



Dear Colleague

March 2009

A few notes which I hope may be helpful in your conversations with farmers.

Bovine TB update

A detailed announcement on the bovine TB eradication programme to be launched in Wales is expected at the end of March. The pilot sites within which badgers will be culled have not been announced but is expected to be within the most highly infected areas in south and south west Wales. The Welsh action highlights defra's inaction in England in the eyes of English farmers. The Bovine TB Eradication Group, established in 2008 to advise the Secretary of State of ways of reducing bovine TB after he ruled out a badger eradication programme, has met but the options under consideration, such as a vaccine for badgers and more accurate blood tests, are not expected to be available before 2010 at the earliest. An oral vaccine for cattle is believed to be at least five years away. The latest figures suggest that 40,000 cattle were slaughtered in 2008 due to bovine TB.

Dairy industry news

The Royal Association of British Dairy Farmers (RABDF) is asking government to consider establishing a voluntary milk regulator, "Ofmilk," to help stabilise milk prices. In the last decade over 13,000 producers have quit the dairy sector and currently more than 1 million litres of milk are being imported daily. A recent briefing from the NFU highlighted that two producers per day are still quitting the sector and imports were a growing proportion of supply to the domestic market.

A "White Paper" on the future of the UK dairy industry by an industry group called Dairy UK highlights a brighter future in the longer term, provided producers can survive until then. Demand is expected to grow 16% for dairy products between 2008 and 2017, equivalent to 2% pa, as the world population grows. However a report from the dairy levy board *DairyCo* entitled "*The Factors Affecting Milk Supply*" highlights that milk production reached a 30-year low during 2007/8 and this trend is expected to continue until 2011. Since 2005 the number of milking cows has declined by 1.9m.

Livestock numbers decline

The total number of beef, sheep and pigs continues to decline in England. Defra's December survey showed a 7% reduction in the number of sheep and lambs from December 2007-8 to 10.3m and a reduction of 1.8% in the total numbers of cattle and calves to 5.4m. These totals include sector-specific figures such as a 3.9% fall in the breeding flock and a 4.6% decline in the dairy herd.

Debate re-opens over genetic modification

A report by independent researchers Chatham House argues that the UK needs to consider GM foods if food supplies are to be secured, and that consumption of organic food may have to be reduced. The report, entitled "*Food Futures: Rethinking UK Strategy*" says that increased fertiliser, feed and oil prices will lead to the end of cheap food and this, in turn, may lead to a decline in organic production as people switch to basic, budget foods.

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Changes to biofuel targets

The government recently brought in proposals that 5% of road transport fuel should be supplied by renewable biofuels by 2010/11. However criticism over the proposals, and especially diverting land production from food to fuel, have prompted a watering down of the original objectives. The new targets laid before Parliament indicate the 5% obligation will come into force by 2013/15 rather than 2010/11 and the interim target for 2009/10 has been reduced from 3.75% to 3.25%. Two new fuels, biobutanol and renewable diesel, are to be added to the list of renewable fuels eligible under the legislation.

Debate over the future of set-aside

“Set aside” was a mechanism employed under European legislation that involved taking land out of production (“setting it aside”) in order to realise environmental gains or simply to help limit excess production. Until recently there was a compulsory amount that had to be set aside each year and the debate is raging over the future of the scheme. Should government reintroduce a compulsory measure, or will a voluntary approach achieve the desired results? Generally speaking the farming industry wants a voluntary approach, whilst environmental groups such as RSPB want legislative backing to ensure that sufficient areas of land necessary for promoting birdlife would be included. Until recently the government’s preferred option was a “cross-compliance” measure that would see up to 5% of arable land being taken out of production. However, a consultation document is expected in the Spring and voluntary measures will be included as one of the options. The farmland bird index, which measures population trends of 19 species of bird breeding on farmland, show that numbers are at their lowest since records began.

Dispute over BSE testing fees

A dispute is taking place within the livestock trade as farmers, auctioneers and abattoirs argue over who should pay for BSE (bovine spongiform encephalopathy – “mad cow disease”) testing. Cattle over 48 months need to be tested for BSE before meat may enter the food chain and on January 1st 2009 Defra said that the industry would have to pay the cost, rather than government. The test costs an average of £7.50. Abattoirs want auctioneers to deduct the money when the cattle are sold for slaughter, many auctioneers are refusing saying that it is not their money to deduct. This led to some abattoirs boycotting auctions and some auctioneers covered the cost themselves rather than risk disruption to sales.

Farm incomes rose during 2008

Total Income From Farming (TIFF) across the UK rose by 36.6% in real terms during 2008 to £3.46bn. Even though input costs rose significantly there was a 25% rise in the value of farm products to £19.8bn, particularly in the cereal sector where the value of production increased by 65% to £3.2bn. The livestock sector also saw gains: the value of cattle production rose over 25% to £2.1bn; sheep and lambs rose by 29% to £822m; poultry by 23% to £1.5bn; pigs by 17% to £858m; and the value of milk production rose by 22% to £3.5bn. (However see note on total livestock numbers above). It is not expected that these gains will be repeated for 2009 as wheat prices have already fallen back substantially and dairy prices are under increased pressure. Defra’s Farm Business Income figures, which compares performance across different types of farming between March 2008 and February 2009, predicts a fall of 8% over this period as a whole. Neither have the gains in TIFF been universal across the UK, in Scotland TIFF fell by 5.6% as input costs outweighed any gains in price.

Best wishes,

Nick Read