

A monthly briefing for UK farmers - November 2019

- **2019 BPS payments** commenced on Monday 2nd December. The confirmed per Ha rates after Financial Discipline deductions in England are; Lowland - £229.54; SDA - £227.84 and Moorland £62.52.
- The **RDPE Growth Programme** has opened for a further round. Funding is available under three areas; Business Development, Food Processing and Rural Tourism Infrastructure. Local Enterprise Partnerships (LEPs) set regional strategies for the grants and therefore priorities for funding may vary from region to region. Potential applicants need to see if their local LEP area is offering a grant. Grants usually cover 40% of eligible costs. The min. grant is £20,000 (min. project size is £50,000). The max. grant varies; £750,000 for Food Processing projects, £175,000 for Business Development and Rural Tourism Infrastructure. The deadline for Expressions of Interest is midnight on 16th February 2020.
- A new **Woodland Carbon Guarantee (WCaG) scheme** is open, which aims to encourage farmers and landowners in England to plant more trees to help tackle climate change. In return, they will receive payments as the trees grow; the government will buy verified carbon credits, called Woodland Carbon Units (WCUs) at an agreed price. A guaranteed price for the WCUs is agreed with the Government through an online reverse auction. Before applications can be made to the WCaG scheme, land managers need to register their project with the Woodland Carbon Code (WCC).
- Welsh landowners whose **Glastir** Advanced, Commons or Organic contracts are due to expire on 31st December 2019 are being offered either a contract extension or renewal. The contract offers will be available on customers' RPW Online account for them to either accept or decline.
- The **wet autumn** has resulted in half of the planned winter wheat area still undrilled at a time of year when we would normally expect over 90% to be have been completed. OSR has suffered from rot and Cabbage Stem Flea Beetle, which appears to be worse than ever. Europe is also struggling, although not by quite as much. In France, only three quarters of their wheat is reported to be drilled, compared to 97% normally by now.
- **Global grains data** show wheat production recovering in 2019, and this has been weighing on prices to some extent. But increased consumption means forecast year-end stocks will be in the range seen over the last few years. For maize, global output for the year is down on 2018 and the stocks-to-use ratio is at its lowest level for some years; this should help other grain prices. Oilseed commodity prices, including UK OSR should be supported by forecasts of a fall in soybean production in 2019 and a decrease in year-end stocks.
- **Beef prices** have been low all year, only going above the 5-year average for a brief spell in May. October saw the total beef and veal production up 3% on the year. Both numbers coming to market and carcass weights, (after a good growing season) were up 1%. Some abattoirs are putting a 400kg cap on weights. Exports are up for the year, whilst imports are down. Exports to the Philippines increased by 310%, probably as a result of African Swine Fever (ASF) (see Spotlight article). The market could get a welcome boost if shipments to China get underway; the first for over 20 years are expected by early 2020.
- The **lamb price** in 2019 has been stable, but recently went above last year's levels for the first time since January. Prices have been rising in NZ and Australia, due to the Chinese demand. Imports to the UK have been less, but also more expensive, supporting domestic prices. In addition, NZ has sent less sheep meat to the rest of the EU and the UK has been able to fill some of this availability. Domestic supplies are expected to tighten towards Christmas, supporting prices, after which Brexit uncertainty may return.
- **Finished pig prices** have been on an upward trajectory since April and, with strong demand from China, the outlook looks good into 2020. Domestic demand remains a challenge, but export demand, particularly from China is good. About a third of the UK's pig meat exports have gone to China so far this year, up by 58% on 2018 and it is a market which is continuing to grow both in value and volume. In October all the major UK abattoirs were approved to send trotters to China, where they are sought-after.
- A month or two ago it seemed almost given that UK farmgate **milk prices** would fall through the winter and possibly into the spring. This is far less likely now with markets firming at both the global and national level.

Spotlight on: African Swine Fever

The effects of African Swine Fever (ASF) should not be underestimated. According to official Chinese statistics, it is estimated that the disease will halve China's pig herd by the end of 2019. At over 400 million head, China's herd accounted for half of the world's pig population (750 million) before ASF. It is being described as the biggest animal disease outbreak in history. The virus has spread across the whole of China since the first outbreak was discovered in August 2018. ASF continues to spread across Asia. The disease was reported in Vietnam shortly after appearing in China and production there is expected to be reduced by 15-20% in 2019. Similar to China, many Asian countries obtain most of their meat requirements from pigs.

Rabobank is forecasting pork production in China to decline by 24% this year and a further 10-15% next year due to the fall in herd size and the ongoing impact of the disease. The decision by many to cull their herds before becoming infected (and thus still be able to sell the meat) accounts for the difference between production and the decline in herd numbers. By the end of 2019 China is expected to have a pork shortage of 10m tonnes. To put this into perspective, the amount traded globally each year is in the region of 8m tonnes. China has been trying to fill the gaps by releasing reserves from its cold stores, stock-piled from producers who decided to cull their herds earlier in the year. But these stocks are becoming exhausted and the pig price in the country is now more than twice as high as the same time in 2018 and is fueling inflation.

As a result, there will be a large protein deficit across Asia. China is importing a huge amount of meat. According to the AHDB, China's pork imports for the year have increased by 45%. It is also not just pork imports; beef quantities are up by 50% and shipments of poultry meat have also increased. There is also a demand for alternative proteins, such as Skim Milk Powder. September recorded China's highest monthly imports since 2013 at 27,500 tonnes, total SMP imports are up by 30% over the year.

The EU has been the largest exporter of pigmeat to China with shipments to August increasing by 40% on the year. The UK's exports to China are up by nearly 60% on the year. In 2020, the AHDB is forecasting EU production to only increase marginally, due to a decline in the breeding herd, but a fall in domestic consumption could result in additional volumes available for export. The trade war between the US and China has seen tariffs of 72.5% on US pig meat imports to China, but now the Chinese domestic price has risen so much, the US price is becoming competitive. US shipments to China in August were five times higher than in 2018. China has now agreed a set amount of pork can enter the country tariff free, although no details of the amount or when has been announced yet. Nonetheless, the US looks to be in a good position to increase its pig meat exports to China.

Brazil has also increased its exports to China – up by a third on the year to September. But as China has only approved a small number of farms for exports, this growth is likely to be limited.

Looking ahead, the Chinese Government has made the recovery of domestic production as a priority. It is exploring measures to aid expansion for large scale producers, such as reducing interest rates, relaxing environmental regulations and loans.

For further information please visit our website:

www.theandersonscentre.co.uk

Or contact a member of the team:

01664 503200

Old Bell House

2 Nottingham Street

Melton Mowbray, Leicestershire