Farming Update | Summer 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.

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	May 2017	A year ahead
Beans	125	176	160
Oilseed Rape	271	323	305
Feed Barley	99	120	120
Milling Wheat	112	147	150
Feed Wheat	101	142	140
Livestock (£ per kilo dead weight)			
Beef cattle	£3.27/kg	£3.67/kg	Remain stable
Lambs	£4.30/kg	£4.80/kg	Possible decrease
Milk (per litre)	25.57ppl	27.46ppl	Remain stable

Sources
Arable crops: AHDB. 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

As the northern hemisphere harvest approaches (it may feel a long way off, but combines will be rolling in the UK in less than two months) the global supply and demand estimates for the current 2016/17 year continue to show record production of grains at 2,594 million tonnes according to the IGC (International Grains Council), and record ending stocks of 635 million tonnes. The result is that the importing countries and consumers are confident in their ability to secure enough wheat and maize to meet their needs, meaning that world prices are treading water.

However, the recent trend of ever increasing grain stocks, which has run for around five years, is forecast to come to an end in 2018. The USDA, the IGC and other analysts are all forecasting lower production and reduced global stocks of grain at the end of the 2017/18 harvest year. The USDA forecast that wheat production will be down 15 million tonnes (2%) to 737.8 million tonnes, and maize production down 31 million tonnes (3%) to 1,034 million tonnes. The main reductions in wheat production are forecast in Australia, the former Soviet Union, and the US, which will more than outweigh increased production in the EU and India. Consumption is also expected to fall, but by a smaller amount, all of which is expected to result in ending stocks of all grains at the end of 2017/18 to reduce to 599 million tonnes according to the USDA and 611 million tonnes according to the IGC.

UK

In the UK we are in a slightly different position to the world in general. Carry-over grain stocks are forecast to be relatively low, and this added to the weak pound against euro and dollar is helping to keep prices firm. This is because some consumers are choosing to import grain to ensure continuity of supply up until the coming harvest. The weaker pound makes imports more expensive which helps support the domestic price. Added to this recently, the impact of the long dry spell during April and early May has caused concerns for yields and this has encouraged the market upwards in recent weeks. Old crop wheat has moved up to £143/T at the time of writing towards the end of May, although little actually remains on farm. Of more interest to growers is the new crop price, which has also moved up gradually, to £130/T for harvest movement and £135/T for November. Having reached these levels, the market is expected to track the global market with adjustments for currency fluctuations. Being significantly better than last year's prices, most of our clients have sold between 10% and 35% of their expected tonnage forwards at these levels.

In terms of oilseed rape, prices have not reacted much to the dry weather across Europe. The UK crop is expected to have passed the dry spell reasonably unscathed in most areas, although drier parts of Essex have (as last year) been forced to irrigate to keep crops going. Overall prices are remaining steady, with new crop oilseed rape at around £300/T. The consensus in the trade is that this has the potential to improve, particularly if yields fail to impress in Europe when the combines start moving.

2017 Crops

Winter Wheat

- First wheats seem to have retained yield potential, following much needed rains – between 25 and 50mm across much of the country – which have enabled crops finally to pick up nutrients.
- Yields of second wheats could be as much as 20% down as it looks as though rain has come too late for the ear number which has been set. These crops will need near perfect June conditions to beat 5-year average yields.
- Generally, septoria disease pressure has been low to date, enabling fungicide savings to be made. Flag leaf emergence has however occurred at the same time as recent rain events which is justifying a robust rate of SDHI fungicide at T2 timing.

Winter Oilseed Rape

- Where a healthy crop exists, sclerotinia pressure has been low enabling growers to use just one flowering spray. Crops are now off flower and look to be podding up well.

Spring Crops

- Cold weather, with frosts through to late April, has delayed spring crop drilling for large parts of the country, and the linseed area in particular is expected to be much reduced. This is because some farmers decided not to drill it and others have had to rip it up due to poor germination. Some will fallow the land instead, whereas others have replaced it with maize for forage or anaerobic digesters.
- Rain has come just in time to keep spring barley, beans and sugar beet going, many of which have had next to no rainfall since drilling.

Livestock

Beef and cattle

This month has seen the strongest price increase for GB all prime since September 2016 and it now is almost 42p up on this time last year. The price increase was seen across all markets - heifers were up 2.8p and young bull carcases were up 9.6p, the highest increase seen since September 2015. The cow trade is doing well as it continues to benefit from the weak sterling giving it a competitiveness on euro markets.

Demand for beef from retailers has been buoyant over the past few months, with the latest consumer data from Kantar Worldpanel showing that fresh and frozen beef sales were up 3.4% year on year.

In spite of the increase in sales, overall prime cattle slaughterings are down, which is probably contributing to the strengthening in price. Adult cattle slaughterings fell by 5%, giving an indication that conditions are improving in the dairy sector.

Lambs and sheep

Despite the ever increasing number of live lambs coming onto the market, prices are holding firm according to AHDB. Usually after the Easter period demand falls back but this year it has remained relatively strong, which is supporting the live-weight prices.

Imports of sheep meat to the UK have fallen, much of this is driven by the 43% decline in shipments from New Zealand as a result of their decrease in lamb production. While imports have declined, exports have risen by 10% with the largest increases to Germany and Ireland, and much of this is due to the weak pound. The overall value of sheep meat exports is now £23 million; up 11% compared with the same time last year, according to AHDB.

Dairy

Milk production across the EU has been rising steadily for the past four months and is now approaching levels seen last year and is expected to continue to grow. Global milk production has in fact been declining, although a recent report from Rabobank predicts that production and thus stocks will rise during 2017. They also predict that demand from China will grow as their stocks are thought to be relatively low, and this extra demand will account for the increased production this year. In terms of global prices, with the markets relatively balanced, prices should be relatively stable in the coming months.

In terms of cow prices, the average cost in April of a freshly calved heifer was £1230/head, which was slightly less than a month earlier but 15% up in 12 months earlier. The average cost of a calved cow was £968/head, which was slightly less than a month earlier but 6% up in 12 months earlier
Cull cow prices in April were on average £1.11/kg for a dairy sired cow, and £1.34/kg for a beef sired cow.

Pork and Pigs

Prices increased strongly in April, with the All Pig Price (APP) reaching 158.16p/kg for week ended 15 April, the highest weekly figure since October 2014. With the tight supply situation showing no signs of easing, price support is likely to remain strong in the coming weeks.

Fertiliser & fuel

The nitrogen fertiliser market got off to an early start this year, with CF Fertilisers (formerly Growhow) issuing their ammonium nitrate price on 16th May at £175/T. Yara fertilisers quickly followed suit, at the same price, and three days later prices were withdrawn, leading to speculation that prices, when they are released again, will be higher. In the meantime, the main merchants and buying groups – including Strutt & Parker's fertiliser team – had secured large tonnages for customers and members for delivery during the summer. At these prices ammonium nitrate is reasonably competitive against urea and the indications are that CF and Yara are trying to win back those farmers who have been forced to switch to urea over the past couple of years of low grain prices and high AN prices. As a comparison, imported ammonium nitrate was on offer in early May at £190-£195/T, and so unless the UK product increases to well over £200/T, imported products are unlikely to see much market share this year. Urea is priced at around £205/T.

Red diesel prices have continued their rise, tracking oil prices, and are now back to around 53p/litre plus VAT. This is a similar level to that last seen two years ago.

Policy and regulation news

Basic Payment Scheme

There are relatively few farmers still awaiting payments from 2016, but those that are have been told that they will receive a bridging payment from the RPA at 75% of the estimated claim value.

The deadline for 2017 claims was 15th May. Overall, for the majority of claimants the application process was relatively uneventful: one has now come to expect the 'missing field', or the bizarre inclusion of a neighbour's field on your form, and these can be easily dealt with once they have been spotted. The bigger frustration for many is the new mapping system, on which it is only possible to print field maps individually, rather than on a whole farm basis, and the fact that the maps themselves are not to scale. This makes it very difficult to check the accuracy of the maps during a farm visit, but we are not aware of any plans to improve this function.

Ecological Focus Areas area will not be increased from 5% but ban on pesticides on cover crops still possible

The European Commission has confirmed that area of land covered by EFAs will not be increased from the current 5% to 7%. The reason given is that around 10% of land is already covered by EFAs. However, the proposal to ban the use of pesticides on 'productive' EFAs, such as fallows, nitrogen-fixing, catch and green cover crops, may still happen due to concerns that they produce little environmental benefit.

EFRA committee worried about difficulties – and possible crisis – in farm labour

The House of Commons Environment, Food and Rural Affairs Committee says that agricultural and horticultural businesses are facing considerable difficulties in recruiting and retaining labour, and that this could become a crisis. The Committee stops short of calling for a new Seasonal Agricultural Workers Scheme (SAWS) as it was assured by the Government that a new scheme is unnecessary as long as the UK retains free movement of labour among the European Union and that, if that ends, a new SAWS could be introduced quickly (within six months).

UK should maintain or strengthen existing animal rules post-Brexit, says British Veterinary Association

The BVA's report says that animal health and welfare standards must be equivalent to current EU standards or higher where supported by evidence-based risk analysis.

Farm business news

Total Income from Farming in UK rises 1.5% in real terms in 2016, mainly due to BPS

Total Income from Farming or TIFF, which is income to people with an entrepreneurial interest in the agricultural industry, typically farmers and partners, rose by 1.5% (in real terms) in 2016 compared with 2015. The rise is due to Basic Payments rising 18% due to Sterling's devaluation after the EU Referendum vote; the value of what farms produced fell by 3.4% (real), due to falls in both volume and value of cereals and milk, which was offset slightly by input costs also falling (by 4.2% real). Labour, rent and interest remained virtually unchanged. The NFU has said that although profitability has recovered a little, it is far from levels that will sustain a long-term and profitable farming industry. NB These figures are first estimates and subject to revision.

Rents in England and Wales rose in 2015/16

DEFRA has published estimates of rents paid in England and Wales for 2015/16. These show that rent for land let on Farm Business Tenancies is 1% higher than the previous year at an average (for all farm types) of £209/ha (£85/acre). Rent for land let on Agricultural Holdings Act Tenancies is 2% higher than the previous year at an average (for all farm types) of £180/ha (£73/acre). These increases are relatively small compared to previous years and would therefore appear to support anecdotal evidence that values have stabilised for the time being. The area of land let on AHA tenancies fell by 5% to 1,444,000 acres between 2014 and 2015. The area of land let on FBTs remained unchanged at 1,125,000 acres.

Science and environment news

European Commission proposes complete ban on neonicotinoid seed treatments

The extension of the current partial ban is due to the threat that the chemicals pose to pollinators, and is based on updated risk assessments from the European Food Standards Agency (EFSA). As could be expected, environmental organisations have welcomed the proposals while the Crop Protection Organisation says they are not based on evidence-based decision making.

Numbers of majority of UK butterflies fell in 2016

Numbers of butterflies fell for 40 of the 57 butterfly species studied by the annual UK butterfly monitoring scheme in 2016, one of the worst years since the survey began over 40 years ago. The fall was a result of a mild winter and cold spring. Butterfly Conservation has produced a useful guide on encouraging butterflies and moths on farmland.

National Contacts

Farm Research Group Chairman
George Chichester MA FRICS FAAV
01635 576914
george.chichester@struttandparker.com

Land Research Group Chairman
Ralph Crathorne MA MRICS FAAV
01227 473716
ralph.crathorne@struttandparker.com

Farming Department
Will Gemmill BSc FAAV MBPR
01223 459471
will.gemmill@struttandparker.com

Land Management
James Farrell BSc MRICS FAAV
01423 706770
james.farrell@struttandparker.com

Development & Planning
Simon Kibblewhite BSc (Hons), BA, FRICS MCIArb
020 7318 5177
simon.kibblewhite@struttandparker.com

Research
Jason Beedell MRICS PhD BSc(Hons)
07795 651493
jason.beedell@struttandparker.com

Accounting & Taxation Services
Alex Heffer FCCA
01245 254656
alex.heffer@struttandparker.com

Energy
Alexander Creed BSc (Hons), MRICS FAAV
020 7318 5022
alexander.creed@struttandparker.com

Building Surveying and Architecture
Tony Saffery BSc (Hons) MRICS
01483 383098
tony.saffery@struttandparker.com

National Estate Agency
Guy Robinson BSc (Hons) MRICS
020 7318 5175
guy.robinson@struttandparker.com

Estate & Farm Agency
Michael Fiddes
01223 459500
michael.fiddes@struttandparker.com

Farming Departments

Cambridge 01223 459500

Chelmsford 01245 258201

Morpeth 01670 516123

Newbury 01635 576914

Northallerton 01609 780306

Norwich 01603 617431

Oxford 01865 366700

Perth 01738 567892

St Albans 01727 840285

Salisbury 01722 328741

Stamford 01780 484040

Read more

Health & Safety Update | Spring 2017

Click to view >>

English Estates & Farmland Market Review | Spring 2017

Click to view >>