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Brexit

Abstract:

• PM suggests two-year transition period to a new "deep and special partnership" with the EU based on economic and security cooperation. Initial EU reactions were diplomatically positive but called for more detail and clarity.
• Industrial bodies call for similar approach, although some seeking longer transition.
• A research paper modelling different Brexit trade scenarios finds that a Free Trade Agreement, such as EEA/EFTA, reduces cereal prices less than defaulting to WTO tariffs or unilateral trade liberalisation (no tariffs on imports).
• Another research paper from 'Economists for Free Trade' states that Unilateral Trade Liberalisation would be better for the UK economy as a whole.
• In the meantime, the Brexit process goes on in the Parliament. The House of Commons has cleared the second reading of the EU Withdrawal Bill but the third reading is expected to be far more troublesome for the Government.

Prime Minister's Florence speech

On 22nd September, Theresa May outlined her vision for the future UK-EU relationship in Florence. This city was chosen as it was the birthplace of the Renaissance and reflects the Prime Minister's belief that creativity and imagination are needed again as the UK forges a new relationship with the EU.

The speech struck a conciliatory tone and was designed to soften the impasse between the EU and UK negotiators which threatens progress towards considering the future UK-EU relationship. The speech took place against a back-drop of Conservative Party wrangling with Boris Johnson seemingly putting forward his leadership pitch in his Brexit-vision the weekend beforehand. The key points from the PM's speech include:

- **Deep and special partnership between UK and EU** – consisting of two pillars, economic partnership and security cooperation which is based on a new approach and not pre-existing arrangements (e.g. EU's relationship with Norway or Canada).
- **Transitional (implementation) period** – permits access to the Single Market on current terms for a 2-year period and based on existing structure of EU rules and regulations with the option of bringing forward some aspects of the new arrangements more quickly if it can be done smoothly.
- **Financial settlement** – commitment to ensure that there is no gap in EU budgetary funding during the 2014-2020 Financial Framework period.

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- **Free movement** – the UK would continue to accept freedom of movement during the 2-year transition period, although new residents from the EU would be required to register with UK authorities upon arrival.
- **Irish border** – commitment to uphold the Good Friday Agreement and Common Travel Area with the Irish Republic and to have "no physical infrastructure" at the border.
- **Dispute Resolution Mechanism** – there would be the same interpretation between the UK and EU courts, but the European Courts of Justice would not have jurisdiction over the UK.
- **Security** – encompassing a new "bold" strategic agreement via a UK-EU treaty with the UK being "unconditionally committed" to upholding security cooperation across Europe in the face of current global threats.

The PM reaffirmed that the UK would leave the EU on 29th March 2019 and would be outside both the Customs Union and Single Market. She also emphasised the UK's right to strike trade deals with other countries as it forged its own future. However, she also emphasised that the UK would continue to uphold its rigorous standards, and protection of consumers' and citizens' rights. *From an agricultural perspective, the commitment to uphold rigorous standards is noteworthy as UK livestock farmers are particularly concerned that the UK will open its doors to cheaper, lower quality, imports from around the world thus undermining domestic farmers' competitive position. What it probably means is that the UK will be open to imports from elsewhere but they will have to adhere to the same stringent standards that the UK currently imposes. This could still erode the competitive position of UK livestock farming and by extension, the animal feed sector.*

As expected, she did not mention a specific number with regards to the financial settlement with the EU ("Exit Bill") and this will remain the focus of negotiations in the short-term. When questioned, she also reaffirmed her mantra that "no deal is better than a bad deal" but quickly pointed out that there is the potential for a "great deal" between the UK and the EU if there was sufficient imagination, creativity and courage on both sides to agree a bold future relationship.

Initial reactions from the EU were diplomatically positive and unsurprisingly there were calls for the positive messages from the speech to be translated into a precise negotiating position with a concrete explanation of the implications of the PM's remarks. *So, several questions remain. Will a 2-year transition period be sufficient? Given the Government's record with implementing IT systems for UK farming, that is at best highly questionable.*

How will the UK (including Northern Ireland) be outside of the Customs Union, yet have no physical infrastructure at the border with the Irish Republic? Very little detail was offered on this. (Please see article below for InsideTrack's perspective on this matter).

Overall, has Theresa May gone far enough to break the deadlock in the negotiations? Based on this speech alone, it is unlikely, although it is a constructive contribution. What is critical now is the finer points which will be discussed at the negotiating table between now and the October European Council.

Calls for a 'Soft' transition

The Labour Party's new clarity on Brexit policy, launched by the Shadow Brexit Secretary on 26 August, has opened up clear blue water between the Government and the Opposition, guaranteeing a tough ride for the Government's upcoming Bills through Parliament (see 'Brexit Bill fault lines' below).

Labour has healed its internal divisions on Brexit and emerged from the closet as a 'soft' Brexiteer, arguing for a transitional deal that maintains the Customs Union with the EU and with the Single Market.

Keir Starmer says that the transitional period should be "*as short as possible, but as long as is necessary*". It believes that this transitional arrangement should be a bridge to a strong and lasting new relationship which retains the benefits of the customs union and the single market.

Labour's new policy chimes with that of many of the other opposition parties, business groups and agriculture. All the national farming unions and other rural/sectoral representative bodies have produced a joint statement "*calling on the UK Government to seek to secure an agreement on an initial transition period through which the UK retains unfettered access to European markets, remaining within the Customs Union. Such arrangements must be in place for the full duration of negotiations and implementation of a Free Trade Agreement between the UK and the EU that could extend beyond the end of Article 50 process".*

The farming industry joint statement also called for the UK government to:

- maintain and champion UK standards in trade policy with the EU and the rest of the world
- ensure that UK law, including the role and remit of the Grocery Code Adjudicator, is fit for purpose ready for life outside of the European Union.
- put in place a fully functioning immigration system**,** before the end of freedom of movement that ensures farmers have access to the workers that are vital to supporting the farming industry
- collaborate with the devolved Governments to work together with the farming industry to establish an agricultural policy framework and budget**.**

'Frictionless' agri-trade?

The Government's long-term intention (post-2021) is to facilitate "*the freest and most frictionless trade possible in goods between the UK and the EU*" once the UK leaves the EU but acknowledges that it will never be as 'frictionless' as if the UK remained in both the EU Customs Union (or a new Customs Union with the EU) and the EU Single Market. Customs clearance, even without tariffs, add costs and this makes the price of, say exported wheat, less competitive on global markets.

Customs procedures for imports into the EU require:

- Carriers to submit an Entry Summary Declaration before the arrival of the goods in the EU
- Traders to lodge a customs declaration form (known as the Single Administrative Document/SAD) for goods imported from and exported to countries outside the EU which requires 54 boxes of information from details of the consignor, the consignee, the product details and tariff details, values, country of origin information, weights and packaging information and terms of trade.
- Traders to pay any tax and duty which is due on clearance at the border, unless the trader is part of the duty deferment scheme and pays a single sum each month (this facility is subject to provision of a bank guarantee).
- Importers and exporters can be subject to post clearance audit checks by Customs any time within the following three or four years. Businesses have to keep customs paperwork for this period.
- Most goods are cleared for import/export instantly. However, a small sample must be subject to documentary checks by customs and a smaller sample undergo physical checks for safety and security reasons.

The Government has published a position paper on Customs arrangements which provides four examples of streamlining this process by:

- Negotiating a waiver from the requirement to submit Entry and Exit Summary Declarations and by joining the Common Transit Convention which simplifies border crossing for goods in transit.
- Reducing delays at ports and airports by negotiating mutual recognition of Authorised Economic Operators (AEOs) and implementing bilateral technology-based solutions for roll-on roll-off ports linked to customs declarations and vehicle registration numbers so that vehicles are not required to stop at the border.
- Addressing the safety and security agenda through replicating existing levels of customs cooperation and data-sharing.
- Reducing administrative burdens primarily when importing through unilateral measures of simplification and speeding up authorisations.

Some of these proposals are already in place for EU trade, for example, with Switzerland and Norway. Norway is not part of the EU's Customs Union but does have customs cooperation with the EU through its European Economic Area (EEA) Agreement.

The agreement waives the obligation to provide information for security purposes prior to the import or export of goods to the EU and requires Norway to apply customs security measures that are equivalent to those applied by the EU in its trade with third countries. This has involved mutual recognition of the Authorised Economic Operator (AEO) certification scheme and of systems of risk analysis and management.

The Government's alternative proposal to a Customs Union with the EU is a partnership model in which the UK would operate an import regime that aligns precisely with the EU's external customs border. 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.

The customs paper admits the need for "*a robust enforcement mechanism that ensured goods which had not complied with the EU's trade policy stayed in the UK. Businesses in supply chains would need to be able to track goods or pass the ability to claim a repayment along their supply chain in order to benefit*". But even with this approach there would be higher administrative costs as manufacturers and traders would be required to follow imported goods through to final consumer.

The position paper also proposed transitional arrangements including "*a new and time-limited Customs Union between the UK and the EU Customs Union, based on a shared external tariff and without customs processes and duties between the UK and the EU*". However, these proposals are likely to be updated after the PM's speech which appears to be aiming for a transition that permits Single Market access based on the existing structure of EU rules and regulations. Of course, the big question now is what the EU wants. That answer will only come when the both parties are closer to agreeing the divorce payment, which remains the tricky part of the first phase of the Brexit negotiations.

'Soft' transition good for cereals

The transition period similar to that envisaged by the PM, and hopefully a continuation of a close form of customs arrangement in the longer term would be beneficial to agriculture, according to the modelling results in a report from the Agri-Food and Biosciences Institute (www.afbini.gov.uk).

The researchers used a partial equilibrium modelling system to capture the impacts on commodity markets of changes in trade flows with the EU and the rest of the world resulting from three Brexit trade scenarios:

1. **Bespoke Free Trade Agreement (FTA)** with the EU, which may include a customs arrangement, whereby:
   - UK retains tariff and quota free access to the EU and EU retains tariff and quota free access to the UK
   - UK maintains EU tariff structure to rest of the world
   - 5% trade facilitation costs on UK-EU27 trade
2. **World Trade Organisation (WTO**) default Most Favoured Nation (MFN) tariffs, whereby:
   - MFN tariffs applied to imports from the EU
   - Tariff Rate Quotas (TRQs) from 3rd countries retained
   - MFN tariffs applied to UK exports destined for the EU
   - No change in tariff structure for exports to the rest of the world
   - 8% trade facilitation costs on UK-EU27 trade
3. **Unilateral Trade Liberalisation (UTL).**
   - Zero tariffs applied on imports to the UK from both the EU and the rest of the world
   - MFN tariffs applied to UK exports destined for the EU
   - No change in tariff structure for exports to the rest of the world
   - 8% trade facilitation costs on UK-EU27 trade

In the absence of a FTA (scenario 1), the UK would face the cliff edge of defaulting to the standard tariffs permitted by the WTO (WTO-Default – scenario 2) or, even worse, setting lower than WTO tariffs for imports into the UK while complying with WTO tariffs for exports under a unilateral trade liberalisation scenario (WTO-UTL – scenario 3). In all cases there are extra facilitation costs for dealing with new customs administration, but it is less in the FTA option than the other two.

AFBI-FAPRI study key findings for wheat and barley

2025	Output	FTA	WTO-Default	WTO-UTL
Wheat	Price	-1%	-4%	-5%
	Production	0%	-1%	-1%
	Output	-1%	-4%	-6%
Barley	Price	-1%	-5%	-7%
	Production	0%	-1%	-2%
	Output	-2%	-6%	-8%

Source: AFBI

Looking at wheat and barley, there is a 1% fall in prices resulting from the increased transaction costs of a new customs arrangement under the FTA scenario. However, with no customs arrangement, defaulting to standard WTO tariffs, prices full further as tariffs (taxes) reduce the net prices to farmers to maintain a competitive price on export markets.

It is worth noting that this is a function of the UK being a net exporter of wheat and barley. However, following the introduction of WTO tariffs, the model predicts that cereal trade with the EU collapses. Grain that was previously exported increases available supplies within the domestic market and exerts a downward impact on wheat and barley prices (minus 4% and 5% respectively in 2025). Under the scenario of the Government applying Unilateral trade liberalisation (UTL), the impact is exacerbated with further prices falls in wheat and barley (minus 5% and 7% for wheat and barley respectively).

These findings mirror those of other studies covered in *Inside***Track** over the last couple of years although there are some small differences. The Wageningen report, commissioned by the NFU, assumed that the UK was a net importer of cereals rather than a net exporter, which led to less differences between the three trade scenarios (see April 2016 edition). More importantly it found that the level of direct payments made to arable farmers had a far larger impact on farm incomes than any of the trade scenarios.

UTL good for the economy

Unilateral trade liberalisation (UTL) is the best approach if the EU is unwilling to co-operate in a FTA, according to a report from 'Economists for Free Trade', 'Labour Leave' and 'Leave means Leave'.

The 11-page report argues that "*unilateral moves to free trade would have no negative impacts on UK competitiveness, not least when accompanied by an appropriate exchange rate*". The study does not provide any evidence of modelling or other statistical analysis to support its claims but still asserts that UTL "*would be worth up to 4 per cent of GDP, which could increase current UK growth by a third, each year, for up to six years after Brexit."*

It proposes that the UK should avoid various "half way house" approaches, such as the FTAs structured within the EEA or EFTA, or the so-called Norway option, as it "*can only result in us becoming poorer"*. It also believes that a transition period would "*postpone the gains we make by leaving*" and is nothing more than "*a deliberate attempt to frustrate the existing democratic will for Brexit by deferring it in the hope that a fresh referendum can be called or an election result produced that can negate it*".

The impact on agriculture of an immediate change to UTL has not been considered by the authors. There is a paragraph on agriculture in which the authors argue for the abolition of all CAP measures as they "*lead to high food prices for UK consumers, increases inflation and reduces disposable income, which otherwise would boost consumer spending and thus the economy*".

While consumers may well benefit from the removal of tariffs and reduced food prices, the authors do not tell us that farmers may not.

Brexit Bill fault lines

On 11th September MPs voted, in principle, in favour of the "second reading" of the European Union (Withdrawal) Bill. This is the 'cut and paste' Bill that will move all EU law into UK legislation in one fell swoop. It is important for the economy, and agriculture, that the existing legal framework remains in place the day after we leave the EU on 29 March 2019, ready for reform thereafter as necessary.

A second reading in Parliament is when MPs vote on the merits of a bill but they will examine it in more detail, clause by clause, at a "third reading" when amendments are considered. The same process is then followed in the House of Lords. During these readings, the bill is likely to be heavily amended both at committee and by the Lords.

The government will probably accept many amendments, in order to get the legislation onto the statute books by March 2019. It seems many MPs gave their votes for a second reading in return for assurances that parts can be changed. However, the amount of discretionary powers in the Bill given to Ministers, who would be able to change the law without recourse to Parliament, may not change unless the Government feels it will lose its majority. This will be a battleground and could significantly delay progress through Parliament.

The Government argues that it will need to push out many small legal changes, known as Statutory Instruments, to clean up the legal texts without needing to consult Parliament. MPs are seriously concerned that the proposed powers could allow significant legal changes without adequate parliamentary scrutiny which could serious affect their constituencies.

Ireland Position Paper

The UK Government is committed to protecting the Common Travel Area (CTA) between the UK and Ireland (an arrangement predating the EU) and to uphold the Belfast ('Good Friday') Agreement. Under the latter, people in Northern Ireland will continue to be able to claim citizenship of Britain, Ireland, or both. On the border, the Government's desire is to have 'no physical infrastructure' whatsoever, implying that both people and goods will be able to freely cross the 310-mile border. It remains unclear how this will be achieved whilst leaving the Customs Union and having to police imports and exports.

As detailed above, the Government's 'Future Customs Arrangements' paper did set out proposals for a new customs partnership with the EU which would potentially encompass "technology-based solutions" and would presumably enable the UK to have its own requirements in order to strike trade deals elsewhere in future. However, this appears somewhat at odds with the suggestion in the Irish position paper that regulatory equivalence in agri-food measures should be maintained between the EU and UK to facilitate cross-border trade and minimise disruption to existing supply chains. Whilst maintaining regulatory equivalence would be welcomed by the Irish food industry, it is unlikely down well with Brexiteers wanting to escape 'EU redtape'. It would also make agreeing trade deals with third countries more difficult, because such free trade agreements need to encompass the whole breadth of trade between both parties, thus inevitably including agriculture.

The Irish Government has welcomed the UK's position paper although it is calling for more clarity to address the issues outlined above. The EU negotiators delivered a lukewarm response maintaining their stance that sufficient progress still has not been made to move on to the future trading relationship talks.

Overall, the Government's comments on Ireland have at least clarified where its starting point is with regards to the negotiations. Much more clarity and thought is required though. It is naïve to think that one can use technology to substitute the need to have official controls and customs inspections between the UK-EU frontier when the UK sits outside the Customs Union. This would just create a smugglers' paradise in the North of Ireland. There is a big difference between using technology at the port of Southampton where there is a natural frontier (i.e. the sea) and policing a 310-mile frontier which even runs through some houses.

Addressing the Northern Ireland issue is going to require some form of "special status" for the region. If the UK is to be outside the Single Market and Customs Union. Some in Ireland have mentioned the idea of designating Northern Ireland and potentially parts of the Irish Republic as a "special economic zone". This could encompass treating the whole of Northern Ireland as a border zone so that official controls and customs checks could be performed at any point within the territory but would permit relatively unrestricted movement at the point of crossing the border. Concepts such as this will have to be considered but remain heavily exposed to smuggling.

Other position papers

Other papers have also been published, including one on 'The Continued Availability of Goods' - basically the recognition of product standards and quality legislation. Additional topics include dispute resolution, access to data, judicial cooperation and access to documents. All can be found at - https://www.gov.uk/government/collections/article-50-and-negotiations-with-the-eu

Crop Markets

Abstract:

- World production up again, driven by bumper Russian harvests.
- UK prices under pressure due to strong global supplies, a strengthening Sterling and lower quality.
- Similar pressures also being exerted on UK OSR.
- Poor quality bean harvest means less availability of human consumption quality thus creating a premium.
- Sugar beet harvest underway, yields looking strong.
- Potato prices down by 40% due to solid supply.

Global grain production rising again

Latest USDA estimates suggest that 2017/18 global grains production is up by 4.8Mt on last month and since May, output estimates have risen by almost 14Mt, roughly equivalent to the UK wheat harvest.

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

	Output	Trade	Total use	Cl. stocks*
2015/16	2,467.23	376.50	2,438.26	609.02
2016/17 est	2,604.18	430.30	2,575.50	637.71
2017/18 Aug forecast	2,539.92	409.88	2,565.43	615.75
2017/18 Sept forecast	2,544.73	409.85	2,565.52	616.91

*closing stocks Source: USDA

Global wheat production is up by 1.67Mt on last month driven by abundant crops in Russia, where production is up 3.5Mt and is forecast to reach a record of 81.0Mt due to excellent growing conditions. Conversely, Australia's production has decreased by 1.0 Mt due in part to dry conditions and similarly, EU production is lowered by 0.7Mt. Global Trade for 2017/18 is largely unchanged, although Russian, Ukrainian and Turkish exports are projected up by 1.0Mt, 0.5Mt and 0.3Mt respectively. These increases are mostly offset by a 1.0 Mt reduction for EU and a 0.5 Mt reduction for Australian exports. Global use has increased by 0.5Mt on last month, with stocks projected down by 1.6Mt.

Wheat supply & demand at 12 Sept 2017 (Mt)

	Output	Trade	Total use	Cl. stocks*
2015/16	735.30	172.84	711.87	241.19
2016/17 est	753.31	181.68	738.67	255.83
2017/18 Aug forecast	743.18	179.92	737.05	264.69
2017/18 Sept forecast	744.85	180.03	737.54	263.14

*closing stocks Source: USDA

European and UK grain market outlook

Latest European estimates suggest that there is more wheat to export than last year but it is currently struggling to compete against the Black Sea and Russian feed wheat that is $10 per tonne lower shipped into Egypt. These regions export hard post-harvest as parts of their shipping routes often freeze over in cold winters, effectively locking their grain away until spring. Stocks in Europe are building up and the surplus is not going away.

Harvest in the UK is all-but completed, but the recent rally in the value of Sterling has lowered wheat's export competitiveness. Prices will fall as a response soon unless global markets rise. Whilst the quality of the wheat harvest was poor on recent years' standards, the fact the twice as much Group 1 milling wheat is now being grown compared with only 4 years ago means the millers will have sufficient to use.

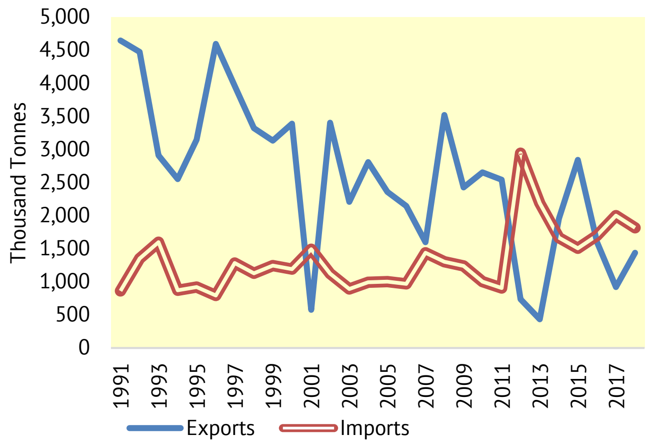
UK wheat market overview ('000 tonnes unless stated)

Marketing Years	2015/16	2016/17	2017/18	2018/19 (f)
Area ('000 Ha)	*1,832*	*1,823*	*1,805*	*1,777*
Yield (t/ha)	*8.97*	*7.90*	*7.9*	*8.2*
Opening stocks	2,434	2,792	1,590	1,996
Production	16,506	14,383	14,257	14,600
Imports	1,509	1,700	2,003	1,814
Total Availability	**20,449**	**18,875**	**17,849**	**18,410**
Human and industrial	7,357	8,106	7,663	7,684
Animal feed	7,091	7,224	6,902	6,916
Seed	282	283	294	289
Other	82	72	75	77
Total Domestic Usage	**14,812**	**15,685**	**14,933**	**14,964**
Surplus	5,637	3,190	2,916	3,446
Exports	2,845	1,600	920	1,437
Closing stocks	**2,792**	**1,590**	**1,996**	**2,008**

Sources: AHDB, The Andersons Centre

Early indications suggest that the UK will once again be a net wheat importer. This, as we have discussed in the past, is becoming the norm. Production has remained more or less unchanged for 20 years, but consumption having been rising, mean there is less of a surplus. Trade will continue however, because almost a million tonnes of the imports are of a very high milling quality, the likes of which we do not produce in the UK. Various consumers each require differing qualities and specifications too which means that sometimes the wheat available locally might not meet the specification required locally. Furthermore, if imported wheat is cheaper, it will be imported and vice versa.

UK Wheat Imports and Exports, 1991 – 2018 (f)



Sources: AHDB, The Andersons Centre

Oilseeds & proteins market commentary

2017/18 forecast world oilseeds production has increased by 1.91 Mt from August, driven entirely by higher US output, particularly soybeans. Elsewhere, projections remain unchanged. Reductions for rapeseed and soybeans have been offset by increases for cottonseed and sunflower seed. Lower soybean production for Uruguay and Serbia is partly offset by an increase in production from Bolivia. Canadian rapeseed production is lowered based on a reduced area.

USDA oilseeds supply & demand at 12 Sept 2017 (Mt)

	Output	Trade	Total use	Cl. stocks*
2015/16	521.35	153.26	445.65	90.54
2016/17 est	572.53	169.92	468.78	108.13
2017/18 Aug forecast	576.69	174.06	487.64	109.08
2017/18 Sept forecast	578.60	174.29	488.43	109.46

*closing stocks Source: USDA

In the UK, oilseed rape prices are under continued pressure this month, not only because of a relatively large, 2 million tonne crop harvested this year, but also, with little being sold, and prices cheaper elsewhere, the crushers have been buying large vessels from elsewhere.

In terms of UK proteins, bean values have gone both ways; as the quality has been poor this year, with a considerable insect problem, the volume of feed beans has increased, pushing feed prices down. Equally, the shortage of human consumption beans has increased the premium value of them. Growers who plan to store them should ensure they are kept in the dark and in cool, dry conditions to protect the premium.

Specialist crops

Sugar beet harvest

The 2017 sugar beet harvest has commenced in the UK, with prospects looking good for high yields.

The Newark factory was the first to open on the 14th September – earlier than usual due to the large expected harvest and the fact that the crop is quite forward. The three East Anglian plants will all be open by the end of the month. Both initial yields and sugar levels are reported to be good. The record year for sugar production is 2014 when 1.45m tonnes of sugar was produced from 116,000 planted hectares. This year, the contracted area is around 107,000 hectares so it would take some exceptional yields to break the record. However, British Sugar believes the harvest may be in the region of 1.4m tonnes. This would be the second-highest on record and well above the 0.9m tonnes seen in 2016 (albeit from a reduced area of 80,000 hectares).

Contracting for 2018 is not yet complete, but the processor is aiming to have around 110,000 hectares of crop contracted for next year.

Potato prices down 40% on last year

Potato growers are bracing themselves for a much lower priced season than the last two. The largest British potato area for three years at 121,000 hectares, and the delivery of at least average yields, has pushed the average free-buy price below the £100/tonne mark, according to AHDB. That is £80/tonne less than a year ago and £60/tonne lower than September 2015.

Following a dry spring, the crop was boosted by summer rains with growers reporting that decent yields are being achieved by large rather than numerous tubers. The 4% increase in the area is also adding to volumes. The crop is now entering a weather-critical phase. Wet conditions throughout October would make lifting difficult and damage the crop, but dry conditions will allow easy lifting. There have already been some concerns over the quality of the crop, especially the presence of scab, and growers will be keen that problems do not intensify.

Other European countries have also reported increase in area this year and are expecting higher yields. The North West European Group of potato organisations from Belgium, France, Germany, Netherlands and UK report a 4.6% increase in the area in those five countries growing consumption potatoes (excludes seed and starch) to nearly 579,000 hectares. They expect that an 8.5% in average yields will lead to a 13.5% increase in production at 27.9 million tonnes.

Meanwhile, the AHDB says that British growers are growing a greater diversity of varieties, driven by supermarket demands, with 38% of planting for this sector. However, all-rounder Maris Piper continues to account for 14% of area.

UK Surveys and Reports

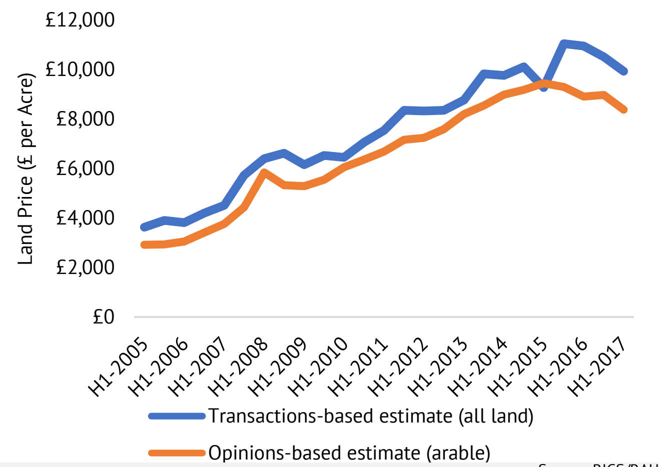
Abstract:

- Land values decline amid Brexit concerns, FBT rentals recover.
- Defra crop area surveys confirm increases of spring barley and oats. However, wheat, winter barley and OSR have declined.
- Grain stocks down significantly vs 2016, particularly on-farm.
- Value of UK fruit and vegetables showing steady growth.

Land values decline

The latest results from the RICS/RAU Rural Land Market Survey show a notable fall in land prices across England and Wales during the first half of 2017 in comparison with the previous year. The transactions-based estimate of land prices covering all land (i.e. arable and pasture) has declined by 5.4% on last year and now average £9,936 per acre.

Average farmland prices in England and Wales, 2005 – 2017



Source: RICS/RAU

The opinions-based estimate for arable land, which is based on median values, is down by 6% and averages at just under £8,400 per acre. Being a median-based estimate, the average is often lower than if the mean value was used to gauge the average. It is also noteworthy that the opinions-based estimate is provided on a "bare-land" basis as opposed to the transactions-based measure which includes elements of buildings.

Pasture land prices are also down by around 5% with the median price estimated at £6,700 per acre according to the opinions-based measure.

It is also revealing that farmland demand has weakened for the fourth consecutive time, with Brexit-related uncertainty cited as the key concern. That said, demand for better quality land is 'firmer', but less favourable land parcels are failing to sell, or require significant discounts. The land price falls have occurred despite the availability of land for sale also dropping.

Looking ahead, price expectations of those contributing to the survey remain negative, although the latest expectations are the "least negative" since 2015. Land which has a residential component is showing more resilience than commercial farmland.

The survey also estimates land rents. Average FBT rentals for arable land have increased by 8.3% to £146 per acre since the second quarter of 2016, and by 3% for the year. Admittedly, they are still 10% lower than their 2014 peak. AHA arable rents have remained static at £75 per acre.

Overall, the results suggest that whilst crop prices remain strong *farmers are willing to invest in shorter-term rentals, however, they are refraining from longer-term commitments until it becomes clearer what the implications of Brexit are and what will happen to agricultural support post-2020.*

Defra crop areas

On 14th September, Defra released its crop area estimates for England as at 1st June. The results confirm trends reported previously by the AHDB for Great Britain with increases of spring barley (up 15.9%) and oats (up 18.1%). However, wheat, winter barley and OSR have declined by 1.9%, 3.9% and 3.6% respectively.

On closer examination, there are some interesting differences between the latest Defra data and the AHDB's estimates. Previous AHDB estimates for GB suggested a 3% decline in wheat area, significantly more than Defra which estimates the 2017 wheat area at 1.65 million ha. Conversely, for winter barley, AHDB estimates suggested a 1% decline, but Defra results suggest a more pronounced fall.

Similar trends are also noted for spring barley with the AHDB's 9% projected increase significantly smaller than the Defra estimate. For oats, Defra estimates show an 18% increase whereas the AHDB projected a 7% rise. Such variations reveal the challenges in projecting crop areas. *However, one wonders with all the advances in "big data" whether it should now be possible to get a more accurate estimate during the season be that via farmers' records or satellite-based data?*

Regarding OSR, Defra data suggest that the decline is not as pronounced as previously feared with the total OSR crop down by 3.6%.

Significant changes have taken place in other crops with sugar beet up by 29.5% on last year. Field beans have also shown strong growth (up almost 9%), however harvested peas have experienced a substantial 21.6% decline. Maize and other fodder has posted modest gains, perhaps reflecting declines in support for maize for AD. Horticultural crops (140,000 Ha) are up by almost 3% but are 10,000 Ha short of their 2015 peak.

England crop areas 2014-2017 ('000 Ha)

	2013	2014	2015	2016	2017	% ch. 2017/16
Total crops	**3,960**	**4,010**	**3,9834**	**3,993**	**4,054**	**+1.5%**
Cereals (ex. maize)	**2,492**	**2,634**	**2,573**	**2,617**	**2,660**	**+1.6%**
Wheat	1,505	1,797	1,693	1,684	1,652	-1.9%
Barley - total	623	828	709	748	791	+6.5%
- winter	329	257	363	376	376	-3.9%
- spring	294	571	345	373	416	15.9%
Oats	138	105	98	102	121	+18.1%
Other cereals	22	24	34	40	44	+12.0%
Other arable	**1,328**	**1,236**	**1,261**	**1,240**	**1,254**	**+1.2%**
Potatoes*	103	105	96	104	108	+3.9%
Sugar beet (ex. fodder)	117	116	90	86	111	+29.5%
Oilseed rape	676	632	611	543	523	-3.6%
Field beans	115	103	165	173	189	+8.9%
Peas	28	31	42	50	39	-21.6%
Maize & oth fodder	227	212	216	226	230	+1.5%
Misc. others	61	36	40	57	54	-5.5%
Horticultural crops	**140**	**139**	**150**	**136**	**140**	**+2.9%**

Source: Defra *early and maincrop only

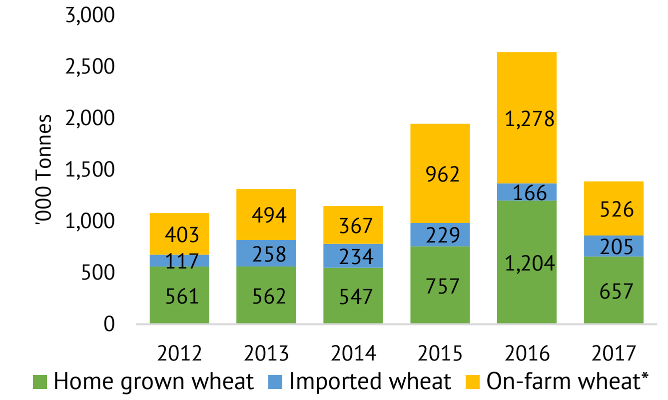
UK cereal stocks

Latest Defra estimates confirm that UK grain stocks are down significantly on last year. At the end of June, there was 48% less wheat and 34% less barley versus the previous year. Lower harvests in 2016 (e.g. wheat 14.4 Mt, 13% less than 2015), weaker Sterling and quality issues elsewhere (e.g. France) were key reasons for this.

Homegrown wheat stored at ports, co-ops, merchants etc. accounts for 47% of total stocks (circa 1.4Mt). On-farm stocks of 526Kt (England and Wales only) are estimated to account for 38% of the total and are nearly 60% lower than in June 2016. Farmers have been keen to take advantage of the relatively good prices in the UK.

Barley stocks (circa 510Kt) primarily consist of homegrown barley (417Kt). Oats stocks, estimated at around 80Kt, have risen very slightly on last year. Maize stocks (280Kt) are up substantially on last year (50Kt) and virtually all of this is imported.

UK wheat stocks 2012 – 2017 (Kt)



* England and Wales only Source: Defra

Lower stocks are positive for UK prices in 2017/18, although with strong supplies reported elsewhere, particularly Russia, UK prices will be under more pressure this year than in 2016/17.

Value of UK fruit & veg. output rising

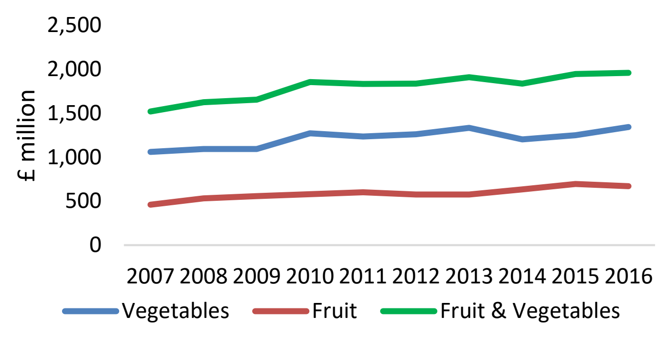
The value of homegrown fruit and vegetables marketed in the UK has shown steady growth in the last 10 years according to a recent Defra study. In 2007, the value of horticultural produce marketed in the UK was slightly above £1.5 billion, and in 2016 it has risen to nearly £2 billion.

This 29% increase in value in homegrown produce marketed in the UK has come about despite the corresponding volume of production rising by 13% over the same 10-year period, thus suggesting robust demand domestically.

In 2016, home-produced vegetables were valued at £1.3 billion, a 7.5% increase year-on-year (y-o-y). Within this, field vegetables (£990 million) drove growth, up £107 million. However, protected vegetables (£353 million) experienced a 13% fall. Despite the growth of home-grown vegetables, this segment's proportional contribution to UK supply is estimated at 54% in 2016, a 4.6% decrease on 2015. A key reason for this is despite the value of homegrown production increasing, volumes were down by 5.2% so it is unsurprising that imports (up 21% in volumes) compensated for this gap.

Home-produced fruit experienced tougher conditions in 2016 with value of output (£670 million) falling by 3.7% y-o-y, primarily due to a fall in the value of soft-fruit resulting from a late start to the growing season and a decline in production. This meant that home-produced fruit only contributed 17% of the total UK supply in 2016, down by 3.4% on 2015. That said, home-produced apples increased their share of the UK market to 42%, a 6.8% increase y-o-y.

Value of homegrown UK fruit and vegetables, 2007-2016 (£m)



Source: Defra

On the face of it, these results suggest positive prospects for the UK fruit and vegetables sector and depending on how market access for EU imports evolves in the coming years there may be further growth opportunities. However, access to labour is already a major problem for many growers in this sector. This issue needs to be satisfactorily addressed if these growth opportunities are to be realised. Automation is also being looked at by the industry but given the nature of agricultural production environments (e.g. variations in product sizes etc.), automating is not straightforward. The industry needs a longer-term solution to labour access issues. The option of introducing an agri-food workers scheme should be considered. This could build upon the agricultural workers scheme introduced for Romanian and Bulgarian workers before those countries entered the EU. Instead of just focusing on farming, it could encompass food processing where labour shortages are also problematic.

Crop Protection

Bayer-Monsanto deal investigated

The EU Commission is conducting a detailed investigation into Bayer's $66bn takeover of Monsanto amid concerns that the deal would diminish competition in areas such as pesticides, seeds and GM traits which according to one EU source could result in "higher prices, lower quality, less choice and less innovation." Some sources have also reported that Brussels has concerns that the deal could lead to lower investment in new digital technologies for farms which is a somewhat peculiar perspective given the recent announcement of Bayer's partnership with Bosch (see article below).

This investigation is unsurprising as the EU undertaken similar probes into the Syngenta-ChemChina and Dow-DuPont deals. Bayer had already offered a number of 'fixes' in late July which are likely to have encompassed selling parts of the merged business where there is the greatest overlap. However, this appears to have been insufficient to address the EU's concerns. EU Competition authorities have until 8th January to complete their investigation. As previously reported, both companies had hoped to complete the deal by the end of 2017, but this is could now be delayed. Globally, around 30 competition authorities are considering the deal's implications, but the EU is demanding the most concessions.

Bayer-Bosch "smart spraying" venture

The research collaboration, announced on 14th September, seeks to combine different technologies to enable farmers to apply herbicides "only where they are really needed".

The basic concept is that before farmers commence spraying operations, a digital "field manager" will help them to assess the field and recommend the best time to treat weeds. Using Bosch's sensor technologies, it is claimed that the weeds will be precisely identified and sprayed in a single process as the sprayer crosses the field. Multiple cameras spread across the entire width of the sprayer will take a continuous series of pictures to identify the different weeds and to permit the optimum treatment to be defined. While the crop sprayer is still crossing the field, the herbicide will be sprayed in the required quantity and mixture to the relevant weed areas. Weedless areas would remain untouched. All of this would happen in milliseconds.

In addition to its sensor technologies, Bosch will also be applying its intelligent analysis procedures and selective spraying methods. These will be combined with Bayer's geographic information systems (GIS), crop protection as well as its formula and application technology expertise.

By the sounds of it, this collaboration has the potential to break new ground and would certainly help to bring precision agriculture more mainstream. Of course, there are big questions over how much this will cost and its practicality at a farm level. That said, partnerships such as this are welcome as companies in the industrial automation sector have made great progress in other extractive industries such as metals & mining and oil & gas. Similar camera sensor technologies are also in place in the horticultural sector to identify defects in apples for example at the start of processing. UK farming can learn from other industries and if the cost of these technologies can be brought down to affordable levels, then they will be important tools in the battle to retain key active ingredients as their licensing comes under pressure from regulatory authorities.

BPS and Policy

Abstract:

• BPS conversion rate set to improve on last year, and will be best since 2009.
• EU's 'Greening simplification' regulation confirmed but it is difficult to see where the simplification is.
• RPA's land mapping database being updated by 31st October to avoid EU fines. Agents and applicants will be informed of any changes via the 'Messages' tab on the Rural Payments Service, meaning that applicants or their agents will need to check their accounts for any messages notifying there has been a change.
• Michael Gove has confirmed that the rate of Pillar Transfer in England will remain at 12% for the 2018 BPS year and beyond.
• The RPA has started to make Financial Discipline refund payments straight into claimants' bank accounts.

2017 BPS conversion rate

Most readers will be aware that the average exchange rate between the Pound and the Euro during September sets the 'conversion rate' for that year's BPS. A conversion is required because support under the CAP is calculated in Euros, and therefore has to be converted into Sterling for payment to UK farmers (apart from the small number who opt to be paid in Euros).

It looked like the 2017 BPS conversion would provide a bit of a bonanza for UK farmers. At the start of the month the Pound was down to around €1 = £0.92 – which would give the most favourable conversion rate ever. (The weaker the Pound, the more each Euro buys, and thus farmers' BPS payments rise with a weak Sterling). However, with unfortunate timing, the Bank of

England made comments during September that a rise in UK Base Rates from their current 0.25% level was likely. This has seen the Pound strengthen to around 88½p to the Euro. At the time of writing (20th September) the average exchange rate for the month is just over 90p. If rates stay where they are for the remainder of September then the conversion rate is likely to be around €1 = £0.895. This would still be a 5% improvement on 2016, 22% better than 2015, and the best rate since 2009. We will give the final figure in next month's *Inside***Track**.

Greening rules for 2018

The EU's 'Greening simplification' regulation has been confirmed and, as has been said previously, it is difficult to see where the simplification is. The most notable change is the ban on the use of Plant Protection Products (PPPs) on Ecological Focus Area (EFA) fallow land, EFA catch & cover crops and in particular, Nitrogen Fixing Crops (NFCs). This now makes growing beans or peas to satisfy EFA requirements uneconomical in most cases and growers will need to use alternative options for 2018.

DEFRA has yet to publish detailed guidance on how the ban will work, but the understanding in England is for;

• ***NFCs*** - the ban will be from sowing the crop, even if this is before 1st January 2018, to harvesting i.e. for winter beans this will be from autumn 2017.

• **EFA fallow** - the ban will be from 1st January to 30th June (confirmed as the 'fallow period', see below). It will no longer be possible to spray off fallow to control weeds, such as black grass, during this period which many have done in the past.

• ***EFA catch and cover crops*** - the ban will be for those planted in 2018, not those being established for BPS 2017 EFA requirements and it will be for the new periods being introduced from 2018 (see below).

Other key changes to the English 2018 Greening rules include:

• ***Field Margins*** - The EFA buffer strip option (available next to watercourses) has been extended to include **all** field margins. The minimum width will be 1m and the EFA value will be the same as that (currently) for buffer strips - every 1m in length is worth 9m^2 of EFA. The cross-compliance strip can be used but it must be at least 1m from the **edge** of a hedge. The EFA margin must be visually distinguishable from the adjoining land and must be in place for the calendar year. Because it is a linear feature, it is not an 'overlapping' EFA and therefore no deduction needs to be made if it is next to an EFA hedge as is the case with EFA fallow and EFA NFCs

• ***Catch & Cover Crops*** - These must now be maintained for a minimum of 8 weeks. The existing cover crop period already adheres to this and will remain from 1st October to 15th January in the following year. But the catch crop period will be extended so that it runs from 20th August to at least 14th October. This applies to crops grown in the 2018 scheme year.

• ***Crop Diversification*** - It will be possible to claim for very small areas (less than 0.01ha) of different crops next to each other as one mixed crop area. Individually these would be less than the minimum parcel area of 0.01ha and would not be eligible.

• ***EFA Hedges*** - The definition has been extended to include trees in a line. The EFA value remains the same - every 1m of hedge is worth 10m^2 of EFA as long as you have management of both side.

• ***EFA Nitrogen Fixing Crops*** - In addition to pure stands and mixtures of NFC, under the new rules mixtures of NFCs and *other crops* will be allowed, as long as over 50% is made up of NFCs. This rule will apply to those crops sown in autumn 2017. *This should give some more flexibility, particularly to those who grow 'pasture legumes' such as clover, lucerne, sainfoin and trefoil.*

The RPA has also confirmed that the Cropping Period for Crop Diversification will remain from 1st May to 30th June in England. In addition, the EFA fallow period will remain as 1st January to 30th June.

The RPA has only produced a summary of the changes, but more detailed guidance has been promised shortly. This might include a change in the management of EFA fallow, that would be significant. In Wales, following new EC rules stating 'what grows during the fallow period cannot be utilised', the Welsh Assembly has confirmed no grazing can take place for the rest of the calendar year. In addition, if the fallow land is mown or topped, the cuttings must not be removed, burnt or used in any way. This is an important change, as many have used temporary grass to satisfy EFA fallow and then grazed, silaged or made hay after the end of the fallow period (1st February to 31st July in Wales) it appears this will no longer be possible. It will still be possible to sow another crop after the end of the fallow period. From the guidance published by Scotland (see below) it does not seem to be imposing these restrictions on EFA fallow, in England DEFRA has not yet confirmed its position.

Within the EU rules, there is an element of discretion and each of the devolved regions has chosen slightly different EFA features and management of these options. The above rules concentrate on how the changes affect farmers in England. Both Scotland and Wales have produced updated detailed guidance already and these can be found at https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/basic-payment-scheme/greening-guidance/greening-guidance-2018/ and http://gov.wales/docs/drah/publications/170911-cap-policy-reform-2017-greening-booklet-en.pdf.

Refer to scheme literature for more guidance in these regions.

RPA mapping update

Under EU rules the RPA is required to make sure that none of its land data is more than three years old by 31st October 2017, otherwise it could result in a substantial fine from the EU. It is therefore undertaking a mapping update and the process being used is known as Proactive Land Change Detection (PLCD). Approximately 800,000 land parcels will be updated out of about 2.4 million held by the RPA. The changes could be to the parcel area, land cover and splits or mergers of land. It can be thought of as a remote sensing inspection, but for a far larger proportion of those who claim the BPS. Agents whose clients have undergone remote sensing will know that it can cause a great deal of work as fields are often incorrectly merged, split or otherwise altered and then have to be subsequently corrected.

The RPA's mapping database is called the Land Parcel Information System (LPIS). Between 16th August and the end of October the RPA will be publishing updates to the land data held on LPIS. Agents and applicants will be informed of any changes via the 'Messages' tab on the Rural Payments Service, the RPA aims to have issued the majority of notifications by mid-October 2017. This will mean applicants or their agents will need to check their accounts for any messages notifying there has been a change. It appears some changes may be negligible, just minor boundary changes, with the area of the parcel not even changing. Where you agree with the changes no action is required. If you disagree with the updates an RLE1 and a sketch map will need to be completed;

• Write on the front of the RLE1 and on the sketch map '**Unrequested change query**' and which schemes the updates relate to i.e. BPS, CSS or ELS/HLS

• Complete the land parcel information in the RLE1 including the date when the change was made on the ground
• Mark any changes on a sketch map, including the SBI number and any evidence to support why you do not agree with the change.

The RPA has said it will review all RLE1s, but has not given a deadline for completion. It has said that payments will be its main focus. It seems very likely that the majority of RLE1 Unrequested Change queries will not be dealt with prior to the 1st December payment start date. The RPA has said sending in an 'Unrequested change query' should not hold up payment, although this may mean payments being made using incorrect data, even penalties being applied if areas are deemed to be wrong or Greening not satisfied. For many still experiencing 2015 and 2016 outstanding payment issues, 2017 payments may well feel like déjà vu.

Pillar transfer

Michael Gove, DEFRA Secretary, has confirmed that the rate of Pillar Transfer in England will remain at 12% for the 2018 BPS year and beyond. Pillar Transfer effectively replaced modulation when the Basic Payment Scheme was introduced. It is the mechanism by which funds are transferred from Pillar 1 (BPS) to Pillar 2 (Rural Development) to fund schemes like the Countryside Stewardship. England chose 12% but with the option to increase to the maximum rate of 15% in 2018.

Financial discipline

The RPA has started to make Financial Discipline refund payments straight into claimants' bank accounts. Those with a 2016 BPS claim worth more than €2,000 will receive a reimbursement of 1.368% of it from the 2015 Financial Discipline Mechanism Fund (FDM). The FDM reduces all direct payments pro-rata if it is looking likely that the CAP budget is going to be exceeded in a year and helps fund a 'Crisis Reserve'. But if it is not used, all or part of it can be refunded to claimants with the following year's BPS payments. Financial Discipline was applied at 1.39% to 2015 payments and not all of it was used.

Rural Development

Come and get Rural Development money

Defra/RPA continue to try and make all the Rural Development Schemes in England more user-friendly with the aim of getting as much EU co-financed money out before Brexit. It is a shame that, as ever, the new Rural Development Programmes got off to such a slow start, hindered by the purdah requirements of two elections and the Referendum.

In August, the Government announced that EIP-Agri scheme was closing this month but there would be £200m of new RDPE funding made available between now and the end of the year:
• £120m for Countryside Productivity Scheme, focusing on large capital grants for Water Resource Management (including farm reservoirs) and Improving Forestry Productivity
• £6.6m for animal health and welfare projects under Countryside Productivity.
• £45m under the Growth Programme to top up the current three national offers for Food Processing, Business Development and Tourism Infrastructure.
• £30m for a national fund for Rural Broadband Infrastructure grants which are in addition to the original £177m Growth Programme budget.

The £120m Growth Programme offers that opened in January have led to applications requesting over £70m being received by the RPA in the first six months of the year. The RPA and LEPs, who administer the schemes regionally, plan to hold further workshops later this year to offer technical support to applicants through every stage of the application process. The details of all these events can be obtained by emailing GPEnquiries@rpa.gsi.gov.uk.

Under Countryside Productivity, the forestry productivity grants are for felling, extraction and adding value by primary processing of timber products. Water Resource Management grants are to improve farm and horticultural productivity through more efficient use of water for irrigation, and to secure water supplies for crop irrigation by the construction of on-farm reservoirs. The minimum grant request in each case is £35,000. Applicants have until 3rd April 2018 to submit an application.

There is no change to the funding availability for the 79 LEADER Local Action Groups in England but the RPA recently introduced a revised application process which will make it simpler for applicants to apply and for LEADER groups to administer. The previous Outline Application Stage has been replaced with much more focused and simpler Expression of Interest stage. Many LAGs have also been given clearance to give larger grants per project (up from a maximum of circa £35,000 to circa £100,000) and more flexibility in transferring grants between priorities within their Local Development Strategies.

Countryside Stewardship Scheme(CSS)

With the deadline, of 30th September, for Mid-Tier applications looming fast, Natural England is urging those applying to check their applications. According to the Agency, more than half of those submitted have contained an error, which has resulted in forms being returned. Some are just basic errors including:
• Corrections not being initialled
• Two signatures where the business is notified to be a sole trader
• The person submitting does not have 'submit' permission under Countryside Stewardship (Applications) on the Rural Payments online service
• Farm Environmental Record not completed correctly
• Rotational and capital items not recorded correctly against the appropriate individual land parcels in the annexes.

Other areas of support, funded through the Countryside Stewardship, currently open or will be available shortly, include the Facilitation Fund and the Woodland Creation Grant.

The deadline for the third round of applications to the Facilitation Fund is 14th November 2017. There is £1.7m available to 'facilitators' to bring together neighbouring farmers, foresters or other land managers into a 'landscape scale' CSS agreement. Such schemes must cover at least 2,000 hectares and comprise a minimum of four separate holdings. More details are available at - https://www.gov.uk/government/publications/guide-to-countryside-stewardship-facilitation-fund

The submission window for the Woodland Creation Grant 2018 runs from 2nd January to 16th February 2018. However, following feedback from applicants, the guidance has been made available much earlier this year to allow time to draw up applications. Guidance and application forms are available now at - https://www.gov.uk/government/collections/countryside-stewardship-woodland-support

Grants up to a maximum of £6,800 per hectare are available, with an option to apply for a maintenance fund of £200 per hectare per year for 10 years.

Environment

Climate change statistics

DEFRA has published a set of statistics on agriculture and climate change. This brings together a number of indicators from a variety of sources to gauge how farming is contributing to greenhouse gas (GHG) emissions and what is being done to mitigate this. The full publication can be found at https://www.gov.uk/government/statistics/agricultural-statistics-and-climate-change.

The industry has a target of reduce agricultural production emissions by 3 Mt CO2 equivalent by 2020 compared to a 2007 baseline. The indicators in the latest publication suggest that by early 2017, a 1.3 Mt CO2 had been achieved. This is decent progress, but more will be needed.

The publication acknowledges that there are gaps in the current data and methodology for calculating GHG emissions from agriculture. DEFRA and the Devolved Administrations have invested £12m in the development of an improved GHG Inventory for agriculture which will be used in future publications.

Data

Spray prices – selected products

On-Farm Spray Prices - w/c 18th September 2017

Active Ingredient (AI)	Example Brand(s)	Pack Size (L; KG)	Price (£/pack)	Price (£/L)
Cereals - General Herbicides				
Diflufenican	Hurricane	1	29.72	29.72
Flufenacet + diflufenican	Liberator	5	322.74	64.55
Flufenacet + Pendimethalin	Crystal	10	124	12.40
Mesosulfuron iodosulfuron	Atlantis; Pacifica	2	186.56	93.28
MCPA		10	37.27	3.73
Cereals - Insecticides/Molluscicides				
Ferric Phosphate	Sluxx, Ironmax Pro	20	82.80	4.14
OSR - Herbicides				
Metazachlor	Butisan S	5	67.06	13.41
Propyzamide	Kerb	5	59.00	11.80
Clomazone	Backrow, Centium	3	229.67	76.56
Potatoes - Herbicides				
Diquat	Retro / Generic	10	61.33	6.13
General Sprays				
Glyphosate	Roundup	20	39.20	1.96

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 18th September 2017

Fertiliser Type (all prices in £/tonne)	This month	Last month
Compound Fertilisers		
00:24:24	255	250
20:10:10	238	230
Straights and Others		
34.5% N (UK)	225	198
Urea – 46%N	250	225
Ammonium Sulphate and Ammonium Nitrate (granular) (27%N:30%Sulphur)	225	195
Triple Superphosphate (46%P)	280	272
Muriate of Potash (60%K)	260	258

Prices are based on delivery during November/December 2017

Crop prices

Futures prices (per tonne)	Latest (20/09)	Last month (21/08)	Last year
Feed wheat (London – Nov '17) (£)	£140.85	£138.00	£133.20
Feed wheat (London – Nov '18) (£)	£146.35	£145.15	£139.20
Milling wheat (Paris – Dec'17 (€))	€163.00	€160.00	€173.75
Milling wheat (Paris – Dec'18 (€))	€177.75	€173.75	€181.75
Oilseed rape (Paris – Nov'17 (€))	€367.25	€365.50	€362.50
Oilseed rape (Paris – Nov'18 (€))	€361.75	€359.00	€366.00

Source: AHDB

Exchange rates

Daily Rates	Present (21/09/17)	Last month (w/e 25/08/17)	12 months ago (w/e 23/09/16)
Euro vs Sterling	£0.8824	£0.9208	£0.8644
Sterling vs Euro	£1.1333	£1.0860	£1.1569
Sterling vs Dollar	£1.3492	£1.2823	£1.2974
Dollar vs Sterling	£0.7412	£0.7798	£0.7708

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 (Aug '17)	Prev. month (Jul '17)	Last year (Sept 2016)
UK	2.9	2.6	1.0
EU	1.7	1.5	0.5
US	1.9	1.7	1.5

Sources: OECD

Based on Consumer Price Index (CPI)

In Brief...

Key dates for coming weeks

Key dates* for Cross Compliance and ELS – main options

Rule/ option	ELS edn.**	Date	Action
EJ13	2010, 2013	15 Sep	Establish cover crop by this date.
SMR 1		15 Sep	You may no longer apply manufactured N to grassland from this date (until 15 January).
EB6,7	All	15 Sep	You may cut vegetation on ditches from this date (until 28 February)
EB6	All	15 Sep	You may clean ditches from this date (until 31 January). You must clean ditches no more than once during your agreement.
EF4	All	15 Sep	Cut whole area to 10 cm from this date (until 31 Oct).
SMR 1		16 Sep	You may no longer apply organic manure with a high readily available N content to tillage land on shallow or sandy soils which have been sown with crops on or before 15 September from this date (until 31 December).
CAP		1 Oct	Cover crop must be established for EFA by this date (until 15 January)
GAEC 6		1 Oct	You may burn heather, rough grass, gorse or vaccinium on land in upland areas from this date (until 15 April).
SMR 1		1 Oct	You may no longer apply organic manure with a high readily available N content to tillage land on soils which are not shallow or sandy from this date (until 31 Jan.).
EJ2,10	All	1 Oct	Harvest maize by this date.
SMR 1		15 Oct	You may no longer apply organic manure with a high readily available N content to grassland on soils which are not shallow or sandy from this date (until 31 Jan.).

*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

AHDB Grain Outlook Conference 2017

Takes place on 11th October in London. This year's topic is "Getting ready for a post-Brexit market place" and with everything that is going on domestically (currency, politics etc.), it will be more domestically focused than usual. Further information is available via: https://cereals.ahdb.org.uk/markets/grain-market-outlook-conference.aspx

Nix Farm Management Pocketbook

Paper copies of the 48th edition of the Nix Farm Pocketbook are available at £25.50 + £2.50 P & P from www.thepocketbook.biz or can be accessed online for £24.00 incl. VAT per year.

BNP Paribas acquires Strutt & Parker

Strutt and Parker (S&P), founded in 1885, is to be taken over by BNP Paribas Real Estate, a subsidiary of the banking giant. No details of the price to be paid have been released. S&P has 60 offices and is the No. 2 player in the UK rural market and third in the residential segment. To date, BNP Paribas' UK activities have primarily focused on commercial property. The Strutt and Parker brand will be retained for the rural, residential, development and planning teams. All commercial property activities will come under the BNP Paribas Real Estate brand.

CETA finally becomes operational

After 7 years of negotiations and a 9-month ratification process (so far), the provisional application of the EU-Canada free trade deal, commonly known as CETA finally commenced on 21st September. It will only enter into force fully once all EU Member States have ratified the agreement. As reported previously, wheat will be the arable commodity most affected as Canada will be permitted to export up to 100,000 tonnes of low to medium quality wheat, whilst the in-quota tariff rate (currently €12/tonne) will be phased out after 7 years.

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

Consultations reported or Government responses

Description	Department & deadline
Natural Resources Policy development https://consultations.gov.wales/consultations/natural-resources-policy-development	Welsh Government

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