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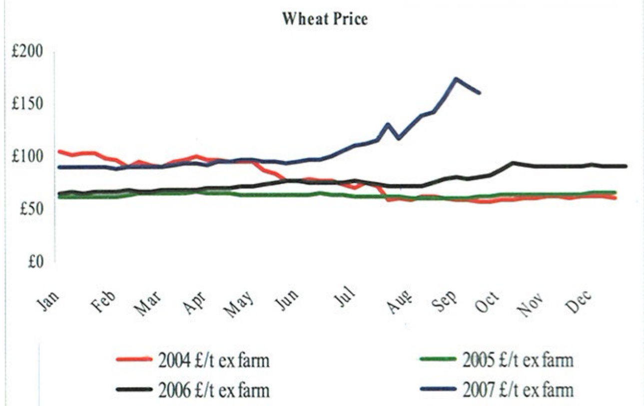
# MARKET COMMENT

| PRICE CHECK (£/tonne) | | | |
|---|---|---|---|
| Crop:- | Nov 07 | Mar 08 | Nov 08 |
| Wheat – Feed | 165 | 175 | 125 |
| Wheat - Class 1 | 190 | 195 | 145 |
| Wheat – Class 2 | 180 | 185 | 135 |
| Barley – Feed | 160 | 170 | 120 |
| Oats – Milling | 125 | 130 | 120 |
| Oilseed Rape | 235 | 242 | 238 |
| Peas – Feed | 187 | 192 | 140 |
| Beans – Feed | 187 | 192 | 140 |

*Guide Prices as at 27/09/07 (assumes crop assured)*




**Wheat prices** have fallen back despite news of an Australian harvest at the lowest end of forecast. India announced it is to halt wheat imports and Russia is to release intervention stocks into its home market and impose an import tax. Generally, long holders decided to take their profits seeing little scope for further gains resulting in a late September fall of £6. However sterling at a 17 month low, due to fears over effects of Northern Rock and the US sub prime mortgage crisis, cushioned the effect. Similarly, UK feed wheat is still too expensive to export and there is nothing available to soak up surpluses in the next 3 months with quality issue raising its head.

**Oil seed rape** have reached a 9 year high as concerns over world vegetable oil supply push oil prices over $1000/t on a Fob Rotterdam basis.

*Market comment as at the 30th September 2007, produced in association with Glencore Grain UK & Wessex Grain*



EQUIPPING YOU FOR THE FUTURE

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Livestock Analysis
Machinery and Labour Analysis
Joint Venture Planning
Farm Management
Farm Diversification
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Agrochemical Advice & Supply
Fertiliser Advice & Supply
Seed Advice & Supply
Advice on Crop Marketing
Advice on Crop Rotations
Advice on the Single Payment Scheme
Advice on Cross Compliance
Advice on Environmental Schemes
BASIS, BETA & FACTS Qualified Agronomists

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# Business Update

Clare

## OCTOBER 2007

### This Month's Issues:

Set Aside 2008
Representative Yields
NVZ Consultation
SPS Exchange Rate

**Currency Cheque**
**Crop Futures Prices**
**Single Payment Scheme**
**Milk Quota Prices/Comment**

Farmgate Lags AMPE
FMD
Electronic SP5
Natural England wants 5% of arable land
10 Month Rule Proposal

**Price Check / Market Comment**

Information contained in this Update is applicable only to farms and businesses in England.

Produced By MfC

# Business Update

**A Set Aside** rate of 0% has been ratified by the EU commission. The current area under obligatory set-aside amounts to 3.8 million hectares in the EU. At SAS 0% the effective return of land could be between 1.6 and 2.9 million hectares. Considering average trends, it is likely to bring 10 – 17 million tonnes of grains onto the market depending on how much additional land is used for cereals.

**Representative yields 2007:** The minimum deliverable yields against contracts for non–food set aside and energy crops have been set. The main crop yields, when grown as non set aside are (all t/ha) "00" W OSR 2.16t, "00" SOSR 1.18, W HEAR OSR 1.99, HOLL WOSR 1.67, wheat 4.05, Barley 3.15. The energy crop yields are "00" WOSR 2.7, "00" SOSR 1.58, wheat 4.95 and barley 3.60.

Yields have been set low to reflect the season but farmers are reminded that all harvested crop should be delivered to an approved non-food/energy end use.

**Nitrate Vulnerable Zone Consultation.** As mentioned last month, defra are running a consultation about NVZ. The proposals will have an impact on many farms, but most significantly intensive livestock farms. We therefore need to ensure these proposals do not slip under the net during harvest and drilling and while attention is drawn to F&M, and thus are not fully considered by the industry. The proposals will increase the NVZ area to approximately 70% of farm land; impose a limit of 170kg/ha of total N from livestock manures; require the establishment of cover crops before spring sown crops such as potatoes or beet; increase the length of the closed period, and make it applicable to all soils; increase storage requirement for pig slurry to 26 weeks and cattle slurry to 22 weeks; prohibition on the use of high trajectory application techniques – although what these are is not clear – and records to be kept of all N applications. The Consultation closes 13th November, details can be found on the defra website.

**SPS exchange rate.** The exchange rate to be used to calculate the value of 2007 SPS entitlements is €1=£0.6968 (set at 30th September 2007). This is more favourable than last year (€1= £0.6777). When combined with the %age change from historic to the flat rate, and the increase in modulation (see table in the middle of this Update) an entitlement worth €300/ha in 2006, and generating an income of £183/ha will now provide around £174/ha in 2007, a reduction of approximately 5%. Regional only entitlements will be worth approximately £53/ha.

**CURRENCY CHEQUE**

Bank Base Rate 5.75% (5.75)
One Euro = £0.679 (£0.671)
One Pound (£) = 2.154 US Dollar (2.0003USD)
One Euro =1.4273 US Dollar (1.3584USD)
Intervention Price May 2008 £70.50/t (delivered)
*As at 28/9/2007, last months rates are shown in brackets*

## Futures Prices (as at 28 September 2007)

| | | | |
|---|---|---|---|
| **Wheat** | **November 2007** | **£178.00/t** | **(+19.25/t)** |
| | **January 2008** | **£181.75/t** | **(+21.25/t)** |
| | **March 2008** | **£185.00/t** | **(+23.00/t)** |
| | **May 2008** | **£188.00/t** | **(+24.50/t)** |
| | **November 2008** | **£131.00/t** | **(+6.00/t)** |
| **Rapeseed** | **November 2007** | **£245.00/t** | **(+19.00/t)** |
| | **February 2008** | **£248.00/t** | **(+18.50/t)** |
| | **November 2008** | **£244.00/t** | **(+19.50/t)** |

Figures in brackets indicate movements since the 30/82007. Wheat futures prices based on London LIFFE. Rapeseed futures prices based on Paris MATIF.

## Single Payment Scheme (England)

Exchange rate from Euros based on € = 67.77p. Gross figures before modulation.

| Transition of Payments | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| %age Historic (approx) | 85% | 70% | 55% | 40% |
| %age Flat Rate | 15% | 30% | 45% | 60% |
| Flat Rate (£/ha) Non SDA | 31.12 | 62.24 | 93.36 | 124.5 |
| Flat Rate (£/ha) SDA Other | 25.77 | 51.54 | 77.31 | 103.8 |
| Flat Rate (£/ha) Moorland | 4.39 | 8.78 | 13.17 | 17.56 |
| Modulation-EU (%) | 4% | 5% | 5% | 5% |
| Modulation-England (%) | 6% | *12%* | *13%* | *14%* |
| Financial Discipline *est.* (%) | 0% | 3% | 5% | 7 |

**Entitlement Trading (as at 28thSeptember 2007.**

| Region | Type | Value ('06) | Price |
|---|---|---|---|
| Eng Lowland | Normal | £100/ha | Offers |
| Eng Lowland | Normal | £250/ha | Offers |
| Eng Lowland | Normal | £400/ha | Offers |

**Milk Quota prices (for milk year 2007/08):**

| (ppl) | Sale (change) | Lease (change) |
|---|---|---|
| Price | Clean 4.40 (+1.30) | 0.10 (0.00) |

**Milk Production** in August again fell behind 2006 levels, 39ml (3.5%) less than Aug '06. and 76.1ml (6.6%) compared to a 5 year average. Cumulative production is 5772ml, 130ml (2.2%) less than the same period last year and 315ml (5.1%) than the 5 year average. **Milk Producers** fell from 13555 in Aug '06 to 12739 in Aug '07. A simple calculation shows approx. 2.64% increase in yield per producer reflecting the trend to larger units

**Milk Prices** continue to increase, average farmgate price reaching 19.65 ppl in July 14.4% higher than July '06. The trend is set to continue with further price increases announced for September and October. These further increases will help to reduce the lag behind AMPE which has set a new record high of 36.3 ppl in September a 96.2% increase over Sept '06

**Foot & Mouth Disease** Movement farm to farm in FMD low risk areas are now allowed and movement to market from Oct 4th.The RPA and natural England have agreed that any agri-environment agreement non-compliance issues arising from the restriction of movements of livestock, particularly grazing period and density restrictions will not be considered a breach of the agreement. In relation to Cross Compliance, farmers are expected to "take reasonable steps" to meet requirements. Issues arising from damage to soil or natural pastures should be recorded in the farm Soil Protection Review along with planned remedial action.

N.B. There is no relaxation of record keeping (SMR 6-8a) or animal welfare standards SMR 18. Inspections will continue outside Protection & Surveillance zones.

**SPS Claims 2008** SP5 data could be submitted electronically to the RPA via Government Gateway by using existing farm software providers who can adapt their software to offer this new functionality

**Natural England's** advice to Government is that an effective way to maintain current environmental standards is introduce a new Cross Compliance standard under which 5% of arable land is managed through wider field margins, permanent or rotational fallow, over wintered stubbles or un-cropped field corners for the benefit the natural environment. This is seen as the low cost route for tax payers as "Farmers are already paid for maintaining Environmental standards through the SPS. Tax payers would have to subsidise an expansion in agri environment schemes"

**10 month Rule** A proposal by EU commissioners to establish that farmers have at their disposal the parcels of land on the 15th June of the year of submission of their SPS application as an alternative to 10 months occupancy is thought to ease constraints on the land market and reduce administrative burdens for all. Cross compliance obligations will continue to be for the full year and the responsibility of the claimant even if land is transferred continues. Issues of land management and records if land changes occupancy during the year will require careful consideration.

**Suspension of GAEC 3 ended 30th September**