insidetrack
A MAGAZINE FOR THE UK ARABLE SECTOR
www.insidetrack.org.uk
OCTOBER 2017

Brexit

Abstract:

• EU-27 leaders decide that the UK has made insufficient progress on Phase I of the negotiations to be able to talk about post-Brexit trading arrangements.
• The Government has produced a Trade Bill White Paper which highlights its 'free trade' credentials. Although the outcome of the post-Brexit trade deal with the EU is not projected, providing duty-free access to the UK market for food and other goods in certain circumstances is favoured.
• A Customs White Paper was also published which gives more detail on the legal and physical preparations needed to enact trade outside the EU.
• The EU and UK have teamed up to negotiate the splitting of the EU's tariff rate quotas with the WTO. Apportioning the allocations according to usage is being opposed by WTO partners, such as the US and New Zealand
• Defra has recruited an extra 400 staff to cope with the Brexit (and WTO) workload, which will include 'correcting' 850 pieces of secondary legislation.
• Arable farm incomes would be reduced significantly if 'hard' Brexit scenarios are followed, according to a study commissioned by the AHDB. Predominantly cereal farms would be the hardest hit.

'Show us the money' say EU leaders

The UK has not made enough progress on settling its Brexit financial obligations to the EU to be able to talk about post-Brexit arrangements, concluded the Heads of the 27 EU Member States at their Summit on 19-20th October.

The Government will now have to wait until December's Summit before knowing if 'sufficient progress' has been achieved on each of the three 'Exit' issues – budget, citizens' rights and the Irish border – to start negotiating on the transition and trade arrangements post-Brexit. There is some light at the end of the tunnel, though, as the European Council (of EU leaders) has asked the Commission to start preparing internally for the next stage of talks.

As is typical of most high-level negotiations, there is brinkmanship on both sides. But logic, and perhaps more importantly EU law, supports the EU's position of sorting out Brexit first before dealing with the complexity of the post-Brexit arrangement. On the other side of the argument is the Government's view that Brexit, the transition, and the new trading arrangement all impact on one another and need to be considered together.

Inside Page

Whatever the pay-out required to fulfil the UK's commitments to the EU, the political fallout will be massive for the Government. Thus, it is understandable that it should want to delay and find the best possible moment to announce the bad news. Undoubtedly this would be best achieved by losing it in the detail of the new post-Brexit arrangement but, the longer it takes, the more uncertainty there is about whether there will be a 'deal or no deal'. This is bad news for farmers, for migrant labour, for EU-UK agricultural trade and for investment in the UK.

'Free Trade' means cheap food?

Being "*a leading advocate of free trade on the world stage***"** is one of the Government's leading priorities for the UK's post-Brexit trade policy, according to a White Paper presented by Liam Fox, Secretary of State for International trade, to Parliament last week.

Dr Fox makes clear that the UK will regain its independent seat at the WTO when it leaves the EU and that the Government is "*committed to ensuring that that UK and EU businesses and consumers can continue to trade freely with one another, as part of a new deep and special partnership*". The word "freely" is taken to meaning 'easily' rather than without extra cost, as the cost to business of dealing with new customs arrangements is ignored (for more detail, see the Customs White Paper report below).

The Trade paper refers to an implementation/transition period during which access to both markets would continue on current terms. The Government would still begin new trade negotiations with other countries during this period, though they would not be finalised unless allowed under the terms of the transition agreement (*EU unlikely to give much ground on this*).

The Government re-states its long-standing commitment to support developing countries to reduce poverty through trade. One important way in which trade can support developing countries is providing preferential access for them, by reducing tariffs. This has the added advantage of providing "*lower cost goods and greater choice of products*" to British consumers. The paper does not openly state that it has a 'cheap food' policy in the paper but reading between the lines it is clear that imported agricultural commodities and products could be given preferential terms, even if it is disadvantageous to UK farmers.

To this end the Government intends to put in place a trade preferences scheme, which will, as a minimum, provide the same level of access as the current EU trade preference scheme with duty-free access to UK markets. This is the 'soft' Brexit option in the AHDB paper (see below). If Government goes for the 'unilateral liberalisation' option, and increases access to UK markets, the consequences for arable farms are also modelled below.

Up to now, the EU has managed a trade remedies framework to protect domestic industry against unfair and injurious trade practices, or unexpected surges in imports by allowing for measures (usually a duty) to be placed on imports of specific products. To manage an independent trade policy and deal with trade disputes, the UK will have to set-up its own system. In preparation for this, the Government intends to issue a call for evidence to identify which existing trade remedies measures have a UK interest. It will also have to find the resources and skills to staff the system effectively.

Government is seeking views on these proposals which will, in due course, feed into the Trade Bill (and the Customs Bill below) to be introduced in this Parliamentary session, (See consultations section below for more details).

Customs: where to tax imports?

The contents of the Customs Bill White Paper are linked to the Trade Bill White Paper and make provisions for a new UK tariff, including the power to set customs duties, quotas and preferences. It also details how tariff-related provisions will be administered, for example, to developing countries (unilateral preferences), and how the UK can impose trade remedy measures including anti-dumping duties, anti-subsidy duties and safeguard measures.

While looking at the long term post-Brexit options, the paper touches on the transition period. The government's 'interim implementation period' could be delivered through a continued close association with the EU Customs Union after the UK has left the EU via a new and time-limited Customs Union between the UK and the EU Customs Union. This would be based on a shared external tariff and would mean no customs processes and duties between the UK and the EU.

The White Paper sets out the changes needed in law for this to happen:

- what customs duty to charge on imported goods
- how goods will be classified to establish the amount of customs duty due
- which goods are subject to quotas and which goods are relieved from duty.
- the additional territories forming part of a Customs Union with the UK.
- when to vary or suspend duty at import in certain circumstances.
- establishing a new UK tariff and setting out additional tariff-related provisions, for example the tariff applicable to developing countries (unilateral preferences).

The White Paper gives two options for 'frictionless' border controls for imports and exports after transition: the first of these is a 'highly streamlined customs arrangement' between the UK and the EU. This, while introducing customs formalities to UK-EU trade, would seek to minimise these additional requirements as far as possible. The second model is a 'new customs partnership' with the EU which mirrors the EU's external customs border, for goods that will be consumed in the EU market, even if they are part of a supply chain in the UK first. The UK would need to apply the same tariffs as the EU, and provide the same treatment for rules of origin for those goods arriving in the UK and destined for the EU. Both these options were examined in last month's edition of *Inside***Track.**

In addition to providing for most negotiated outcomes, the Customs Bill will give the government the ability to cope with a 'no deal' scenario. This means operating a standalone customs regime and ensuring that VAT and excise legislation operates effectively. In this scenario, the UK would apply the same customs duty to every country with which it does not have a trade deal or otherwise provide preferential access to the UK market. The level of this duty would be decided by the Government, and set out in secondary legislation before the UK leaves the EU.

Traders that currently trade only with the EU will be subject to customs declarations and customs checks for the first time. Traders would need to be registered, which will provide them with an Economic Operators' Registration and Identification System (EORI) number. Imported goods would be liable to customs duty and import VAT. Certain goods may require import or export licenses, and traders exporting to the EU would have to submit an export declaration.

With regard to the physical process of customs checks, the

Government believes that there is not enough space at roll-on and roll-off ports to hold vehicles for any length of time to present goods to Customs. Therefore, advanced paperwork would be required prior to import/export movements and presentation would take place inland as much as possible. At the port there would be some means to confirm that goods have left/entered the UK but there is little detail in the White Paper as to how this would work.

Responses on the Government's consultation can be sent via email to CustomsStakeholders@hmtreasury.gsi.gov.uk. While there is no deadline for providing feedback, responses before 3 November 2017 are encouraged.

WTO row over new UK schedules

On 11th October, the UK and EU wrote to the WTO in Geneva to advise them of their intention to split out the UK commitments for tariff-rate quotas (TRQs) in a fair and transparent way. As soon as the news got out, WTO members such as US, Brazil, Argentina, Canada, New Zealand and Thailand immediately warned the WTO secretariat that they would oppose the apportionment of the EU's existing TRQs, which is their right.

TRQs are sensitive because they are allocations of reduced or nil rates of customs duty or tariff rate applying to traded commodities. The best known one is probably New Zealand lamb: currently 228,254 tonnes of New Zealand (NZ) lamb are eligible for import into the EU under a TRQ. NZ imports into the EU fall well short of this amount (circa 182,000t in 2015) and the UK imported around 69,000, approximately 38% of the EU-28 total. The EU/UK intention post-Brexit would be that the TRQ would be apportioned according to historical use, e.g. 38% UK/62% EU which seems fair. However, if say demand reduces in the UK and increases in the EU, NZ argues that it loses the flexibility of filling its TRQ every year.

Based on the feedback from countries such as the US and New Zealand, it appears they intend to dispute the EU/UK's proposed 'technical adjustments', requiring both the EU and UK to completely renegotiate their WTO schedules, if no concessions are made.

If there is a dispute over TRQs, there is a risk that UK agricultural trade – both imports and exports – could be disrupted. One likely outcome is that the EU and UK will both have to increase their individually apportioned (UK+EU27) TRQs to a total that exceeds the current cumulative EU-28 total.

Another possible option is that the UK and the EU-27 would propose to jointly administer existing TRQs, i.e. establish 'EU-UK TRQs', so that the existing TRQs are managed on effectively the same basis as present where trade flows into each country are monitored. Perhaps it is an area for collaboration as part of a future 'UK-EU Partnership' and a precedent, of sorts, exists for this insofar that the US and Canada are jointly allocated around 11,500t of ('Hilton') beef TRQ imports into the EU since the 1990s. This concept is attracting interest from WTO experts but has not yet been subject to a legal examination to see if it is feasible. However, it does merit consideration.

In addition to TRQs, there must also be an agreement to apportioning the EU's aggregate measure of support (AMS) commitment, which is limited to a maximum of €72bn on agricultural subsidies that are notified as trade distorting. This should not involve too much debate with other WTO members, particularly as much of it is unspent following successive CAP reforms and both the UK and EU are likely to continue to shift any support into the 'green box' of non-trade distorting subsidies.

The Government needs to have a TRQ schedule ready prior to EU exit with enough time for clearance processes at the WTO to be completed. In practice this means it needs to be ready by the end of 2018. Ahead of that, separate bilateral negotiations with the individual WTO members likely to dispute the schedule will be required. Once agreed at WTO level the schedule will need to be included in domestic legislation via primary legislation such as the Trade and Customs Bills.

'Hard' Brexit hurts arable farms

Arable farm incomes would be reduced significantly if 'hard' Brexit scenarios are followed, according to a study commissioned by the AHDB.

The AHDB report 'Brexit scenarios: an impact assessment' summarises modelling work undertaken by Agra CEAS Consulting which looked at the impact of different Brexit scenarios for support payments (Pillar 1 & 2), EU labour availability, the EU trade relationship, the trade relationship with the rest of the world, and the regulatory environment. The model constructed for this study differs from others covered in previous editions of *Inside***Track** in that it takes accounts of new variables such as policy changes in labour availability and in the regulatory environment in addition to conventional variables such as terms of trade and direct support. Even so, the broad thrust of the findings is in line with the other model results.

The scenarios considered were:

1. *Evolution*: - the 'soft' Brexit option involving no change to support payments, to regulation or to EU-sourced labour *(it is difficult to believe that there will be no change to EU-sourced labour if free-movement ends)*; and a comprehensive free trade agreement with the EU resulting in a modest increase in trade costs of 5% (and 8% trade costs with the rest of the world).
2. *Unilateral Liberalisation* – overall support payments (total of Pillars 1 & 2) cut to 50% of the status quo; 50% increase in regular labour costs; no import tariffs but 8% increase in trade costs; and 5% reduction in input costs due to reduced regulation.
3. *Fortress UK* - overall support payments cut to 25% of the status quo; 50% increase in both regular and casual labour costs; WTO tariffs apply on imports and exports plus 8% increase in trade costs; and no change in regulatory burden.

Soft Brexit: Evolution

As would be expected, ***Scenario 1: Evolution*** leads to the least change in Farm Business Income (FBI) from the status quo with the only variable being the extra transaction costs of customs procedures (referred to in the report as 'trade friction'). Once the UK is no longer in the Single Market, the costs of imports will rise due to trade friction. Where the UK is a net importer of agricultural products domestic prices would rise in line with the price of imports. Where the UK is a net exporter prices would be expected to decline if UK exports were not economically viable and leading to a surplus on the domestic market.

For cereal farms, the model predicts a modest 9% decrease in FBI due to decreases in the output values for oilseed rape and barley, caused by the extra trade costs reducing export potential. This scenario is likely to slightly increase existing trends for consolidation in the cereal sector. There could also be a shift in production away from barley and oilseed rape towards wheat and other crops such as potatoes and sugar beet, where this is agronomically possible.

There would be little change in FBI for general cropping farms and, like the cereal results above, a swing away from barley and oilseed rape towards wheat and crops like potatoes and sugar beet. The processed potato sector will become more profitable.

Hard Brexit: Unilateral Liberalisation

The removal of Pillar I payments and their partial replacement with enhanced Pillar II-type support is the key driver of lower FBIs under the two 'hard' Brexit scenarios. Under ***Unilateral Liberalisation***, FBI would fall for all farm types, with the exception of pig farms. The impact of the removal of Pillar I payments is only partially compensated by increased Pillar II payments and these are focused on certain farm types such as Less Favoured Area (LFA) sheep and beef. Sectors with the least reliance on Pillar I support as a proportion of revenue (pigs, dairy and horticulture) are best protected from falls in FBI.

As a result, there is an 81% decrease in FBI for cereal farms and a 70% fall in general cropping farms under this scenario, driven mainly by the removal of Pillar I payments (£37,439 per business), which is only partially offset by the increase in Pillar II payments. Decreases in the value of production output and increases in regular labour costs also have an impact, though reductions in regulatory costs provide some marginal relief for these changes. There is likely to be increased pressure on less-efficient farmers and there may also be implications for farm size if labour availability becomes more problematic.

Hard Brexit: Fortress UK

Under this scenario, all farm types except for dairy and pigs, would see reductions in FBI compared to the baseline. However, for some farm types, such as general cropping farms, FBI would be higher than under the second scenario as the protection afforded by WTO tariffs would allow domestic prices to rise.

Nevertheless, general cropping farm income is reduced by the loss of Pillar I support and the lower level of replacement under Pillar II, although the value of production output increases slightly, offsetting this to some extent; higher prices for processed potatoes offset high paid-labour costs to result in substantially higher FBI. Additional casual and regular labour costs also contribute to the 60% decrease in FBI.

The impact on cereal farm is most severe, with FBI going negative due to a 103% reduction in income as a result of the reductions in support payments and increase in labour costs.

In summary, cereal farms are hardest hit with the status quo income dropping from £44k to £40k with a soft Brexit but either side of break-even for the two hard Brexit scenarios with FBIs of £8k and £-1k respectively. However high-performance farms retain a positive income across all scenarios.

General cropping farms income of around £61k falls to around £19k under Unilateral Liberalisation and down £25k under the Fortress UK scenario.

Whichever scenario is chosen, higher-performing farms remain profitable in every sector. These farms can generate positive incomes when the lower-performance farms are making losses. The ADHB recommends taking steps to improve productivity and performance now to mitigate potentially negative impacts of Brexit, even before the post Brexit details on agricultural trade or support policy are announced.

NFU policy proposal

This month the NFU of England and Wales has published its most detailed ideas yet on how the farming sector should be supported after Brexit. The document, called 'Domestic Agricultural Policy – A Framework for Success' can be found at https://www.nfuonline.com/assets/100873). As the name suggests, it does not aim to set out every detail of a set of schemes, but instead proposes a series of broad policy aims.

The document adds more flesh to the bones of the ideas the NFU produced in March. This was for a policy built around three themes of volatility mitigation & resilience, environment, and productivity.

Under the volatility theme, the Union is clear that direct area payments (similar to the current BPS) should continue, at least for the medium term. It sees these as being vital both to provide 'income resilience' and 'volatility management'. There is little detail on the precise rules for these direct payments, but the document suggests that Greening and Capping should not be part of the system. The latter, especially, may be contentious with even Michael Gove suggesting payments to the largest businesses should be limited. Over time, the document suggests that direct payments might be phased-out in favour of more targeted volatility mitigation measures. Among the suggestions are counter-cyclical payments, revenue insurance schemes, futures markets and savings schemes.

Regarding productivity, the document calls for several policy interventions to improve the sector's competitiveness. These include more spending on research and development, investment in training and knowledge exchange, a focus on advisory services and aid for farm investment (grants and loans). Beyond farm policy, the Government is encouraged to make changes to the planning and tax system to encourage investment – especially in farm buildings and infrastructure. The rollout of superfast broadband is also seen to be key to productivity.

The environment strand proposes something that looks very much like the old Environmental Stewardship Scheme. A lower tier would be available to all farms across the country, with a 'straightforward' set of options. A higher tier would focus on specific locations that have the most environmental potential. Both capital and annual payments would be available. The document also suggests that new policies such a results-based schemes, or market approaches (payment for ecosystems services) should be part of the policy mix.

Crop Markets

Abstract:

- Global grain supply and demand rising for 2017/18, stocks down on last year. Russian grain production is buoyant.
- Oilseeds production is down but demand holding steady.
- OSR area up for 2017/18, Canada becoming more influential.
- Revisions in USDA wheat forecasting during 2016/17 almost equivalent to UK wheat production.
- Far East influence on global trade is not solely due to China.
- Potato prices significantly lower as yields soar.

USDA WASDE forecast update

Global grain output up again, demand also rising

Once again, the USDA global grain output for 2017/18 is up on last month's estimate, by nearly 10Mt. However, as reported previously 2017/18 output is projected down by nearly 54Mt on 2016/17 due to lower plantings brought about by lacklustre global prices in the past 12 months. Demand has also risen, up by nearly 7Mt on last month but remains 3.74Mt lower than last year. These projections mean that demand will surpass production in 2017/18 but given the high carryover stocks from last year, there is still an abundance of grain available. Indeed, 2017/18 stocks are forecast to be over 14Mt higher than 2015/16. This suggests that output will need to trend lower for at least two consecutive years before stocks will become an issue. Although, as reported in the June edition, China now accounts for half of the world's wheat stocks and will heavily influence how prices evolve.

Total global grains supply & demand at 12 October 2017 (Mt)

	Output	Trade	Total use	Cl. stocks*
2015/16	2,467.47	376.49	2,434.97	624.80
2016/17	2,608.21	429.82	2,576.09	656.92
2017/18 Sept forecast	2,544.73	409.85	2,565.52	616.91
2017/18 Oct forecast	2,554.34	409.98	2,572.35	638.91

*closing stocks Source: USDA

For wheat, the main influence behind the 6.34Mt increase has been the record production in Russia (82Mt) which is nearly 10Mt higher than last year's 72.5Mt which, in turn was over 10Mt higher than the previous year. This will mean significantly increased competition on export markets for EU wheat, including from the UK, which will have a bearish influence on prices. EU production is also up by 2.2Mt to 11Mt driven primarily by higher output in France. Conversely, Australian output is forecast to be 1Mt lower due to dry weather conditions and 2017/18 is forecast to be Australia's lowest wheat production year since 2008/09. Although it is too early to say that a shift in global production is taking place, i.e. away from drier climates such as Australia and towards places like Russia, it is something to bear in mind for the coming years.

World wheat demand is also higher with increased usage in India, the EU and Russia on the back of increased supplies in these countries. Notably, wheat stocks are also up by 5Mt on last month to 268Mt, a new record. This is likely to exert more pressure on barley prices in feed markets.

Wheat supply & demand at 12 October 2017 (Mt)

	Output	Trade	Total use	Cl. stocks*
2015/16	735.26	172.84	711.82	241.20
2016/17	754.15	182.48	738.77	256.58
2017/18 Sept forecast	744.85	180.03	737.54	263.14
2017/18 Oct forecast	751.19	180.04	739.63	268.13

*closing stocks Source: USDA

Oilseeds production trending lower, demand steady

On last month, global oilseeds output is down by around 1.6Mt whilst demand is 0.4Mt lower. That said, demand in particular is a lot stronger than last year which as reported previously is primarily led by Chinese soybean crush demand.

In terms of production, downward revisions for soybeans, rapeseed and sunflower seeds are driving the 1.6Mt reduction on last month's estimate. Declines in Russia and Ukraine for both soybeans and sunflower seeds have been influential whilst drier conditions in Australia have also affected its rapeseed output. These revisions have, in turn, led to lower exports whilst closing stocks are also down on the back of reduced soybean carry-in for Brazil and the US.

World oilseeds supply & demand at 12 October 2017 (Mt)

	Output	Trade	Total use	Cl. stocks*
2015/16	521.35	153.26	445.61	90.52
2016/17	573.07	170.88	469.29	107.31
2017/18 Sept forecast	578.60	174.29	488.43	109.46
2017/18 Oct forecast	576.99	173.91	488.09	107.90

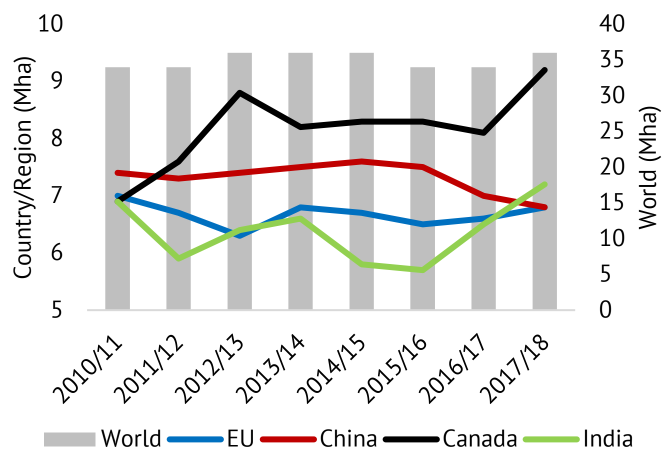
*closing stocks Source: USDA

OSR planted area trends

Projections published by FranceAgriMer suggest that Canada is becoming a more influential player in terms of oilseed rape (OSR) production. This is particularly pertinent for the EU with the implementation of the EU-Canada free-trade agreement (CETA). 2017/18 estimates suggest that the area of Canadian OSR is forecast at 9.2Mha and for the first time will surpass its wheat area (9Mha). EU area (6.8Mha) whilst up on last year is broadly stagnant in recent years. The Chinese area (also 6.8Mha) is down by 0.7Mha on 2015/16 whilst India's area is forecast to increase again this year to 7.2Mha. Global area, projected at 36Mha, is up 2Mha on last year but is generally in line with the 5-year average.

FranceAgriMer estimates also indicate that whilst global OSR production is growing, consumption is keeping up which is a positive for prices.

OSR Area Trends – 2010/2011 to 2017/18 (Mha)



Source: FranceAgriMer

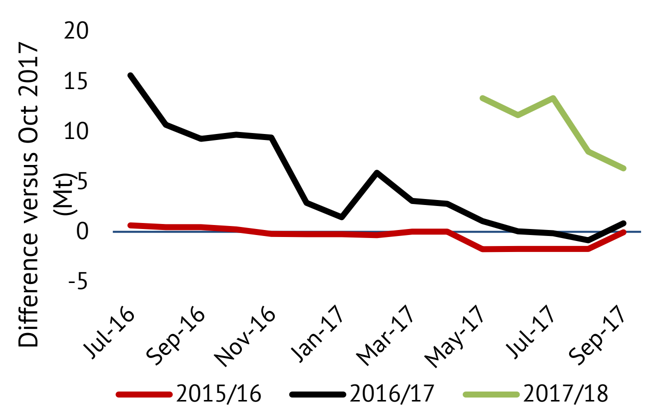
USDA output forecasting accuracy

According to some commentators, the USDA has, at times, had a patchy record when it comes to forecasting global grain and oilseeds output. It has frequently been accused of making significant revisions which have then had an immediate impact on prices. Below is an examination of how USDA projections have changed month-on-month in comparison with its latest estimates published in October 2017. A word of caution when interpreting this data, as we are only part-way through 2017/18; the USDA's projections are likely to change further during the year, therefore, it is best to focus most attention on 2015/16 and 2016/17.

On first impressions, the data suggests that 2015/16 forecasting accuracy was relatively good although it must be noted that by July 2016, that marketing year had just finished and one would expect these forecasts to be reasonably robust. For 2016/17, output forecasts published in July 2016 ended up being over 15.6Mt higher than the October 2017 estimate. In percentage terms, this variance is relatively small (2.1%) but in absolute terms, the variation is more than the UK's wheat production in most years. Between January and February 2017, the USDA's output estimate shifted quite a bit, this is mainly due to harvests which take place on the Southern Hemisphere during this period.

As cautioned above, whilst 2017/18 variation appears to be lower, it is still early days but already the difference between the May 2017 estimate and the latest data is almost 13.4Mt.

USDA world wheat output forecasting accuracy (vs Oct 2017)



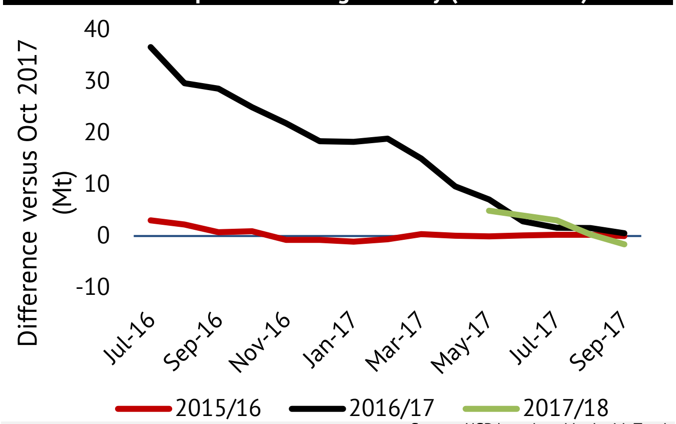
Source: USDA analysed by InsideTrack

For oilseeds, the variation experienced in 2016/17 is even more pronounced. July 2016 estimates were some 36Mt higher than what has been reported this month. In percentage terms, this represents a 6.4% variation and in some months, revisions in the region of 7Mt were made. This is concerning and highlights the need for greater accuracy.

On the face of it, 2017/18 projections seem to have improved significantly although it will not be possible to reach a definitive verdict on that until the latter part of 2018 at the earliest.

The above analysis highlights the caution that needs to be taken when examining global output estimates and whilst they are a helpful yardstick, one should not blindly place too much faith in them as there are a whole plethora of factors that must be considered on both the supply and the demand side.

USDA oilseeds output forecasting accuracy (vs Oct 2017)



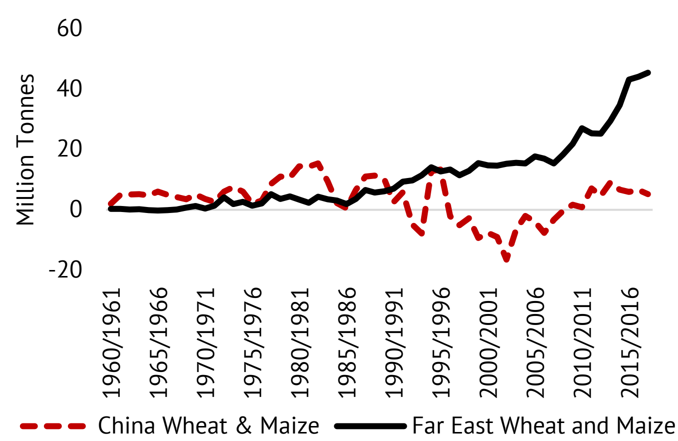
Source: USDA analysed by InsideTrack

Far East's influence on global grain trade

Seldom does an analysis about global grain trade flow ignore China. After all, it is the world's largest consumer of wheat (by a comfortable margin of over 150 million tonnes). But, being the largest producer too (an accolade the Chinese has held continuously since 2007/08 according to the USDA, and on several occasions before then going back to the 1980's), their overall trade position is rather small and sporadic. When they do enter the marketplace, it is for millions of tonnes, but this is not a growing trend. China has not had a net wheat trade exceeding 6 million tonnes since 1995, and whilst imports are generally slightly higher than exports, the average net wheat trade over that period has been just less than 1 million tonnes per year, curiously, about the same as the average net wheat exports the UK has made in the same timeframe. A similar picture is also true about Chinese coarse grains.

However, other countries in the region; China's neighbours, including the Philippines, Bangladesh, Indonesia, Vietnam, Malaysia, Papua New Guinea, Cambodia, Laos and Thailand are all becoming increasingly important in terms of their role in the global grain industry. Overall, their population is growing fast. The region has three quarters of a billion people, up by a quarter this millennium and a greater rise in mouths to feed than in China. These economies have also been quietly building their economies, concentrating on the export market and earning Western dollars in exchange. This means, rising wealth in the area is changing diets. Whilst rice remains the staple food, rice plus chicken or pork is now very much on the menu which was not the case for most inhabitants 15 years ago.

Far East wheat and maize imports since 1960



Source: USDA

The Far East has its own agriculture. It appears happy to import the new demand for grains, and in so doing has become important in the grain trade. Indonesia alone has quietly become the second largest wheat importing nation. However, because of its location, the EU rarely features in its supplier list, with Australia, and North America dominating. However, it is worth remembering that the grain market keeps moving on in response to population and economic changes around the world, and this is not likely to stop.

US crop progress is below average

The latest USDA crop progress report (published 23rd October) shows that corn harvesting is well-behind on previous years. Across the 18 States surveyed which represent 94% of the corn acreage, only 38% of the crop was harvested as of 22nd October. This compares with 59% on average over the previous 5 years. Corn condition is also down with 65% of the crop rated as good or excellent vis-à-vis 74% last year.

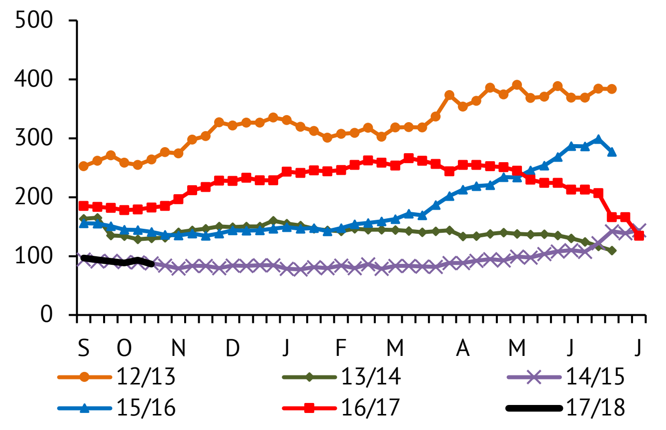
Winter wheat planting is also behind with 75% of plantings estimated to have taken place which is 5 percentage points below the 5-year average (80%).

Potato prices plunge as yields soar

After two years of buoyant potato prices, growers are having to get used to their crops making a lot less this year.

British plantings (excluding Northern Ireland) are estimated by the AHDB to be at 121,000 hectares this year, up 4% and the highest total since 2014. Most were planted in almost ideal conditions and, after a dry start, received plenty of rain to boost them throughout the late summer and into the autumn. Growth was delayed by the dull conditions in August and September, but once growers started to lift it became apparent that yields were high despite some quality problems. Maincrop yields are averaging around 50 tonnes/hectare, with many lots coming in at 60 tonnes and even some at 80 tonnes. Many growers have had to find extra storage to fit the extra crop in, which adds to the cost of production, although that will be partly offset by spreading costs over the extra volumes.

GB weekly average free-buy price (£/tonne)



Source: AHDB

Growers who sell most of their potatoes on contract will have looked jealously on the free-buy prices achieved over the last two seasons, but will be glad that they are protected this year. For those selling on the open market, losses will be inevitable, although they are unlikely to wipe out the gains of the previous two years. According to the AHDB current free-buy prices are below £90/tonne – similar to where they were in 2014, another bumper crop year. In that year, values stayed below £100/tonne until April when supplies started to dwindle. A rise in this season's prices cannot be expected until well into 2018.

It is a similar picture of over-supply across the Channel, where the price of processing potatoes has plunged to below €50/tonne, when they were at nearly €200/tonne a year ago. However, extra processing capacity has come on stream in the last three years and values are still some way off the disastrous levels of just €15/tonne seen in the 2014/15 season.

Potato Production (Human Consumption) in Major W. EU States

	2013	2014	2015	2016	2017	% ch '17 vs '16	5-yr Ave
EU-5 area (Kha)	531.86	547.63	526.96	553.12	578.82	+4.6%	534.31
EU-5 yield (t/ha)	45.4	52.1	48	44.4	48.2	+8.6%	46.8
EU-5 production (Mt)	24.206	28.515	25.314	24.58	27.904	+13.5%	25.027
Germany (Kha)	161.80	167.10	160.42	164.50	171.90	+4.5%	162.26
France (Kha)	117.15	121.41	118.89	125.25	131.64	+5.1%	119.19
GB (Kha)	106.00	104.60	96.25	99.20	103.20	+4.0%	102.37
Belgium (Kha)	76.21	80.43	79.50	91.37	96.28	+5.4%	79.10

Note: *excludes seed and starch potatoes Source: NEPG.

Surveys and Reports

Abstract:

- 2016 farm incomes in England on the rise.
- UK cropped area up slightly, cereals are up by 1.6% driven by barley and oats although wheat is down. Sugar beet and field beans have performed strongly, but combined peas well down.
- UK performing well on global food security.
- 2016 pesticides usage survey reveals glyphosate's importance.

Farm incomes rise

Final results for 2016 harvest show improved returns.

DEFRA has just published revised data on Farm Business Income (FBI) in England for the 2016/17 year. These figures update the estimates produced in February which we reported on in the March edition of *Inside***Track**. The figures come from the Farm Business Survey (FBS) and relate to the period from March 2016 to February 2017 (i.e. covering the 2016 harvest and including the 2016 BPS). FBI can be thought of as equivalent to the 'Net Profit' measure widely used outside agriculture and is the UK's preferred farm-level profitability measure.

For Cereal farms the 2016/17 year showed a significant upturn in profitability. The average FBI for a full-time farm increased by 19% in real-terms from £36,200 to £43,100. This rise is larger (up by £5,000) compared with the estimate in February. Whilst prices for harvest 2016 were improved, lower yields meant total output was down by 7%. However, variable costs fell by 11% and fixed costs by 2%. In addition, the value of the BPS was higher than in 2015/16.

Looking at where the profit is made on the average Cereal farm is interesting. For the 2016/17 year there was a loss from Agriculture of -£14,300. This was offset by the Basic Payment (worth £35,300 on average). The contribution of Diversification is notable on these types of unit – producing a profit of £18,100 on average. The remainder (£4,100) is made up of Agri-environment payments.

On General Cropping farms (i.e. arable farms with more than just cereals – including potatoes, sugar beet etc.), profits also rose. There was a 10% real-terms increase from £63,900 to £70,100. The fall in cereals output was partly made up by improved returns from potatoes that year. Whilst these farms did not benefit from lower costs to the same extent as the Cereals businesses, they did gain from a higher BPS due to the effects of currency. General Cropping farms achieved profitability from their farming operations, albeit at a low level with an average Agricultural profit of £5,800. Diversified activities are also important in these businesses – contributing £17,500 to profit on average.

The first estimates for the 2017/18 year (2017 harvest) will be published at the end of February 2018.

UK crop areas – cereals up, wheat down

Following last month's estimates for England, DEFRA has now released its crop area and production estimates for all of the UK earlier this month. These estimates are based on the June 2017 Survey of Agriculture and Horticulture. The data are provisional with final results expected on 21st December.

Despite another decline in the wheat area, much improved yields mean the overall production has increased by 5.4% on last year. The barley area has risen again and with better weather for crop production this year, barley yields are also up. A closer look at the split between spring and winter barley shows that, as expected, the area of winter barley has reduced again, whilst the spring crop area is up by 10.4%. This reflects a continued shift towards spring crops to help with weed (blackgrass) control, spread workloads and the favourable economics of spring malting barley production over winter feed barley.

As expected, the oilseed rape area has fallen again. However, a much-improved yield has seen production increase by 23% compared with last year, but still down on production in 2014 and 2015. As documented previously, fewer pest and disease control options continue to be the main driver of reduced area. For the year ahead, some estimates suggest that the area will rise in response to improved oilseed prices and a consequent improvement in margins.

UK crop areas and production 2014-2017 ('000 Ha)

	2014	2015	2016	2017	% ch. 2017/16
Wheat	**1,936**	**1,832**	**1,823**	**1,791**	**-1.7%**
Wheat yield (t/ha)	*8.6*	*9*	*7.9*	*8.5*	*7.3%*
Wheat production ('000t)	*16,606*	*16,444*	*14,467*	*15,163*	*5.4%*
Barley - total	**1,080**	**1,101**	**1,122**	**1,177**	**4.9%**
- winter	429	442	439	424	-3.6%
- spring	651	659	683	754	10.4%
Barley yield (t/ha)	*6.4*	*6.7*	*5.9*	*6.3*	*0.1%*
Barley production ('000t)	*6,911*	*7,370*	*6,655*	*7,360*	*10.6%*
Oats	137	131	141	161	14.1%
Oats yield (t/ha)	*6*	*6.1*	*5.8*	*5.8*	*0.3%*
Oats production ('000t)	*820*	*799*	*816*	*933*	*14.4%*
Other cereals	26	35	45	52	46.3%
Cereals (ex. maize)	**3,179**	**3,100**	**3,132**	**3,181**	**+1.6%**
Cereals production ('000t)	**24,468**	**24,734**	**21,967**	**23,552**	**7.2%**
Other arable	**1,328**	**1,236**	**1,261**	**1,240**	**+1.2%**
Oilseed rape - total	675	652	579	563	-2.8%
- winter	661	645	570	554	-2.7%
- spring	14	7	9	9	-7.6%
OSR yield (t/ha)	*3.6*	*3.9*	*3.1*	*3.9*	*26.5%*
OSR production ('000t)	*2,460*	*2,542*	*1,775*	*2,183*	*23.0%*
Linseed	15	15	27	26	-3.3%
Potatoes*	141	129	139	145	4.5%
Sugar beet (ex. fodder)	116	90	86	111	29.5%
Field beans	107	170	177	192	8.7%
Combining peas	32	44	51	40	-21.3%
Maize	183	187	194	195	0.9%
Fallow	160	214	262	241	-7.8%
Total crops	**5,283**	**5,253**	**5,226**	**5,257**	**+0.6%**

Source: Defra data is provisional

Improved potato prices last year have probably contributed to another increase in the planted area this year, but as outlined above, this year's poor prices are likely to impinge on next season's plantings.

The increase in sugar beet planted area was driven by new sugar beet contracts for 2017 but this area is still short of the 'traditional' area of circa 120,000 Ha. As noted last month, 2018 contracted area looks to be in the region of 110,00 hectares.

Greening continues to influence the crop area figures with beans seeing a further increase, but peas have dropped significantly this year. The ban on PPPs on all EFA land for 2018 is likely to bring about a reduced bean area for 2018. The full crop area and production figures can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651173/structure-jun2017prov-UK-12oct17.pdf

Next month's AHDB 'Early Bird' Survey will have the first statistical indications of next year's plantings.

Global food security index

The Economist Intelligence Unit (EIU) in association with DuPont recently published the 2017 global food security index. This index assesses food security across four classes: Affordability; Availability; Quality and Safety; and Natural Resources and Resilience (a new factor category in 2017). Based on the traditional measure of food security (i.e. the first three categories), the UK emerges as the 3rd most secure country with a score of 84.2. However, when the scores are adjusted to include all four categories, the UK slips to 7th place (score 77.3).

Based on traditional scoring, Ireland is ranked the most food secure country followed by the US. Even using the adjusted scores whilst Ireland's overall score slips (from 85.6 to 79.9), it still emerges as the leader. The US, however, slips in the ranking when natural resources and resilience is also considered.

On Affordability, the UK just about makes the top-10 with Ireland the best-performing European country in 5th place, two places behind the US which is viewed by many as having cheaper food.

The UK comes out top on Availability, followed by Ireland which is a reassuring sign because history has shown that this part of the world didn't always have the best availability when it comes to food. What the Index also shows is that whilst the UK might have to import circa 40% of its food supplies, the systems underpinning this are perceived as being robust.

For quality and safety, the UK (ranked 21st) falls well outside the top-10 and suggests that work needs to be done on this measure which considers factors such as diet diversification, nutritional standards, protein quality and food safety.

The UK also performs relatively poorly in terms of Natural Resources and Resilience (ranked 38th) where issues such as land, water and oceans are considered as well as more abstract factors such as exposure and demographic stresses. *Rankings such as these are likely to be used as further evidence by policy-makers as to why more of a focus on environmental factors is needed and to address concerns on areas such as soil health and water pollution for example.*

Top-10 Countries by Global Food Security Index Criteria (2017)

Rank	Traditional Overall	Adjusted Overall*	Affordability	Availability	Quality & Safety	Nat. Resources & Resilience
1	Ireland	Ireland	Qatar	UK	Portugal	Denmark
2	US	Austria	Singapore	Ireland	France	Slovakia
3	UK	France	US	Germany	US	Austria
4	Singapore	US	UAE	Norway	Australia	Czech Rep.
5	Australia	Germany	Ireland	Switzerland	Greece	Hungary
6	Netherlands	Switz.	Australia	US	Spain	Switz.
7	Germany	UK	Kuwait	Canada	Neth.	Poland
8	France	Canada	Austria	Netherlands	Finland	France
9	Canada	Denmark	Germany	France	Ireland	Uruguay
10	Sweden	Sweden	UK	Australia	Sweden	Romania
					UK (21st)	UK (38th)

*Adjusted to include Natural Resources & Resilience Score

Sources: EIU and Bloomberg

Overall, the results are generally positive for the UK and indicate that it is advantageous to get a significant proportion of the nation's food supply from Ireland, the global leader on food security. Whatever happens in terms of trading relationships in the coming years, it is important that such linkages are safeguarded.

UK pesticides usage survey - 2016

On 26th October, the results of the 2016 pesticides usage survey, compiled by FERA were published.

It shows that fungicides accounted for 41% of the total pesticide-treated area of arable farm crops grown in the UK during 2016. Herbicides accounted for 31% of total area, whilst growth regulators (10%), seed treatments (8%), insecticides & nematicides (7%,) and molluscicides (3%) are also notable. The sulphur area is tiny (0.1%) whilst the treated area of physical control agents is just a few hundred hectares.

By weight, herbicides (8,083t) accounted for 45% of total active substances applied, fungicides 36%, growth regulators 15%

and insecticides & nematicides, molluscicides, seed treatments each had a share of around 1%. Sulphur's share was 0.5%.

The most extensively-used fungicide formulations applied as sprays were chlorothalonil, tebuconazole, prothioconazole/tebuconazole and epoxiconazole. Chlorothalonil was also the most widely-used individual active substance and in terms of weight applied, the principal formulation used.

Glyphosate was the most extensively used herbicide followed by diflufenican/flufenacet and iodosulfuron-methylsodium/mesosulfuron-methyl. The report estimated that 2,665 tonnes of active glyphosate substance were applied in 2016.

Treated Areas of UK Arable Crops – 2016 – by Pesticide Type

Pesticide Category	% of area	No. of spray hectares	% of tonnage	No. tonnes applied
Fungicides	40.5%	21,542,038	36.4%	6,607.50
Herbicides	31.2%	16,597,413	44.6%	8,083.20
Growth regulators	10.2%	5,429,072	14.8%	2,682.10
Seed treatment	7.8%	4,157,338	1.2%	225.7
Insecticides & nematicides	7.3%	3,879,977	1.4%	262.3
Mollusicides & repellents	2.9%	1,539,603	1.0%	173.8
Sulphur	0.1%	33,828	0.5%	93.7
Physical control agents	0.0%	354	0.0%	0.1
All pesticides		**53,179,623**		**18,128.40**

Source: FERA

The report shows major increases in chlorothalonil usage (22% by area treated, 28% by weight applied) and in glyphosate (29% by area treated and 28% by weight applied). The metaldehyde area treated increased by 42% between 2014 and 2016 with a 30% increase in weight applied. The insecticide lambda-cyhalothrin rose by 32% in terms of area treated with a 37% rise in weight applied. The withdrawal of active substances since the 2014 survey notably include carbendazim, flusilazole and methiocarb.

Further information is available via:
https://secure.fera.defra.gov.uk/pusstats/surveys/documents/arable2016.pdf

Crop Protection

EU Parliament vote to ban glyphosate

On 24th October, the European Parliament controversially voted against re-authorising glyphosate, to ban the pre-harvest application of the active ingredient and to have it completely banned by 2022. This was shortly followed by a 'decision' by Member States to postpone, once again, its re-authorisation.

Some within the European Parliament such as its Vice President, Mairead McGuinness have commented that the European Commission may well come back in November with (yet another) proposal on glyphosate. She also stated that lobbying by NGOs and other organisations had an influence on the outcome of the European Parliament's vote.

Farming groups bemoaned the vote and were highly critical of the EU's politicking on the situation as they see the judicious use of glyphosate as being critical to adopting practices such as minimum tillage which help to prevent soil erosion, reduce greenhouse gases and safeguard agricultural production.

So, yet again, we move towards the final month of glyphosate's current authorisation without a decision on its long-term future – politics certainly seems to be winning out over science on this one.

It is at times like this that many within UK farming might breathe a sigh of relief that they will soon be leaving the EU. However, as has been pointed out several times before, the EU Withdrawal Act will transpose all EU laws into the UK statute, including any decisions on glyphosate, although one imagines that this will be an area high on the UK's agenda to amend if the eventual EU decision is deemed unfavourable for the UK.

M&A activity – shake-out continues

BASF to buy Bayer seed & herbicides businesses

As part of its continued efforts to convince competition authorities to approve its planned acquisition of Monsanto, Bayer has agreed to sell some of its seed and herbicides businesses to BASF. The deal, valued at $7 billion in cash, will be used to part-finance the $66 billion Monsanto acquisition. Overall, Bayer plans to raise $19 billion for the deal through the issue of convertible bonds and new shares, with the remaining $57 billion coming from bridge financing from banks.

Back in August, Bayer had offered to divest $2.5 billion worth of assets, but the European Commission stated that this was insufficient and commenced an in-depth investigation of the deal.

The sale includes LibertyLink-branded seeds and Liberty herbicide businesses, which according to Reuters generated sales of around $1.3 billion in 2016, as these compete against Monsanto's Round-up weed killer and Roundup Ready seeds.

From a UK perspective, this sale should have little impact because, as far as we believe, brands such as Liberator are not included in this deal. With divestments arising from the ChemChina:Syngenta deal also taking place, it appears that a game of musical chairs is currently taking place in the crop protection sector.

BPS and Policy

Abstract:

• Defra has recruited an extra 400 staff to cope with the Brexit (and WTO) workload, which will include 'correcting' 850 pieces of secondary legislation.
• Leaked EU CAP reform proposals suggest evolution rather than revolution but also appear to disadvantage 'part-time' farmers.
• Northern Ireland only administration to ask for advance BPS payments.
• 2017 Basic Payment will be converted at a rate of €1 = 89.47p

Gove's letter to EFRA

DEFRA Secretary of State, Michael Gove, has provided EFRA with further details on DEFRA's statutory instrument programme and staffing levels as a result of Brexit. In a letter to Neil Parish, Chair of the Environment Food and Rural Affairs (EFRA) Select Committee, Mr Gove has said his department will have to correct around 850 pieces of legislation as a result of leaving the EU. In his letter, Michael Gove says that 92 Statutory Instruments (SIs) will need to be made in the following policy areas:

• Food and Farming 34
• Animal and plant health 32
• Environment 24
• Fisheries 2

He has also said that more than 80% of 'DEFRA's agenda' is now affected by Brexit and many roles within the department have now been diverted to support Brexit related work. A further 400 additional staff have been recruited to enable 'a successful withdrawal from the EU'.

This letter reveals the huge amount of work that DEFRA needs to do ahead of Brexit and raises concerns about how the Department's other functions will be fulfilled in the years ahead, thus presenting an added headwind in the UK's attempt to bolster its productivity.

CAP Reform and Simplification

A leaked draft of the proposals, due to be formally announced on 29th November suggests more of an evolution rather than revolution in EU farm policy. Normally the UK agricultural industry would be 'excited' over talk of CAP reform but *d*ue to the Referendum, the CAP will no longer set the agricultural policies within the UK once we have left the EU, however what our closest neighbours and most import export markets are doing will continue to be of considerable importance to us.

According to the leaked draft, the EU is looking into compulsory Capping of farm aid and an overhaul of the current Greening measures in the next round of CAP reform. The EU Commission would like to see a more even distribution of support, and is looking into the idea of capping direct payments in the range of €60,000 to €100,000 per beneficiary. Labour would be considered to avoid any negative effects on jobs. The draft, which does not include any policy options, also says payments should 'focus on those who depend on farming for their living', which suggests full-time farmers should take priority over part-time farmers. This *could be of concern to 'part-time' farmers, although the draft also calls for 'enhanced support to smaller farmers'.*

The leaked draft also looks towards greater simplification of the current Greening rules. Cross compliance and Greening payments will end, with 'all operations integrated into a more targeted, flexible and coherent approach'. Income support will be subject to farmers 'undertaking environmental and climate measures, which will become the baseline for more ambitious voluntary practices'. In addition, Member States will be given more control in delivering the schemes and reducing the administrative burden, especially with regards to compliance and encouraging young farmers into the sector.

Meanwhile simplification of the current CAP rules is ongoing, and Member States agreed further changes under the 'Omnibus' regulation on 16th October which will affect UK producers. These include:

- Changes to the definition of arable and permanent pastureland
- Flexibility for EU countries on how to define the notion of Active Farmer
- Increase to the top-up for Young farmer payment from 25% to 50% of the basic payment entitlement
- Adding plant varieties that can be used as EFAs
- Improved risk management to help farmers tackle income losses.

The changes should take effect from 1st January 2018, but Member States have expressed concerns as to whether this is feasible and have asked for a year's delay, but looking at these changes most producers will view these positively and will hope Member States can implement them as soon as possible.

BPS advance payments for NI only

The Department of Agriculture, Environment and Rural Affairs (DAERA) has started making advanced payments for the Basic Payment in Northern Ireland. Advanced payments started to go out on 16th October and the last ones will reach bank accounts by 10th November. There will be no more made after this date. All other payments, either balance or full payment will be made from 1st December.

European Regulations permit advance payments of up to 50% of the total individual claim to be made from 16th October each year if all checks on the application have been completed. DAERA has successfully applied for an increase to 70% following the floods in the summer. None of the other devolved regions will be making advanced payments under EU Regulations. Scotland is making payments via a National BPS Loan Scheme.

BPS conversion rate

DEFRA has confirmed the 2017 Basic Payment will be converted at a rate of €1 = 89.47p. The rate is the average £/€ during the month of September. This year's rate is 5% higher than last year's and 22% better than the rate seen two years ago. It is also the best figure since 2009. We are still waiting on a couple more pieces of information before exact payments for 2017 can be worked out. The RPA and devolved administrations still have to calculate entitlement values for 2017. These can change on a yearly basis, depending on the number of entitlements claimed. In addition, the final rate of Financial Discipline needs to be set at the EU level. Rates should be available for the next edition.

Rural Development

RDPE: LEADER and LEP Growth

LEADER is the most successful of all the RDPE schemes in terms of the proportion of funding allocated. It has 1,026 individual projects contracted or completed with a total grant of £31.6m. Full Applications on desk (364) and those being brought forward (759 endorsed since May) show that that Local Action Groups (LAGs) are responding to the ambition to accelerate expenditure before the UK leaves the EU. One LAG is expected to fully commit its original project funding allocation by the end of October, and a handful of others are close behind. A process for considering bids for additional project funding, once the original allocation has been spent, is nearing completion.

LEADER Group funding allocations by Local Action Group (LAG)

LEADER Group	Total Allocated £	Total Contracted	As a % of Allocation	Nat. Rank
Eastern Plateau	1,511,119	924,835	61.20%	2
Peak	1,437,289	760,582	52.92%	3
Waveney Valley	1,446,524	711,090	49.16%	8
Wash Fens	1,369,977	604,343	44.11%	12
Worcestershire	1,606,031	660,136	41.10%	14
Cambridgeshire Fens	1,186,487	432,324	36.44%	17
Southern Shropshire	1,666,226	590,228	35.42%	21
Forest and Tewkesbury	1,186,525	370,160	31.20%	28
Lindsey Action Zone	1,688,086	522,078	30.93%	30
Wensum and Coast	1,690,376	490,730	29.03%	35
Wool Towns	1,512,943	374,435	24.75%	44
Staffordshire	1,843,813	448,528	24.33%	46
North Warwickshire	1,161,266	268,102	23.09%	49
East Leicestershire	1,304,682	291,616	22.35%	52
Essex Rivers	1,485,136	316,874	21.34%	53
Broads	1,240,299	255,742	20.62%	54
Cotswolds	1,638,387	324,839	19.83%	55
West Norfolk	1,574,968	281,426	17.87%	56
North Nottinghamshire	1,519,687	214,160	14.09%	62
Coastal Action Zone	1,235,894	174,114	14.09%	63
Brecks	1,439,509	201,873	14.02%	64
Heritage Coast	1,616,943	218,594	13.52%	66
Peterborough and Rutland	1,083,648	127,862	11.80%	69
Greensand Ridge	1,183,462	128,968	10.90%	71
Herefordshire	1,697,626	173,201	10.20%	72
Bolsover Derbyshire	1,123,496	108,606	9.67%	73
Kestevens	1,475,847	137,949	9.35%	74
Beds and Hunts Claylands	1,332,214	40,434	3.04%	79
South Nottinghamshire	1,275,448	13,739	1.08%	80

Source: DEFRA

There has been a mixed performance from LEADER LAGs across England. Data leaked by the RPA shows that while some LAGs have given out over 60% of their allocated funding, others have barely got started releasing less than 5% of their allocations. The table above shows the results from a sample of LAGs the middle of the country and ranks those LAGs nationally.

Farmers in poor performing LAG areas may have lost the opportunity to obtain up to 40% funding, or up to £100k in grant, for important development projects, such as reservoirs, conversion of redundant farm buildings, and new farming technology.

There is little time left to apply for a grant as LAGs have been told not to approve projects after Brexit in March 2019, despite the life of the EU scheme running into 2020. This could mean that LAGs will stop taking applications this time next year, given that it normally takes a minimum of 6 months for applications to be processed and project claims to start. As LAGs cannot make any more agreements after March 2019, it is likely that beneficiaries will be given a final claim date of December 2020, which would be the common end date for all RDPE programmes.

The Growth Programme, administered by Local Enterprise Partnerships, also has similar calendar issues. So far it has received:

- 89 full applications submitted
- 1 application rejected
- 76 projects in process requesting £15.266m
- 12 projects approved / contracted to value of £2.601m

The pipeline for the Growth Programme has improved recently with Expressions of Interest (EOIs) totaling £105m which is 88% of the funding available. However, many of these EOIs will not make it into full applications.

Detail of EOIs received as of 9th October 2017

Sector	Total available	Total EOI grant request	Av EOI grant request	% EOI grant total
Food Processing	£47,661,277	£44,441,215	£322,038	93.24%
Business Devt	£33,193,826	£21,420,203	£120,338	64.53%
Tourism	£39,547,911	£40,121,726	£186,613	101.45%
All calls	**£120,403,014**	**£105,983,144**	**£199,592**	**88.02%**

Source: DEFRA

Data

Spray prices – selected products

On-Farm Spray Prices - w/c 23rd October 2017

Active Ingredient (AI)	Example Brand(s)	Pack Size (L; KG)	Price (£/pack)	Price (£/L)
Cereals - General Herbicides				
Diflufenican	Hurricane	1	21.00	21.00
Flufenacet + diflufenican	Liberator	5	285.00	57.00
Flufenacet + Pendimethalin	Crystal	10	121.00	12.10
Mesosulfuron iodosulfuron	Atlantis; Pacifica	2	186.00	93.00
MCPA		10	37.50	3.75
Cereals - Insecticides/Molluscicides				
Ferric Phosphate	Sluxx, Ironmax Pro	20	80.00	4.00
OSR - Herbicides				
Metazachlor	Butisan S	5	62.50	12.50
Propyzamide	Kerb	5	57.50	11.50
Clomazone	Backrow, Centium	3	123.00	41.00
Potatoes - Herbicides				
Diquat	Retro / Generic	10	65.00	6.50
General Sprays				
Glyphosate	Roundup	20	60.00	3.00

Spray prices refer to on-farm spot trade (ex. VAT) quoted across the Midlands, East Anglia and South East of England and do not include additional service costs (e.g. field walking etc.). Example brands are given for reference purposes only, alternative brands also available.

Fertiliser prices – selected products

On-Farm Fertiliser Prices – w/c 23rd October 2017

Fertiliser Type (all prices in £/tonne)	This month	Last month
Compound Fertilisers		
00:24:24	251	255
20:10:10	242	238
Straights and Others		
34.5% N (UK)	234	225
Urea – 46%N	285	250
Ammonium Sulphate and Ammonium Nitrate (granular) (27%N:30%Sulphur)	240	225
Triple Superphosphate (46%P)	265	280
Muriate of Potash (60%K)	262	260

Prices are based on delivery during November/December 2017

Crop prices

Futures prices (per tonne)	Latest (23/10)	Last month (20/09)	Last year
Feed wheat (London – Nov '17) (£)	£139.00	£140.85	£137.90
Feed wheat (London – Nov '18) (£)	£147.10	£146.35	£137.90
Milling wheat (Paris – Dec'17 (€))	€161.75	€163.00	€175.00
Milling wheat (Paris – Sep'18 (€))	€174.25	€174.75	€181.00
Oilseed rape (Paris – Nov'17 (€))	€367.25	€367.25	€395.50
Oilseed rape (Paris – Nov'18 (€))	€365.50	€361.75	€366.00

Source: AHDB

Exchange rates

Daily Rates	Present (25/10/17)	Last month (w/e 29/09/17)	12 months ago (w/e 28/10/16)
Euro vs Sterling	£0.8888	£0.8818	£0.8991
Sterling vs Euro	£1.1251	£1.1341	£1.1123
Sterling vs Dollar	£1.3259	£1.3389	£1.2148
Dollar vs Sterling	£0.7542	£0.7469	£0.8232

Source: European Central Bank (ECB)

Annual average Euro value to date €1 = £0.83258

Interest (Base) Rates - %

Geographic Area	Present (21/09)	Last month (21/08)	Last year
UK	0.25	0.25	0.25
EU	0.0	0.0	0.0
US	1.25	1.25	0.5

Sources: Bank of England, ECB, US Federal Reserve

Inflation Rates - %*

Geographic Area	Latest (Sept '17)	Prev. month (Aug '17)	Last year (Sept 2016)
UK	3.0	2.9	1.0
EU	1.8	1.7	0.5
US	2.2	1.9	1.5

* Based on Consumer Price Index (CPI) Source: OECD

In Brief...

Key dates for coming weeks

Key dates* for Cross Compliance and ELS – main options

Rule/ option	ELS edn.**	Date	Action
GAEC 2		31 Oct	Abstraction return forms available from Environment Agency for summer water abstraction licences - 28 days to complete.
GAEC 6		1 Nov	You may burn heather, rough grass, gorse or vaccinium on land other than in upland areas from this date (until 31 March).
EF4	All	1 Nov	You may not cut from this date (until 14 September).
EB14	2013	1 Nov	You may lay hedges and/or gap up from this date (until 28 February).

*This summary is a memory prompt – always check guidance and/or contract **ELS edition which applies is determined by date of contract All = all editions where option is available
Source: RPA and Natural England

Food Statistics Pocketbook – 2017

The latest version of this booklet is now available – providing a concise round-up of statistics on food, covering the economic, social and environmental aspects (excluding agriculture). Copies can be downloaded from:

https://www.gov.uk/government/statistics/food-statistics-pocketbook-2017

Agriculture in the English Regions

Defra has published its first estimate of Total Income from Farming (TIFF) in England and each of the English regions for 2016. Overall TIFF in England is projected down by 12% (£345 million) to £2.46 billion. Total value of output figures was also published with wheat estimated at almost £1.5 billion, a 22% decline on 2015. The overall value of crops is estimated at £6.99 billion, a decline of £370 million (5%) on the previous year. Additional revisions to TIFF are expected later in the year or early 2018. Further information is available via:

https://www.gov.uk/government/statistics/agriculture-in-the-english-regions

Rural Economic Bulletin for England

The latest edition published by Defra in October shows that 9.3 million people (18% of England's population) live in rural areas. Rural unemployment rate is 2.9% in comparison to 4.7% for England's urban areas. Other information on house prices is also provided. Further information available on:

https://www.gov.uk/government/statistics/quarterly-rural-economic-bulletin

Sites with consent for GMOs

DEFRA has recently updated the list of sites with active consents for GMOs to be released for research and development purposes under Part B of Directive 2001/18/EC. Further information is available on:

https://www.gov.uk/government/publications/genetically-modified-organisms-list-of-current-consents

Clean growth strategy

Department for Business, Energy & Industrial Strategy (DBEIS) set out proposals for decarbonising all sectors of the UK economy through the 2020s. Further information available on:

https://www.gov.uk/government/publications/clean-growth-strategy

Consultations relevant to arable sector

Consultations announced

Description	Department & deadline
Proposed changes to fees for statutory plant health services provided by the Animal and Plant Health Agency in England and Wales https://consult.defra.gov.uk/animal-health/proposed-changes-to-fees-for-statutory-plant-healt/	Defra and the Welsh Government 31 Oct 2017
Customs Bill: legislating for the UK's future customs, VAT and excise regimes https://www.gov.uk/government/publications/customs-bill-legislating-for-the-uks-future-customs-vat-and-excise-regimes	HM Treasury, Dept. for Exiting the EU 3 Nov 2017
UK Government's vision for post EU trade and customs policy – white paper and associated consultation https://www.gov.uk/government/news/government-sets-out-vision-for-post-eu-trade-and-customs-policy	Dept. for International Trade, HM Treasury 6 Nov 2017

Consultations reported or Government responses

Description	Department & deadline
None published this month	N/A

Available by subscription only from: *Inside***Track**, Old Bell House, 2 Nottingham St, Melton Mowbray, LE13 1NW, UK.
Tel: +44 (0)1664 503230 E-mail: enquiries@insidetrack.org.uk
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The editing team gratefully acknowledges the input provided by Cedric Porter of World Potato Markets (www.worldpotatomarkets.com).
 ISSN –0961-7426