

# Farming Update | Spring 2017

Welcome to this quarter's 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 UK arable and livestock markets, and consider the impact of bird flu on the UK flock.

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

Andrew Atkinson, Editor

## 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)			
Beef cattle	3.42	3.64	Possible increase
Lambs	4.11	3.81	Possible increase
Milk (per litre)	24.19	25.62	Possible increase
<b>Sources</b>			
Arable crops:	HGCA. All prices are ex farm. Future prices are indicative bids from agricultural traders.		
Livestock:	AHDB. 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 9<sup>th</sup> 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 eg 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 north. 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 **delayed drilling and cultural blackgrass control**.
- Later drilled crops have recovered well from their later emergence date and most are **showing good potential** as we move towards the longer days and warmer temperatures of spring.
- Where they have been used, residual **blackgrass herbicides (typically £80-£100/ha) have generally worked well**. The cold winter has to date helped control by slowing the growth of surviving blackgrass plants.
- Overall **blackgrass control appears more successful than last year**.
- 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, 40% in Suffolk, 70% in Herts/Beds/Bucks to nearer 100% further west, south and north. Reasons for failures were covered in the previous Update and were largely caused by drought, and cabbage stem flea beetle (CSFB).
- 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.
- With a smaller crop acreage this year **pigeon pressure remains high** with February a key month for vigilant control on farm.

## Livestock

### Beef and cattle

After a turbulent few years, **the beef trade appears currently to be relatively strong**. Robust demand and a steady supply have resulted in a levelling of price for prime cattle. The GB all-prime average at the end of January was **350.7p/kg deadweight, 20p/kg up on this time last year**, suggesting that consumers' post-Christmas tightening of belts doesn't seem to have had a negative impact on the market.

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 liveweight value is still down 20p/kg on this time last year**. The deadweight market is also down on last year at an average of 378p/kg, a 30p/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.

## Basic Payment Scheme

The RPA achieved its target of paying over **90% of 2016 claims by 31st December**, much to the relief of the industry, and its next target, of paying **93% of claims by the end of March, was met two months early**. The RPA are working on getting payments to the remaining 7%, many of whom have complications with cross-border claims, common land or other issues. In order to meet these targets the RPA had moved staff away from working on resolving the large number of mistakes relating to 2015 claim year. As such we have several clients who have received a current 2016 payment but who are still waiting for the balance of their 2015 payment. **The number of mistakes on the 2016 payments are much lower than the previous year**, as the RPA has not had a repeat of the problems related to mapping, but we have nevertheless seen a **large number of errors** – often involving a small underpayment and we would encourage all claimants to check their payments very carefully.

The online entitlement and land transfer function which was supposed to be in place by the end of 2016 has been delayed again, and we are now told by the RPA that **this will be up and running at the end of February**. This is important for those buying, selling or renting new land this year.

The RPA's CEO for the last six years, Mark Grimshaw, announced that he will be leaving the RPA at the end of February. His permanent replacement has not yet been announced but Paul Caldwell – RPA's BPS delivery director – will stand in until the replacement is identified.

## Countryside Stewardship Scheme

It is not known how many of the 4,700 applications for CSS submitted by the September 30<sup>th</sup> deadline have been successful, because despite the agreements having a start date of 1<sup>st</sup> January 2017 **Natural England have to date not been able to issue the agreements to farmers**. We understand that successful applicants should receive agreements at the **end of March**.

We are expecting Natural England to confirm that applications will be invited for a **third round of mid and higher tier Countryside Stewardship Schemes** this summer, for agreements to start on **1<sup>st</sup> January 2018**. These remain useful schemes for farmers with HLS or ELS schemes coming to an end during 2017, and we would encourage those farmers to consider whether CSS is right for them as soon as possible as Higher Tier applications will need to be submitted by 30<sup>th</sup> April.

**Capital grants have been more straightforward** and applications are currently being invited for the second round of woodland creation grants, with a deadline of 1<sup>st</sup> March.

## Other news

### Bird flu

On 6<sup>th</sup> December DEFRA put in place a **Prevention Zone** across the UK – to apply until 28<sup>th</sup> February unless it is extended – which requires all poultry to be kept indoors or otherwise separate from wild birds. Despite this **the H5N8 strain of the disease has been confirmed on a commercial game farm in Lancashire, at three separate poultry farms in Lincolnshire and in backyard flocks in North Yorkshire and Carmarthenshire**. The same strain 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**.

DEFRA has published a **plan for controls after 28<sup>th</sup> February** in the event that the UK wide Prevention Zone is lifted. It would designate 'Higher Risk Areas', within which birds would need to be housed or let out only into netted or covered runs, and 'Lower Risk Areas', where birds would be allowed access to outdoor areas where steps have been taken to reduce the risk of contamination from wild birds. At the time of writing this plan remains under review, but this indicates that producers in **Higher Risk Areas are facing the prospect of having their free range status removed**. Under EU law free range poultry cannot be housed for more than 12 weeks and unless this is relaxed the affected farmers would no longer be able to sell their poultry and eggs as free range, which would reduce the price they receive from retailers and have a huge impact on cash flow and profits. However, the alternative – a continuation of the nationwide Prevention Zone – would have a more damaging effect on the industry as it would affect all free range flocks.

### 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.

### 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. Download a full copy of the results at [struttandparker.com/cfa](http://struttandparker.com/cfa) or call [George Badger](mailto:George.Badger@struttandparker.com) to discuss.

### 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.

### **Fish food made from insects could be authorised from 1 July 2017**

The approval by a committee in Europe is the first change of this type and is considered potentially game changing, as it will replace less sustainable protein crops and unsustainable fishmeal. In the future, insects could be fed to non-ruminants, like pigs and poultry. The EU's food safety authority (EFSA) concluded insects were as safe as other more conventional foods in an opinion in October last year.

### **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.

### **Rural businesses are faced with some of the largest rises in business rates**

Livestock markets (average rise of 86%), vineyards (79%), kennels (75%) and stud farms (99%) are facing some of the largest rises, according to analysis by The Times of Valuation Office Agency data. The businesses say that the rises are not fair as they are not related to profits and that they could lead to them closing. There are growing calls for a change in how business rates are calculated; for example, The Times claims rates on landfill gas generator sites are rising by 144% while they are falling 16% on landfill sites. Please contact [Marcus Dorfman](#) if you would like to discuss business rates.

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Stamford	01780 484040

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