-tips were household waste; 8 per cent were commercial waste; and 6 per cent were of construction, demolition and excavation waste. The dumping of white goods increased by 152 per cent over the previous year.

Postscripts

The Royal College of Nursing has weighed in on Prime Minister David Cameron's health care proposals for the National Health Service.

The Allergists voted to scratch it, but the Dermatologists advised not to make any rash moves.

The Gastroenterologists had a sort of a gut feeling about it, but the Neurologists thought the Administration had a lot of nerve.

The Obstetricians felt they were all labouring under a misconception.

Ophthalmologists considered the idea short-sighted.

Pathologists yelled, "Over my dead body!" while the Paediatricians said, "Oh, grow up."

The Psychiatrists thought the whole idea was madness, while the Radiologists could see right through it.

The Surgeons were fed up with the cuts and decided to wash their hands of the whole thing.

The Ear, Nose and Throat specialists didn't swallow it, and just wouldn't hear of it.

The Pharmacists thought it was a bitter pill to swallow, and the Plastic Surgeons said, "This puts whole new face on the matter."

The Podiatrists thought it a step in the right direction, but the Urologists were p....d off at the whole idea.

The Anaesthetists thought the whole idea was a gas, and the Cardiologists didn't have the heart to say no.

In the end, the Proctologists won out, leaving the entire decisions up to the a.....s in Whitehall.

Give me certainty any day!

One has to admire Her Majesty. She has been on the throne for over 60 years and at regular intervals has to make a speech written for her by politicians of different persuasions whether she likes it or not.

The latest Queen's Speech made reference to a Finance Bill which will prevent rises in Income tax, VAT and National Insurance.

A political gimmick if ever there was one! Why is a piece of legislation required not to do something! Most farmers are facing the prospect of falling incomes so the absence of a rise in Income Tax and National Insurance will have little effect. Likewise VAT where most farmers can reclaim any VAT incurred.

Our Scottish farming friends may not be so fortunate. The prospect of the Scottish Government having tax-arising powers and being anti-austerity and anti-individual land ownership must be giving considerable cause for concern.

A notable omission was any reference to the exemption from Inheritance Tax of a principal residence valued up to £1 million. This provision could be of major importance to UK farmers. In the majority of cases a farmhouse will be exempt from Inheritance Tax by virtue of qualifying for Agricultural Property Relief. However, it is now almost a matter of course for the District Valuer to insist that 30 per cent of market value does not qualify for relief as not constituting "agricultural value." On a farmhouse valued at £1 million, this would amount to £300,000 and the Inheritance Tax £120,000. It is to be hoped that this concession does feature in the Bill which is to be published on 8 July.

The prospect of a referendum on membership of the EU will cause concern in the farming community if for no other reason than uncertainty. How can the industry plan for the future not knowing the environment in which it will be trading and not knowing what support mechanisms will be in place?

Uncertain times.

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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