



Monthly
Farming
Update

Chavereys

CHARTERED
ACCOUNTANTS

November 2013

I Policy issues

- 1 As part of the Government's Review of the Balance of Competences, an analysis of what EU membership means for the UK, Defra is seeking farmers' views on how the EU has affected their lives.
- 2 Conservative MEP Anthea McIntyre is promoting a resolution put to the European Parliament to improve policy support for horticulture. The resolution proposes the system of support for producer organisations be adapted to fit individual member states' markets; a risk-based approach to be applied to the regulation of plant-protection products; a reassessment of current restrictions on neonicotinoids; a prioritising of funding for "innovative plant-breeding techniques" including cis-genic breeding; "effective schemes" to help growers access labour during key periods; retailers to reinvest a share of profits from fresh produce sales into research for the sector.

II CAP (etc.) support details/payments

- 1 Defra has published a consultation document on the effect of CAP reforms on England. It includes proposals that basic payments will replace single payments; basic payment regions will remain as at present; more funds may be allocated to Severely-Disadvantaged Areas and Moorlands; consideration of redistributive payments although the Government is against capping; no coupled support; a minimum claim size of 5 hectares; existing Entitlements being rolled forward; the cancellation of surplus Entitlements; implementation of crop diversification; ecological focus areas; no conversion or ploughing of environmentally sensitive grassland; an Environmental Land Management Scheme to replace existing stewardship schemes. The consultation period is open until the end of the month.
- 2 The European Commission has reduced the proposed cut to all direct payments of more than €2,000 from 4 per cent to 2.45 per cent as a result of lower agricultural expenditure in 2014 than previously expected.
- 3 Scotland is expected to be bottom of the league table of EU farming subsidies following the latest round of CAP negotiations.
- 4 The European Parliament has allocated €1 million to increase the amount of agro-forestry in the UK.

III Grants/regulations/legislation/environment

- 1 The Environmental Planning (England and Wales) Regulations 2010, which cover the re-use, disposal and treatment of waste, expired at the end of September. Those farmers who were registered for exemption prior to 6 April will need to re-register to avoid prosecution.
- 2 Defra is to provide £3 millions to provide loans to farmers to set up small scale anaerobic digestion plants. Applications can be made for up to 50 per cent of the cost of a project with a maximum loan of £400,000. The fund will be administered by WRAP.
- 3 Defra has announced that, in 7 pilot areas, farmers will be allowed to de-silt watercourses without obtaining prior consent, to reduce the risk of flooding.
- 4 Farm Cornwall CIC has been awarded £48,000 by the Prince's Countryside Fund to assist farmers counter rural isolation.
- 5 Researchers from Wageningen University have warned that the EU's Water Framework Directive will limit growers' ability to discharge water from glasshouses because of the higher nutrient levels.

- 6 Harper Adams University and the Woodland Trust are to conduct the first long-term monitoring of agro-forestry or alley-cropping systems in the UK.
- 7 The Prince's Countryside Fund has awarded a grant to Taste Cumbria and the Herdwick Sheep Breeders Association to help Cumbrian farmers capitalise on the recently awarded Protected Designation of Origin status for Lakeland Herdwick Sheep.
- 8 The Government has opened the first stage of the £70 millions Agri-Tech Catalyst fund, bids must be received by 11 December.
- 9 Plumpton College has opened a £500,000 Wine Research Centre supported by the Rathfinny Wine Company and the Merrydown Trust.
- 10 A two-year project run by the Southern Regional College has received a grant of £45,600 from the Prince's Countryside Fund to help 60 young farmers in Northern Ireland learn business skills.
- 11 The Campaign for the Farmed Environment is now fully operational, based at Stoneleigh but with regional offices throughout the country www.cfeonline.org.uk.

IV Other matters of farm finance and tenure

- 1 Precision Prospecting has conducted a survey of 3,300 farmers on the subject of cash flow this autumn and winter. 33 per cent of dairy farmers and 56 per cent of beef farmers expect a better cash flow than in 2012 while 38 per cent of specialist arable farmers and 34 per cent of mixed arable farmers thought it would be worse.
- 2 The trade union Unite has applied to the European Court of Human Rights accusing the Government of breaching agricultural workers rights by abolishing the Agricultural Wages Board.
- 3 The Farming Community Network has reported its volunteers dealing with 2,500 cases involving 6,000 individuals in the past 12 months with a five-fold increase in April alone.
- 4 Savills has reported an increase in the value of prime land in the third quarter of this year to £8,300 per acre, up 8.5 per cent in this year alone.
- 5 An alliance has been formed by the Association of Labour Providers and the British Growers Association to strengthen arrangements for labour supply to the horticulture sector following the abolition of SAWS.
- 6 The Government has submitted an application to the European Commission to extend a rural fuel rebate scheme, which currently exists on some Scottish islands, to 3 towns in England and 7 in Scotland.

V Product prices

A. Crops

- 1 Overall the grains and oilseeds markets saw some welcome improvements in October but with 2012 harvest prices still fresh in mind, few growers are excited. This recent upturn is largely attributable to concerns over crop output in Argentina, Russia and Ukraine; there is also a question mark over the final stages of the Australian growing season, which is currently very dry. In its October report, the International Grains Council reduced its world estimate for the 2012/13 harvest 'total grains' production to 1,790 million tonnes (down 1 million tonnes), whilst its estimate for consumption was reduced by 5 million tonnes to 1,819 million tonnes; the predicted 2012/13 net deficit is now 29 million tonnes. The estimate of the 2013/14 harvest production was increased materially, by 10 million tonnes, to 1,940 million tonnes, whilst expected consumption was increased by 8 million tonnes, to 1,901 million tonnes; a predicted net surplus of 39 million tonnes.

LIFFE feed wheat futures saw a little more buoyancy early on in the month, with material gains seen across the board, however, this was short lived. Longer term, the 2015 harvest is looking more optimistic; short term, the market is recovering a little, but 2014 remains quite flat. In late October, deliveries for November 2013, 2014 and 2015 stood at £164/tonne (up £9), £155/tonne (up £1) and £158/tonne (up £6) respectively. Average spot prices in late October (£/tonne ex-farm): feed wheat 159 (+11); milling wheat 169 (+10); feed barley 134 (+6); oilseed rape 295 (+8); feed peas 208 (+2); feed beans 222 (+2).

- 2 The average potato price saw a material negative price shift at the beginning of October but then held largely steady thereafter. Opening the month at £161/tonne, the average dropped to £138, from where the price sank as low as £134 before closing the month at £135/tonne (£61 below the average a year earlier). The free-buy market followed a similar trend (a material downward shift early on followed by minor fluctuations) and was seen to drop below the average price. Opening at £163/tonne, the price dropped to £135/tonne, later reaching a low point of £128, before closing at £130/tonne (less than half the price at the end of October 2012 - £264/tonne). The Potato Council has reported that, by the end of October, 105,000 ha of crop had been lifted, now ahead of the 2012 lifting season, but still well behind the 2011 harvest progress at the same date. 2013 crop prices for grade 1 samples in late October: Maris Piper prices had improved, with a far tighter spread to between £160 and £180 per tonne; Desiree had tightened to between £160 and £180 per tonne; King Edwards too had tightened at the upper and lower limits to between £180 and £230 per tonne. Estima were trading at between £120 and £170 per tonne.

B. Livestock

- 1 The average steer price, despite bouncing back to 204p/kg at the start of the month, dropped throughout the remainder - weakening overall from the opening position of 202p/kg to a closing average of 196p/kg lw; down 6p/kg in the month to sit 8p/kg above the price a year earlier. The average heifer price made similar adjustments this month but at a slight delay and to a lesser extent: a minor recovery was followed by further price reductions, dropping from 210p/kg lw to close at 206p/kg lw; down 4p in the month to sit 10p/kg above prices in late October 2012. The average dairy cow price, as volatile as ever, peaked at £1,520 early on in the month, dropped as low as £1,294 but closed at the month's high of £1,671, (£1,277 in October 2012).
- 2 The average finished lamb price continued to drop in the early part of the month, on the tail of last month's reductions; however, the overall trend for the month was one of improvement, as the price recovered for most of the month, albeit with a small 'blip' in the latter half. The average price at the end of October was 173p/kg lw; up 8 p/kg from the opening position and 23p/kg above the average a year earlier.
- 3 The average pig price in October continued the steady strengthening seen in September. From an opening position of 170.5p/kg lw, the average price at the end of October had improved by 1.6p/kg to reach 172.1p/kg lw, 14.5p/kg above the average price a year earlier. The market is likely to maintain this new-found strength as general demand is up whilst supply is tighter (pig health issues in the US; restrictions to production techniques in the EU).

- 4 The UK average milk price for September (published in October) was almost a full penny (0.95p) higher than the average in August; reaching 32.95ppl and setting a further record high. The average price a year earlier was 5.45ppl (17 per cent) lower at 27.50ppl. On the European stage, the UK was 12th in the rankings for EU27 milk prices in July, for which the average stood at 32.28ppl. By the end of October, milk quota prices for clean, 4% butterfat holdings were 0.20ppl at auction, despite having been slightly higher mid month, the same price as last month and 0.09ppl above the average seen a year earlier (0.11ppl).

VI Other crop news

- 1 The 2013 Cereal Quality Survey from AHDB/HGCA shows consistent quality across the country. The average Hagberg Falling Number is the highest recorded since 1990 at 319 seconds. The protein content at 12.3 per cent is higher than the three-year average and specific weight at 77.1kg/hl is higher than the four-year average. The specific weight of Scottish barley at 64.9 kg/hl is higher than the three-year average while the nitrogen content at 1.61 per cent is the highest recorded since 2007.
- 2 The Scottish cereal harvest is estimated to be up this year by 250,000 tonnes on the back of an 11 per cent increase in yields.
- 3 Scientists at Rothamsted Research have identified two wheat genes whose functions are to activate the wheat defence response to septoria tritici.
- 4 HGCA has published Information Sheet 25 on micronutrients for cereals and oilseed rape following completed trials work led by Rothamsted Research.
- 5 Risk forecasts for the 2013/14 crop from Rothamsted Research indicate that the risk of phoma and light leaf spot is lower than in recent years but early-sown crops are at risk from light leaf spot although should escape phoma while the reverse applies to late-sown crops.
- 6 HGCA survey results show the risk of wheat bulb fly damage in northern England to be higher than last year but relatively low overall in England as a whole.
- 7 DLF-Trifolium is setting up a new grass-seed mixing and distribution facility near Edinburgh.
- 8 Florette has teamed up with Jepco Marketing to form Angflor Ltd which will produce all year-round baby leaf lettuce from 10 hectares of polytunnels on the Anglia Salads site in Frating, Essex, rising to 40 hectares over the next 3 years.
- 9 The Speciality Produce Growers Association has changed its name to the Baby Leaf Growers Association.
- 10 Researchers in Holland have developed a field robot which uses machine vision to harvest only heads of broccoli of a particular size leaving others to continue growing.
- 11 Fenland celery has been awarded Protected Geographical Indication status.
- 12 Stockbridge Technology Centre has suggested that LEDs can alter the level of pigments in tomatoes, which often have antioxidant properties, vitamins in the fruit improving flavour and control pests and diseases increasing shelf life.
- 13 The Woodland Trust has recommended planting non-fruit trees around orchards to create shelter, host pollinators and insects useful for pest management and alleviate drought.
- 14 Frank P Matthews has introduced two new apple varieties. Tickled Pink is a sweet, red-fleshed apple, mid-season and stores well. FM503, a Canadian-bred variety, does not go brown once cut open thereby avoiding the need for preservatives when used for culinary purposes.
- 15 Horticulture Wales has developed a guide to help growers reduce packaging costs, cut waste and comply with regulations.

VII Other livestock news

- 1 The Food Standards Agency has reported that, between March and August, 7 cutting plants were found to have breached rules on the removal and disposal of specified risk material vertical column in over-30-month cattle. One of the breaches is considered to have exposed consumers to the banned material.
- 2 Natural England has granted an eight-week extension to the Gloucestershire pilot badger cull after only 30 per cent of badgers were removed in the initial six-week cull. Somerset has been granted a three-week extension.
- 3 Initial reports concerning the badger cull from Defra show that in Somerset, 850 badgers were culled, 59 per cent of the estimated population; in Gloucestershire 708 badgers were culled, 30 per cent of the estimated population.
- 4 Rabobank's beef quarterly report for quarter three shows that prices increased slightly in most countries compared to the previous year as a result of limited supply growth, keeping stock within the herd and strong Asian import demand.
- 5 Arla farmers in the UK have voted unanimously in favour of joining the organisation's co-operative.
- 6 Morrisons has launched a sire selection scheme, in association with Arla, to examine whether calves grow more efficiently to optimal weight.
- 7 Tesco Sustainable Dairy Group members who submit data via Promar have received a price increase of 1.02 ppl to 33.79 ppl.
- 8 First Milk's cheese packing facility at Maelor, Wrexham, is to close by the end of May next year.
- 9 A legal challenge brought by German shepherds against Europe's sheep identification rules has failed.

VIII Inputs/Supply businesses

- 1 A report compiled by agribusiness consultants Phillips McDougall has found that the rate of crop-protection products being introduced in the EU has fallen by 70 per cent in the last 20 years. Europe's share of investment in developing new products has fallen by 50 per cent in the past 30 years while its share of global research and development investment in the agricultural life-sciences sector has fallen by 75 per cent.
- 2 The Advisory Committee on Pesticides has expressed concern about continued residues of the sprout suppressant chlorpropham on stored potatoes over permitted maximum residue levels. Product authorisations will continue but will be contingent on increased data from approval holders as well as further residue monitoring by the industry.
- 3 Research in China has shown that a single dose of Trichoderma, a genus of fungi, enhanced flower and vegetable growth particularly in tomatoes, cabbages, cucumbers and peppers and performed better than conventional pesticides.
- 4 A five-year Horticulture LINK-funded trial at East Malling Research has compared an integrated pest and disease management strategy geared to tackling the most common strawberry pests and diseases with conventional control. While quality and yield were comparable, residues on the IPDM fruit were between 50 and 100 per cent lower. The strategy used a mixture of biological controls, as well as habitat manipulation and semiochemical lures, with conventional fungicides and pesticides also employed when the risk of residues was low.

IX Marketing

- 1 A Mumsnet survey for Fresh Produce Journal has revealed that 66 per cent of shoppers regard price as the most important factor; produce appearance 49 per cent; family favourite 33 per cent; country of origin 20 per cent; buying on promotion 9 per cent.
- 2 Tesco has been forced to withdraw claims it was sourcing New Zealand lamb because UK lamb was “out of season”. This follows an Eblex report which shows Tesco sourcing 55 per cent of August lamb sales from the UK compared to Aldi, Budgens and Morrisons at 100 per cent, Marks & Spencer, Sainsbury’s and Waitrose at 85 per cent plus.
- 3 The Advertising Standards Agency has rejected complaints from Compassion in World Farming and viewers about a television advert for Red Tractor pork.
- 4 In the first 6 months of this year Britain exported 14 per cent more fruit and 13 per cent more potatoes but 6 per cent fewer vegetables.
- 5 Tesco has revealed it disposed of 30,000 tonnes of food as waste between January and June. 70 per cent of salad bags were destroyed and 40 per cent of apples.
- 6 Waitrose has launched “Best of British” apple packs. The contents will change as the season progresses featuring varieties not available in large volumes for the whole year.
- 7 The worldwide trade in exotic fruit carried by sea has increased by an annualised rate of 3.6 per cent each year since 2002 according to the latest Reefer Shipping Market annual review.
- 8 Food and drink retailer Booths has acquired fresh produce supplier Sharrocks.

X Miscellaneous

- 1 George Eustice and Dan Rogerson are new parliamentary undersecretaries at Defra replacing David Heath and Richard Benyon.
- 2 NFU president Peter Kendall has announced he will not be seeking re-election in 2014.
- 3 Latest statistics from the Health and Safety Executive show a fall in fatal accidents in agriculture from 33 in 2011/12 to 29 in 2012/13 while the number of reported major injuries fell by 1 to 375.
- 4 The Royal Parks, which manages Regent’s Park and Primrose Hill, has banned the use of sky lanterns.

Postscripts

Remember – the consultation document is out!

A farmer named Sam was overseeing his herd in a remote pasture in Herefordshire when suddenly a brand-new BMW advanced toward him out of a cloud of dust.

The driver, a young man in a Brioni suit, Gucci shoes, RayBan sunglasses and YSL tie, leaned out of the window and asked the farmer, “If I tell you exactly how many cows and calves you have in your herd, will you give me a calf?” Sam looked at the man, who obviously was a yuppie, then looked at his peacefully grazing herd and calmly answered, “why not?”

The yuppie parked his car, whipped out his I-pad and surfed to a page on the Internet, where he called up a GPS satellite to get an exact fix on his location which he then fed to another satellite that scans the area in ultra-high-resolution.

The young man then opened the digital photo in Adobe Photoshop and exported it to an image processing facility in Hamburg, Germany. Within seconds, he received an email on his Palm Pilot that the image has been processed and the data stored. He then accesses an MS-SQL database through an ODBC connected Excel spreadsheet with email on his Blackberry and, after a few minutes, received a response.

Finally, he printed out a full-colour, 150-page report on his hi-tech, miniaturised HP LaserJet printer, turned to the farmer and said, “You have exactly 1,586 cows and calves.”

“That’s right. Well, I guess you can take one of my calves,” said Sam.

He watched the young man select one of the animals and looked on with amusement as the young man stuffed it into the boot of his car. Then Sam said to the young man, “If I can tell you exactly what your business is, will you give me back my calf?”

The young man thought about it for a second and then said “why not?”

“You’re a Member of the European Parliament”, said Sam. “That’s correct,” said the yuppie, “but how did you guess that?”

“No guessing required” answered Sam. “ You showed up here even though nobody called you; you want to get paid for an answer I already know, to a question I never asked. You used millions of euros worth of equipment trying to show me how much smarter than me you are; and you don’t know a thing about how working people make a living – or about cows, for that matter. This is a herd of sheep. Now give me back my dog!!!!

Monthly Farming Update

Be looked up to!

The core of the Monthly Farming Update this month makes reference to a significant increase in the number of cases being handled by the Farming Community Network, one of the many valuable farming charities which offer support to farmers who feel they just can't cope. If the other farming charities were to release figures one suspects the picture would be much the same.

Also this month, the head of the agricultural division of one of the clearing banks stated that sometimes it is kinder to say "no".

It wasn't difficult to forecast what was coming. A dreadful establishment season for arable crops, high feed prices and general farm inflation way above the RPI or CPI. Cash flow problems. This would lead to many farmers selling grain as early as possible – always assuming the merchants wanted it. Merchants don't want cash flow problems, far better to leave it in the farmers' grain stores until needed.

And nobody has mentioned the January 2014 tax bills in respect of the 2011 and 2012 harvests.

In theory, and I repeat in theory, receipt of the 2013 Single Farm Payment is not that far off. But in many cases that will just mask the true situation. Just to stand still farms need up to 10 per cent more working capital each year. In the main this can only come from retained profits or bank borrowing. What retained profits, after family living costs, will there be this year? So inevitably increased borrowing facilities will be required.

Again this month, Savills has reported on the increase in value of the banks' security. Thank goodness for this. But don't rely on it. Banks are more interested nowadays in serviceability than security, although without the latter there is little hope. Watch out for the "stress test". Some banks will see if your business can withstand base rate at 5 per cent, if not: no loan.

But most of all banks will want to see your explanation for past results and your plan for the future. Over the coming months borrowing should reduce but come the end of Spring it will start to rise again until the 2014 harvest sales start. If you haven't thought this through properly and planned for the year ahead, why should the banks have any confidence in your ability to manage other aspects of your business?

Be a giraffe not an ostrich!

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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