

Farming Update | Spring 2017

Welcome to this quarter's Scottish edition of the Farming Update, which is produced by our Farming Research Group and reports on market and administrative issues that affect farmers' business decisions and on which they may need to act.

In this edition, we look at global grain supplies, give a round-up of Scottish livestock markets, and consider the impact of bird flu on the UK flock.

There are updates on Grant schemes, EFAs and the new ILMP funding for business plans.

Please contact our team for further information on anything you read here.

Market Update

Arable crops (£ per tonne)	A year ago	February 2017	A year ahead
Beans	129	157	150
Oilseed Rape	255	350	335
Feed Barley	95	122	120
Milling Wheat	107	149	144
Feed Wheat	98	142	130
Livestock (£ per kilo dead weight)			
Prime cattle	3.49	3.59	Possible increase
Lambs	3.92	3.82	Possible increase
Milk (per litre)	24.19	25.62	Possible increase
Sources			
Arable crops:	HGCA. All prices are ex farm. Future prices are indicative bids from agricultural traders.		
Livestock:	AHDB/QMS. Beef R4L and lamb R3L specification. Future prices from outlook reports.		
Milk:	DEFRA.		

Arable crops

Global

The trade appeared to think little of the most recent USDA report on 9th February, so the **markets remained largely unchanged** as a result. Global wheat supplies were reduced slightly, but estimated consumption remained the same, leading to a **4.7 million tonne reduction in forecast ending stocks** (to 248.6 million tonnes). Coarse grain production estimates were increased marginally to 1.329 million tonnes but higher consumption too leads to a **reduction in forecast ending stocks to 250.7 million tonnes**. Elsewhere, the **International Grains Council (IGC) have marginally increased their estimate of year end grain stocks**. They report that prospects for northern hemisphere wheat crops remain good, with some areas needing rain. US wheat plantings were lower than last year but this was balanced by an increase in planted area in India. The picture from the last few years, of relatively high world stocks, continues to prevail, and the **IGC note that their end of season grains forecast (507million tonnes)**

is **50% higher than the recent low in 2012/13**. Despite this backdrop, markets remain prone to **volatility from fund movements** and the political landscape in parts of the world e.g. Russia & Ukraine.

The USDA **reduced its projection for ending stocks of oilseeds by 2% to 91.7million tonnes**, which mostly reflects lower soybean and oilseed rape stocks in Argentina and Canada. This was a small reduction but if it is seen as the beginning of a trend lower than global prices will be expected to react accordingly.

UK

In the **UK feed wheat prices have continued to benefit from Sterling's weakness**, and the UK's two bioethanol plants have been taking large quantities of feed wheat from farms in the south of Scotland and north of England. Within the bounds set by currency, **prices have been rising gradually since the New Year**, with some in the trade suggesting that the UK's wheat stocks may turn out to be lower than expected, when we come to calculate carry-over stocks in June.

Ex-farm **oilseed rape prices have risen over 40% since August 2016**, and so those farmers who stored their crop or who signed up to a storage deal with a merchant have seen an excellent return on their investment. Those who sold their crop at harvest will have missed out on over £100/T and are likely to take a different approach next year.

2017 Crop

Winter Wheat

- The comparatively **dry autumn** was benign for **drilling**.
- Later drilled crops have developed well from their later emergence date and most are **showing good potential** as we move towards the longer days and warmer temperatures of spring.
- The lack of hard weather means that mildew is widespread in wheat (and winter barley) crops and a clean-up will be required to control it.
- The frosts experienced – particularly through January – have reduced aphid activity, and so the Barley Yellow Dwarf Virus (**BYDV**) **threat is anticipated to be lower than last year**.
- There are a number of new 'SDHI' fungicides available for use this spring. Typically a fungicide programme would include two SDHIs and cost £100-£120/ha, however if the cold weather continues into March **growers could consider reducing this spend (for example one SDHI on low disease risk varieties) saving £20-£40/ha**.

Winter Oilseed Rape

- **Crop survival rate has varied enormously around the country** and has ranged from 19% in Essex, and 40% in Suffolk, to 100% in Scotland and particularly good crop cover this year. The lack of waterlogging has helped maintain ground cover.
- Frosty weather has aided both charlock control and efficacy of residual Kerb (herbicide) applications, so **crops should be reasonably clean** and free of competition heading into the spring.
- Anecdotally our agronomists are reporting that **CSFB larvae pressure seems lower than last year**.
- Early **nitrogen and sulphur will be applied from mid-February** onwards as soon as ground and weather conditions allow and the crop is starting to grow.
- Despite milder weather this year **pigeon pressure remains high** with February and March key months for vigilant control on farm.

Livestock

Beef and cattle

After a turbulent few years, **the beef trade appears currently to be relatively stable**. Robust demand and a steady supply have resulted in a levelling of price for prime cattle.

The fall in Sterling is still boosting British exports and margins; in total **exports were up by 8%**. Of these exports, AHDB notes that a large amount still goes to Hong Kong. The UK has been limited to what cuts and of what age can go to Hong Kong but a new agreement has recently been reached, which now allows the UK to export more boneless and bone-in beef cuts from cattle of all ages, and this will broaden the opportunities for exporters.

There is still a threat to the UK from higher production in Ireland, however it is hoped this will be mitigated by the lower value of sterling.

The US has confirmed that it will accept beef and veal exports from France for the first time since 1998, when the meat was banned due to BSE concerns. It marks further process in restoring trade and the UK is working on the audit process needed by the US. This is good news although only small amounts of meat have been sent to the US by Ireland, Lithuania and the Netherlands, which already have export approval.

Lambs and sheep

So far, early lambing flocks have reported good numbers and high survival rates. However, numbers **brought to the market have reduced due to a reduction in price**; this lower supply is expected to result in a stabilising of price. AHDB are concerned that the low levels of lambs on the market last autumn, despite the bumper lamb crop, may lead to 2016 lambs being carried forward. This increase in number for 2017 could weigh heavily on the market to reduce prices.

Despite the recent levelling in price, the **overall scotch liveweight value has recently dipped to a four year low**. The deadweight market is also down on last year at an average of 382p/kg, a 10p/kg reduction on last year.

Exports towards the end of last year were up 21% on the previous year. Much of the increase was due to shipments to Hong Kong and also France. The poor weather conditions in New Zealand have resulted in tighter supplies and lower exports from there, which has aided our exports to third countries.

Dairy

The most recent (provisional) production data from DEFRA shows that 619,000 tonnes of liquid milk were produced in November 2016, approximately 50,000 tonnes more than November 2015. The **average UK farmgate price was 26.21ppl in December**, according to DEFRA, which is a 2.7% increase on the previous month, and 2.33ppl or 9.7% **higher than the same month last year**. Suppliers on supermarket contracts are receiving a price of around 28 to 30ppl.

Rather unusually, certainly compared with the recent past, dairy commodity values on world markets are currently more valuable than milk on the domestic liquid market. As a result, some UK producers who were out of contract had been able to sell on the spot market at as much as 40ppl, although this has now dropped right back to around 26ppl. **Dairy commodities such as butter and creams remain at historically high values on the world market** due to lower supplies, and so UK farmers will be frustrated that their liquid rates are not increasing in line with global prices. Nevertheless there is no denying that the **current situation is much improved compared to six or 12 months ago**.

The average price of dairy sired cull cows for December was 85.44p/kg liveweight, an increase of 17.6% compared to December 2015. Beef sired cull cow values were 111.61p/kg liveweight, an increase of 12.8% compared to December 2015.

Pork and Pigs

The EU-spec SPP fell for the fifth week to 149.96p/kg, a fall of 0.6p/kg. However, **compared to a year ago, prices are holding up relatively well helped by lower supplies** according to AHDB figures, with the current price 36.5p/kg higher than 12 months earlier.

Fertiliser & fuel

The main nitrogen fertilisers – ammonium nitrate (AN) and Urea – **have increased in price by 50% in the last 8 months**, with AN now at **£245/T**, and urea now at **£275/T**. This is more than can be explained by the weaker value of

sterling, and is largely down to tighter supplies of urea coming on to the global market. Sulphur compounds are now unusually at a discount to AN, at around £230/T.

Conversely, **muriate of potash and triple super phosphate** have fallen in price in the same period, to **£242/T and £270/T**.

Red diesel has remained relatively static over recent weeks at around **49p/litre**. This is around **20% up** compared with one year ago.

BPS Entitlement & IACS 2017

At this time of year there tends to be a lot of activity around entitlement transfers and business registration changes in preparation for the IACS deadline. Most of the entitlement transfers relate to land changing hand but there is a fair bit of interest in acquiring BPS entitlement for land currently being farmed without payment. With very few transactions taking place outside of a farm sale it remains difficult to source entitlement and, thereafter, establish a market value.

Even though there seems little chance of entitlement transfers being processed in time for 2017 IACS, the normal beginning of April deadline remains – this year's deadline is the 3rd of April. If any help is required on entitlement transfers or with 2017 IACS applications, please get in contact with the team in Perth.

AECS

The deadline for 2017 Agri-environment applications is the 31st of March and the Perth Farming Department are currently working through a wide variety of applications. There are a few guidance changes this year and several payment rates have changed. Nevertheless, where an opportunity arises to implement a range of options within a farming system with minimum disruption to normal activities, valuable additional income can be secured for the next 5 years helping to off-set some Brexit related uncertainty.

FPMC/LEADER

The second round for the Food Processing and Marketing Co-operation Grant Scheme has a deadline of 16th of July. This scheme offers a good opportunity to obtain up to 40% funding on capital projects which relate to further processing of agricultural products. We have been involved in a handful of successful FPMC applications to date – if you have a proposed capital investment plan in mind that might fit the criteria of the scheme then please get in contact with us to discuss further.

Similarly, LEADER offers the opportunity for funding towards capital investment in farm diversification projects. The various Local Action Groups around the country continue to process applications on an almost quarterly basis so get in touch if you would like to discuss the specifics of a potential project that you have in mind.

ILMP

Funding is available to carry out farm business appraisals under the new Integrated Land Management Plan scheme. This replaces the old Whole Farm Review Scheme but is very similar, and offers the same level of funding, ie 80% or £1600 whichever is the lower. The Plan can be used for a wide variety of business needs, such as planning for succession, changing the structure of the business, expanding or consolidating, assessing environmental performance, or diversifying, for example. Our team are qualified to carry out ILMPs and help map out a route for the business going forward.

Other news

Bird flu – Avian Influenza Prevention Zone in Scotland

The Avian Influenza Prevention Zone announced on 22 February 2017 continues to apply until at least the 30 April 2017. As part of the current requirements of the Zone keepers may let their poultry and captive birds out as long as they have enhanced biosecurity measures in place.

The full text of the current declaration and the corresponding Veterinary Risk Assessment is available on the Scottish Government website. They have also provided FAQs about the zone (including guidance on enhanced biosecurity measures that bird keepers must consider).

The Scottish measures are very different from England where they have designated “High Risk Areas” in which birds are still to be kept inside or in fully netted runs, as of 28th February. The same strain of Avian Influenza has been found in wild birds across Great Britain, from Somerset to Dumfries and Galloway between December 2016 and February 2017. Protection and Surveillance zones are in place around the farm outbreaks to try to contain the disease, and **all infected flocks have been culled**.

UK Government starts outlining plans for farming in Brexit White Paper

The White Paper contains a section on agriculture and food, stating that ‘leaving the EU offers the UK a significant opportunity to design new, better and more efficient policies for delivering sustainable and productive farming, land management and rural communities. This will enable us to deliver our vision for a world-leading food and farming industry and a cleaner, healthier environment, benefiting people and the economy.’ On other issues, the Paper largely repeats the details of the PM’s speech at Lancaster House on 17 January, which include leaving the single market, seeking a free trade agreement and a new customs agreement with the EU to ensure ‘the freest and most frictionless trade possible’. An issue of significant concern will be how controls on immigration work, as farming relies on high levels of overseas workers. The Scottish Government is focussed on arguing for full devolution of agricultural matters.

Some hints at future policy given at Oxford Farming Conference

Before the White Paper was issued, both Andrea Leadsom and George Eustice spoke at the OFC in early January and gave some indications of what a future British agricultural policy could include. George Eustice spoke about stopping thinking about pillars 1 and 2, and instead about three legs to policy: environment; building local communities; and producing food, with one pot available for anyone to apply for. The mantra seems to be using public money to deliver public goods. In terms of how much money might be available, he said that the way they were thinking was to decide what outcomes they wanted, and then design policies and decide the budget to deliver them, which is a much more sensible way of allocating money than an arbitrary figure based on past spending. Andrea Leadsom spoke about cutting “rules that hold us back” but “upholding our high standards for plant and animal health and welfare”, and about increasing productivity, through skills, innovation and exports.

Income for farmers and contractors from CFAs increase slightly for harvest 2016

The provisional figures for harvest 2016 from our Contract Farming Survey show slight increases in income for both farmers and contractors, but remain below the five-year average due to the combination of weak commodity prices and lower yields.

Glyphosate: petition and new research threaten its continued use

The EU will consider a petition calling for a ban on glyphosate, reform of the pesticide approval procedure and mandatory EU-wide pesticide reduction targets, if the petition receives one million signatures by the end of 2017. Don’t forget that the EU will publish its assessment of the herbicide by this summer, following last July’s 18-month extension to glyphosate’s license. Separately, research by King’s College London found that low doses of glyphosate-mix chemicals (a 75,000th of EU permitted levels) over long periods (two years) can increase non-alcoholic related fatty liver disease in rats. The research was commissioned by the Sustainable Food Alliance. The researchers claim humans ingest higher levels of glyphosate than the rats were exposed to (possibly up to 1000 times higher) and that the recommended safety limits for human ingestion of glyphosate need to be reviewed as the chemical may be a

previously unknown risk factor in causing fatty liver disease. In Europe, 20-30% of the population have this disease. Monsanto said that it will withdraw RoundUp if it is proven that it causes disease.

Neonicotinoids: €900m pa cost of ban but FoE says more impacts on non-target species

A study commissioned by Bayer CropScience and Syngenta states that the EU-wide ban costs around €900m a year, due to a 4% drop in yields (912,000t less produced) and increased spray costs (notably pyrethroid insecticides). The 4% claim is disputed as it is unlikely to be all due to the ban. Separately, Friends of the Earth is publishing a scientific review by Sussex University that shows that the chemicals pose risks to butterflies, beetles and water insects as well as bees. Environmental groups have called for a complete ban on the use of the chemicals, in cereals as well as rape.

Converting food waste into fertiliser for greenhouse use

An experiment that treats digestate from an anaerobic digestion plant with earthworms and mixes it with compost so that it is not toxic to plants and then uses it in a highly insulated greenhouse, which uses soap bubbles between double foil for thermal insulation of the walls and roof, has significantly increased the yields of the vegetables grown in the greenhouse and reduced CO2 emissions, methane emissions and water use by over 80%. Clever. A commercial-scale bubble greenhouse is now operating in Poland with another larger trial happening in Norway.

An insight into how trade deals work

The response from the EU to the Mercosur (Brazil, Argentina, Uruguay and Paraguay) countries' proposals for a free trade agreement are of interest in their own right but also as they reveal the mix of technical, legal and political factors that each side takes into account, which some would call protectionism. The EU has said that the countries have to be realistic about the amount of beef, ethanol and poultry trade that can be liberalised as Europe's ability to open its markets is limited, as a wrong deal "could decimate European farming". Some of the major subjects to discuss and agree relate to the sustainability of farming in the countries, the effect on rainforests, production standards including animal welfare, the use of growth promoters, traceability and land rights.

EFA reminder 2017

There are no rule changes for Greening 2017. As planning for spring cropping nears completion, check that Greening requirements are in place. Grass margins (Permanent Cover) can count as a crop so might meet both crop diversity and EFA requirements. GAEC 2m margins are eligible for EFA. Field margins count at 1.5 times the area on the ground but they must remain in place for a full calendar year. If you want to remove or reduce them it is permissible to manage them as fallow and cultivate after 15th July, but the multiplier cannot be applied.

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