

Essential agri-intelligence for profitable farming

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9th May 2017

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BUSINESS (Wales)

Phil Hogan, the EU Farm Commissioner has said he would like to re-authorise the use of **Glyphosate** for 'at least 10 years' to give the industry some certainty. Although this does give some idea as to the Commission's stance on the herbicide, it still does not guarantee approval. Indeed, last month's significant conclusion from the EU's Chemical Agency (ECHA) that Glyphosate is non-carcinogenic is being challenged by some MEPs, who are saying that Monsanto, (the chemical's manufacturing) influenced the findings.

Consolidation within the agrochemical industry continues, with another merger being given approval by the EU Commission. This month the proposed **takeover by ChemChina of Syngenta** has been given the go-ahead. Similar to the Dow & DuPont merger reported on last month, the takeover will be dependent on some significant divestitures by the state owned chemical company based in Beijing. ChemChina will divest a large amount of its pesticides business, Adama, which is based in Israel. Having also gained approval from the anti-trust authorities in the US, the takeover is expected to be completed by the end of the year. Formal notification from Bayer of its proposed acquisition of Monsanto is expected imminently.

The deadline for submitting the **Single Application Form (SAF)** is creeping up; 15th May. Applications submitted after this date will receive late claim penalties. Any application or supporting evidence received after 9th June will not be accepted. It is possible to make certain changes to an application which was submitted by 15th May up until May 31st without receiving a penalty.

The new **Farm Business Grant Scheme** opened on 2nd May and will close on 30th June. It provides a 40% contribution to specific equipment and machinery that has been identified by the Government as having the ability to improve the economic and environmental performance on Welsh Farms. A grant of between £3,000 and £12,000 is available. The scheme will have three application windows in the current financial year; May 2017, August 2017 and February 2018. Only one application per business is allowed over the lifetime of the scheme.

Chinese owned, UK cereals firm **Weetabix** has been bought by the US company Post Holdings in a deal worth £1.4bn. China's Bright Food bought a majority share in the company back in 2012, with the aim of Weetabix cracking the Chinese market, but this has never really happened. The company is based near Kettering in Northamptonshire and currently all the wheat used for the breakfast cereal is produced within 50 miles of the factory. Other brands included in the Weetabix portfolio include Alpen, Ready Brek, Barbara's and Weetos.

The implications on farming of Theresa May's announcement of a snap **General Election** on the 8th June of unclear at present. It is possible though that a post-election re-shuffle could see a new team in place at DEFRA.

First estimates from DEFRA of **Total Income From Farming (TIFF)** for 2016 show UK farm profits rose marginally by 1.5% (in real terms) compared with 2015, to just under £4bn for the whole industry. The exchange rate between the Pound and the Euro has a strong influence on TIFF. The weakening of Sterling after the vote for Brexit helped to push incomes up, although not by as much as expected. BPS and agri-environmental support payments increased by 11% as a direct result of the exchange rate; fruit, vegetables and potatoes also saw increases but there were notable falls in the dairy and combinable crops sectors. A reduction in fertiliser and animal feed costs also helped improve profits.

BUSINESS (Wales)

Latest DEFRA statistics on **farm rents** show they are still rising but at a slower rate. However the information comes from the Farm Business Survey and covers mainly the 2015 year, so is a little dated. The average rental value, according to the DEFRA survey, under AHA tenancies rose by 2% between 2014/15 and 2015/16 to £180 per hectare (£73 per acre). For FBT's the average figure increased by 1% (compared to 5% last year) to £209 per hectare (£85 per acre). The averages do however mask large variations between the different farm types and as they are amounts actually being paid by farm businesses in England, they will include lettings that are not at full market value i.e. lettings within families and therefore do not always correspond to some of the 'headline' rates often quoted. The full results can be found at <https://www.gov.uk/government/statistics/farm-rents>

Agricultural machinery manufacturer **Great Plains** has announced it is closing its UK factory at Sleaford in Lincolnshire. It acquired the factory from Simba back in 2010, but has blamed the worldwide downturn in agriculture on its decision to stop production at the plant this year with full closure at the site in early 2018.

Finished **beef, lamb and pigmeat prices** are looking relatively robust. The beef market has not seen the significant drop in price as experienced in the spring over the last couple of years. In the lamb market prices are currently at levels similar to 2016. Good weather during the main lambing period should result in a good crop. This could however exert downward pressure on prices later in the year. Tight supplies in the pig market has seen further upward price movements throughout March and April. Values are about a third higher than at the same time in 2016.

Grain Market Comment

The focus is on the new crop now. Whilst there are still a few tonnes of unsold grain in barns around the countryside, there is far less than this time last year or the one before as the price of old crop grain is so much higher than new crop. New crop grain becomes the dominant crop being traded at this time of year and crop analysts spend more time calculating and predicting the size of the growing crop rather than estimating the final tonnage of old.

PRICE CHECK (£/tonne)			
Crop:-	Spot 17	Harv . 17	Nov 17
Wheat – Feed	157	139	143
Barley – Feed	120	107	111
Oilseed Rape	330- 340	285- 295	297- 307
<i>Guide Ex-Farm prices as at 31/04/17 (assumes crop assured) Prices kindly provided by Glencore</i>			

Wheat in the UK is the major cereal, but globally, maize has that role. The global stock level of both of these cereals is still very high and the global expectations of a smaller crop have not yet had a major impact on prices because of it. Whilst its early days yet, the considerable buffer of stocks are likely to keep the price range for combinable cereals relatively tight at least for the first part of the post-harvest trading.

Dry weather in the East of England has concerned many arable farmers, especially the spring crop growers, with dry weather hampering germination and crop establishment. However for other areas, occasional showers have been sufficient. Other parts of Europe, including France and Germany have also been affected by dry weather, and in these hotter climates, drought can be more punishing than here. It is early days yet, but nothing to the extent of last year's crop failures in France have been seen as yet.

The table of grain prices above demonstrates how feed barley is priced at a larger discount to wheat than 'usual' at the moment, and with a large crop in the ground, it is probably not surprising. It is notable though that the malting premium is relatively firm, again, noting that much of the growing crop is spring barley so we could be in for a bumper malting barley harvest.

Oilseed prices slipped in April by about #10 per tonne. The UK produces a tiny fraction of the global vegetable oilseeds so has almost no impact on global prices, that role is dominated by soybean and palm. With wheat and maize areas potentially falling this year, we could see a higher oilseed planted area, which would therefore fit in with a lower price.

Comment as at the 03/05/2017

BUSINESS (Wales)

Futures Prices

Wheat	Nov 2017	£140.25/t	(+2.00/t)
	Mar 2018	£141.25/t	(-0.50/t)
	Nov 2018	£141.00/t	(-0.25/t)
	Mar 2019	£141.85/t	(-1.95/t)
Rapeseed	Aug 2017	£312.34/t	(-4.54/t)
	Nov 2017	£315.08/t	(-16.85/t)
	Feb 2018	£317.40/t	(-4.86/t)
	May 2018	£318.04/t	(-5.95/t)

As at 2nd May 2017

Figures in brackets indicate movements since the 29/03/2017.

Wheat futures prices based on London LIFFE

Rapeseed futures prices based on Paris MATIF

Currency Check

Bank Base Rate	0.25%	(0.25%)
Current Inflation (CPI)	+2.3%	(+2.3%)
Euro - € : £	€1 = £0.84473	(£0.86455)
US Dollar - £ : \$	£1 = \$1.2939 (USD)	(1.2560USD)
Euro - € : \$	€1 = \$1.0930 (USD)	(1.0597USD)

As at 02/05/2017, last month's rates are shown in brackets

Single Farm Payment / Basic Payment Scheme

	2013	2014	2015	2016	2017 Est.	2019
Total Welsh Modulation *	11.5%	15%*	15%*	15%*	15%*	15%*
Example Arable Payment £/ha after deductions	£224.5	£183.4	£154.2	£162.2	£144.9	€133.9 [#]

Assumes 1ha of arable land claimed historically; * in 2014, Modulation was replaced with Pillar Transfer;

2017 is estimated at €1=85p [#]Includes Greening, excludes Redistributive Payment, Euros/ha

Livestock Market

Liveweight (w/e 28 th April 2017)		Change (month)	
	All steers	189.2p/kg	(- 1.3)
	All heifers	194.8p/kg	(- 2.6)
	All young bulls	172.5p/kg	(- 3.3)
Sheep	SQQ lambs	232.5 p/kg	(+ 15.6)

Source: Markets in Wales AHDB.

Milk Market

Global Dairy Trade Auction (\$ per tonne) (change y/y)			
April	3,139 (+876)		
Milk Production (Million Litres) (y/y change)			
March	1,241 (-19)	Cumulative	14,007 (-823)
Milk Price (ppl) Brackets indicate movement since last month			
Farmgate	AMPE		
March	27.46 (+0.01)	April	27.78 (- 0.60)

(Published figures as at 30th April 2017)

Source: AHDB

Further to Arla's announcement last month that it was making a price cut, Muller has said it is to keep its standard milk price unchanged until at least 1st June. Dairy Crest has also said it is to hold prices until June also. This has alleviated fears that Arla's announcement would be the catalyst for a round of cuts from the other processors.

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