

## dairy industry – strength in numbers

Dairy farmers in England are to be encouraged to form co-operative producer organisations to sell milk to processing companies as groups, instead of negotiating with them individually, under plans announced by Farming Minister David Heath.

The announcement follows an agreement reached in the summer of 2012 on a voluntary code of practice for contracts between farmers and processors and is part of a consultation on the implementation of the European Union (EU) Dairy Package in England. Separate consultations were held in Scotland, Wales and Northern Ireland in December 2012.

Producer organisations, which are already common in Europe, would negotiate with processors on behalf of their farmer members and could cover as much as 33% of UK milk production. Under the proposed new rules, milk producers would have more opportunity to influence contract conditions and prices, giving dairy farmers greater sway in

the marketplace. Current figures indicate there are around 15,300 milk producers in the UK, but almost 90% of milk production is purchased by 5% of UK processors, with just six major processors purchasing around 64% of all milk produced by farmers.

According to the Minister, the Government also believes there is considerable potential for growth in the dairy industry as the UK imports significantly more dairy produce than it currently exports, the deficit amounting to over £1 billion in 2010.

A separate new £5 million Dairy Fund has also been launched by Mr Heath, aimed at boosting business growth. Under the scheme, English dairy farmers can apply to the Rural Development Programme for England (RDPE) for minimum grants of £25,000. The Fund is aimed at supporting groups of farmers to explore and take advantage of new market opportunities by developing

co-operative approaches and investing in new technology.

The first farming co-operative to be set up under funding from the RDPE is the Isle of Wight Dairy Group. The co-operative of 17 local farmers markets its milk to about 30 retailers on the island under its own brand, Isle of Wight Milk. Supermarkets and local shops are among the first customers and the group is paving the way for the development of similar co-operative structures throughout England.

Mr Heath explained: *"England's dairy industry is world-leading yet still has so much potential to expand and I'm convinced that better industry collaboration is the key. We've already got the industry code of practice, and negotiating as groups rather than individuals will give dairy farmers an even louder voice to get their just rewards from the marketplace. Our £5 million Dairy Fund will also allow producers to develop other means of co-operation and grab business opportunities with both hands."*

<http://snipurl.com/261gwb3>



# farming and wildlife advisory group re-launched

The Farming and Wildlife Advisory Group (FWAG) that went into administration in 2011 has been re-launched at the Game and Wildlife Conservation Trust's (GWCT) Allerton Project Farm in Leicestershire.

The FWAG was previously a well respected provider of advice on conservation and the environment for farmers. Its guidance enabled farmers to maintain the profitability of their farms while also developing environmental measures, and its closure left a gap in provision of this type of advisory service.

However, after the organisation went into administration some local FWAG

groups were set up by former staff and volunteers to continue the delivery of advice to farmers. The new association incorporates those groups and is supported by environmental research from the GWCT (which will also provide environmental training for FWAG advisers) and the Linking Environment and Farming charity (LEAF).

The FWAG is currently available to farms in counties in the South West of England as well as Herefordshire, Norfolk, Suffolk, Cambridgeshire, Essex, Bedfordshire, Hertfordshire, Yorkshire, Nottinghamshire and Cumbria. The area covered by the project is expected to expand.



Interim Chairman of the FWAG Jim Egan said: *"It's great to see a new FWAG Association emerging and going back to its roots on a local level. There is a real need for this type of organisation at a ground level. It has an important role to play in helping farmers with truly independent, trusted environmental advice."*

Read more at:  
<http://snipurl.com/261h2gd>

## renewable energy schemes not farmer-friendly

Local authorities in Peterborough and Norfolk have been accused of developing renewable energy schemes in a way that 'tramples' over the rights of tenant farmers in these areas. In December 2012, George Dunn, Chief Executive of the Tenant Farmers Association (TFA), claimed the schemes run by each Council could be detrimental to the farmers who farmed the land involved, and warned other local authorities to develop renewable energy schemes in co-operation with tenant farmers, ensuring proper communication takes place.

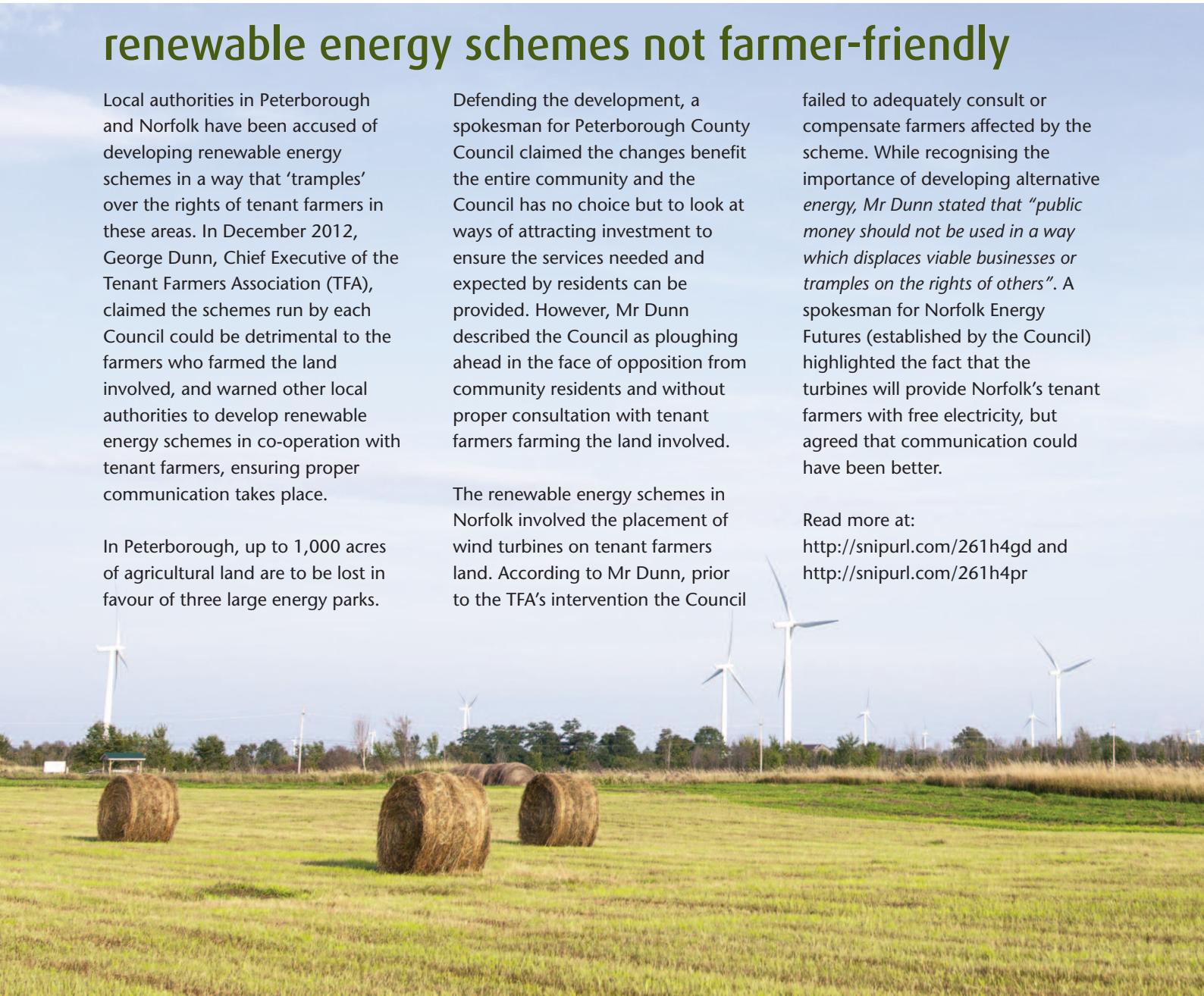
In Peterborough, up to 1,000 acres of agricultural land are to be lost in favour of three large energy parks.

Defending the development, a spokesman for Peterborough County Council claimed the changes benefit the entire community and the Council has no choice but to look at ways of attracting investment to ensure the services needed and expected by residents can be provided. However, Mr Dunn described the Council as ploughing ahead in the face of opposition from community residents and without proper consultation with tenant farmers farming the land involved.

The renewable energy schemes in Norfolk involved the placement of wind turbines on tenant farmers land. According to Mr Dunn, prior to the TFA's intervention the Council

failed to adequately consult or compensate farmers affected by the scheme. While recognising the importance of developing alternative energy, Mr Dunn stated that *"public money should not be used in a way which displaces viable businesses or tramples on the rights of others"*. A spokesman for Norfolk Energy Futures (established by the Council) highlighted the fact that the turbines will provide Norfolk's tenant farmers with free electricity, but agreed that communication could have been better.

Read more at:  
<http://snipurl.com/261h4gd> and  
<http://snipurl.com/261h4pr>



# in brief...

## CAP reform package postponed until 2015

The implementation of the Common Agricultural Policy (CAP) direct payment regime has been delayed by a year and will now come into effect on 1 January 2015, according to the European Commission (EC). The new target date has been set due to the length of time it is taking to reach an agreement on the package. However, Gwilym Jones, EC Cabinet Member for Agriculture and Rural Affairs, said if an agreement is reached in the first six months of 2013, it is still possible the rural development programme could begin in 2014.

Read more at:  
<http://snipurl.com/261h7n2>

## Farm inspections found to use resources ineffectively

Separate departments carrying out Government farm inspections in England are failing to co-ordinate farm visits and share intelligence, according to research by the National Audit Office (NAO). The NAO also revealed that, in Scotland, redundant activities have been identified resulting in the number of farm inspections falling by one sixth, in a move seen to provide a more cost-effective service. Amyas Morse of the NAO said: "If English farms are not to be disadvantaged in supplying our food sector, inspections must be proportionate and with minimum burden on the farmer."

Read more at:  
<http://snipurl.com/261h8bq>

## Farmers call for support following 'washout' year

Record levels of rainfall over the past year caused damage worth £1.3 billion to farms in the UK, the National Farmers Union (NFU) has claimed. The NFU has urged the Government to provide support to farmers affected by the extreme weather conditions,

saying the agricultural industry was hit by costs including repairing flood damage, the cancellation of country-side events, rural crime and worrying of livestock. However, Peter Kendall of the NFU said farmers would benefit from the recent appointment of the Groceries Code Adjudicator, whose role is to protect suppliers from unfair treatment by large retailers and supermarkets.

Read more at:  
<http://snipurl.com/261hbfp>

## Welsh farms' income increases in 2012

The average income for farms in Wales increased by 15% in 2012 across all farming sectors, according to research by NFU Cymru. The increase follows a 22% fall in the average Welsh farm income in 2010/11. Alun Davies, Welsh Deputy Minister, also revealed 91% of farmers in Wales are due to receive their Single Farm Payment on the first day of the payment window, and remaining farmers should be paid by the Welsh Government very soon.

Read more at:  
<http://snipurl.com/261h8zr>

## Agriculture borrowing on the increase

Borrowing in the agriculture industry rose by 9% from £12.4 billion to £13.5 billion between October 2011 and 2012, the latest Bank of England figures have revealed. Allan Wilkinson, HSBC's head of agriculture, explained that while around half of total farm borrowing was for investment in new technology and machinery, many farms had sought loans to boost working capital, which was badly affected by falling sales and the rising cost of basics such as seed, soya meal and fertiliser. NFU economist Anand Dossa said the effect of adverse weather also had impacted on farms' cashflow, but

added that access to finance was still relatively good, with many banks taking an understanding approach, given the difficulties farmers have faced over the past year.

Read more at:  
<http://snipurl.com/263ox5e>

## Government encourages the growth of more GM crops

The Government has urged the EC to make it easier for farmers to grow genetically modified (GM) crops. The move follows comments by Environment, Food and Rural Affairs Secretary Owen Paterson, who claimed that GM foods had "real environmental benefits" and should be grown and sold widely in the UK. An official spokesman for the Prime Minister said: "The Commission is currently looking at ways to make the regulatory system more efficient and more effective, and we are engaging with that because we think it would be possible to speed things up."

Read more at:  
<http://snipurl.com/261ham0>

## Wet summer makes maize a challenging crop

The long-term future of maize production has been questioned by independent business consultants, due to its fragility amid recent adverse weather conditions. Adrian Caine of P&L AgriConsulting suggested wheat, barley or oats would be a more profitable crop. He added: "*In our area many dairy farmers grossly overestimate the tonnage of dry matter in their maize silage clamp. And this year it's particularly noticeable. Some units we work with have thought they had harvested around six or seven tonnes of dry matter, when it's actually more like three or four.*"

Read more at:  
<http://snipurl.com/261hbfp>

# single farm payment currency errors

Farmers have been warned to check the Single Farm Payments they have received to ensure they have been paid in the correct currency. Some farmers have received payments in euros rather than pounds, despite requesting that their payments be made in sterling.

Affected farmers appear to be only those that requested payment in euros in previous years but changed to pounds in 2012.

Relatively few claimants are thought to be affected as only around 5% of UK farmers receive payments in

euros. In addition, due to current exchange rates, affected farmers could be financially better off by around 0.5% than if they had received their payment in sterling, but only if they exchanged their euro payments for pounds as soon as the money was received.

One claimant had even been informed in writing that his payment would be made in sterling, but he still received it in euros.

A spokeswoman for The Rural

Payments Agency said it had received no complaints about Single Farm Payments being made in the wrong currency but would rectify any mistakes.

The Department of Agriculture Food and Rural Affairs (Defra) announced 91% of farmers in England received the Single Farm Payment on the first day of the payment window.

Read more at:

<http://snipurl.com/261gyqa>



## feed-in tariffs unchanged

Feed-in Tariffs (FITs) for solar photovoltaic (PV) installations are to remain unchanged from February 2013, according to energy regulator Ofgem.

The FIT scheme is designed to encourage individuals, businesses and other organisations to generate their own electricity by installing and running small-scale (less than 5 megawatts (MW)) solar PV installations. Installation owners benefit from reduced energy bills and also receive payments from their electricity supplier for power they generate and export to the national grid. Payment rates are set by the Generation Tariff and Export Tariff. The Department of Energy and Climate Change (DECC) has the ability to reduce tariffs by 3.5% every three months. This reduction is known in the industry as degression and is intended to take into account a fall in costs of installing renewable energy technologies. This means, for example,

a business that started generating electricity under the scheme in 2010 would receive a higher level of payment than one that started in 2011.

When deciding whether to reduce tariffs, the DECC takes into account the level of deployment, calculating the capacity of new installations in the previous three months. The capacity of domestic solar PV installations (up to 10 kW) installed between August and October totalled 61 MW, the capacity of small to medium installations (10-50 kW) totalled 12.6 MW and capacity in the large installation band totalled 24.7 MW. This capacity fell considerably below the threshold of 800 MW required for degression of 3.5%. Under scheme rules, tariffs can only remain unchanged and degression skipped for two successive quarters.

Read more at:

<http://snipurl.com/261h6l7>

### EDMUND CARR LLP

Chartered Accountants

146 New London Road  
Chelmsford  
Essex  
CM2 0AW

Tel: 01245 261818  
Fax: 01245 492812  
[www.EdmundCarr.com](http://www.EdmundCarr.com)

If you would like further information on any of the articles in this newsletter please contact Ray Crace on the above telephone number or email  
[RCrace@EdmundCarr.com](mailto:RCrace@EdmundCarr.com)

Registered to carry out audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.



### UK200Group

independent quality assured professionals

The UK200Group is a modern and proactive professional membership association of independent chartered accountants and lawyers which provides training and business services to enhance the performance of member firms. As well as being focused on the general small to medium businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property and construction sectors to provide effective support and advice in the areas of tax, financial management, business planning and legal issues.

[www.uk200group.co.uk](http://www.uk200group.co.uk)

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct. While all possible care is taken in the preparation of this newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein can be accepted by the UK200Group, or its member firms or the author.

UK200Group is an association of separate and independently owned and managed accountancy and lawyer firms. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members. Likewise, the members of UK200Group are separate and independent legal entities, and as such each has no responsibility or liability for the acts or omissions of other members.