



ANNUAL REVIEW 2014



FOREWORD

It was an honour and a privilege to be elected as President in February. I am very conscious of the great responsibilities that come with this job – 2014 has been a hectic and turbulent year and I'm hoping 2015 will be calmer, but that is looking unlikely!


If there are two words that sum up the past year they are volatility and unpredictability. Volatility in the markets we operate in; extremes in weather; and a political backdrop that is as unpredictable as any I have ever known.

For more than eight years the NFU has been predicting that the farmgate prices would, for the first time in a century, be on a rising real term trend, but there would be big fluctuations on the way. 2014 was certainly the year to prove that. Near perfect growing conditions, both at home and globally, led to increases in the production in many sectors while high stocks, a slowdown in China and a Russian trade ban cut demand. In Britain wages outpaced inflation for the first time since the recession, but any benefit from this was negated by a vicious supermarket price war.

However, despite the volatility it wasn't all bad news: some of our costs were reduced, particularly fuel.

We now regularly survey our members' confidence in the future of the industry. Not surprisingly in the light of the current market conditions, short-term confidence has taken a hit. But pleasingly, long-term confidence has held up well. Farmers and growers are aware there is a growing market at home and abroad and are determined to see us reverse our recent decline in self-sufficiency.

Many of the underlying causes for market difficulties were big global events over which the NFU can have no influence. But the NFU has a huge role in trying to ensure that farm businesses are as resilient as possible in the face of these difficulties, and I am personally committed to doing all I can to achieve that objective.



Scientists have been predicting that we are in an era of rising global temperatures, but we would also see more extreme weather events. Last year we saw devastating floods in some areas, near drought conditions in others. A central part of the NFU's job is to make sure farmers can adapt to the 'new normal' – we need robust flood defences and farmers and growers must have secure access to water.

Throughout my lifetime I have been used to a General Election resulting in a clear majority government. In 2010 the election produced a coalition government, the first since 1945. That has proved quite challenging for the NFU's lobbying effort on some issues. As we stand at the moment, the opinion polls indicate an even more confused picture, with no party having anything like a clear majority and a whole spectrum of potential coalitions, including a number with parties who have never been in government in Westminster. We truly are looking into the unknown.

The NFU is, of course, first and foremost a lobbying organisation and our work will be cut out in an election year trying to get some clarity and commitment from all the parties. One of the biggest uncertainties is the issue of Europe, where there is a serious prospect of the UK leaving the EU, or at least there being a referendum on the issue. Yet none of the major parties is explaining what a national agricultural policy would look like if we were to leave the EU. These are the kind of questions the NFU will be demanding answers to.

From the start the NFU described the latest CAP reform as misguided. 2015 will finally see the new policy implemented but, at the same time, will give us the first opportunity to put the policy on better tracks. In Wales there remains much uncertainty over how the Basic Payment Scheme will be implemented. While in England things are more advanced but there will be memories of the 2005 debacle. There will be plenty of work for the NFU here.

I am conscious that I have highlighted a number of problems, but tackling problems is what the NFU is there for. Let's not forget we have increased our membership yet again this year, our finances are sound and member satisfaction with what we are doing is high.

I look forward to leading the NFU in another busy year.



Meurig Raymond MBE
NFU President



DIRECTOR GENERAL


Although this review looks back at 2014, I am going to start by looking forward. Representing and lobbying on behalf of our members is a key role for the NFU – and, as we approach the General Election in 2015 our political lobbying moves into overdrive.

These are uncertain political times, which is why it is vital for us to be able to influence whatever party or parties form the next government. Our manifesto sets out the key policy challenges and recommendations that will deliver growth and benefits for our industry and the country as a whole. We will continue to highlight to all political parties that, by adopting these recommendations, they can demonstrate their commitment to the future of British farming.

One of the areas we will be challenging all the political parties on is the crucial importance of maintaining badger culling as part of the overall bTB eradication strategy and rolling it out to all areas of the country where TB is rife. During 2014, we again provided support to the cull companies in Gloucestershire and Somerset, and protection to farmers in the area against intimidation and harassment by successfully raising an action against a leading anti-cull protester for blatant breaches of our High Court injunction.

As well as representing our members, the NFU has crucial roles championing British farming and providing business services for our members. A key part of championing British Farming is the high profile and impact the NFU continues to have in the media – that is why we have put so much effort into reaching an ever wider range of the British public by hooking into the explosion in digital and social media use. Each week our lobbying and key messages reach more than three million timelines on Twitter in the UK, 150,000 people on Facebook and we average 37,000 page views on NFUOnline.

But we also continue to exploit more traditional channels of communication. Our voice in the national, regional and trade media achieves an advertising value equivalent to around £30 million each year. In 2014 our Let's Talk Farming Roadshow has spent a total of 82 days on the road, attending more than 50



events and reaching around half a million people. We supplied 223 resource packs to host farmers for Open Farm Sunday, and the NFU took its Back British Farming campaign to the heart of the capital with a large branded combine harvester in the Lord Mayor's Parade, with the live BBC1 TV coverage reaching millions of people.

We also strive to provide first class services and affinity deals solely for NFU members. Our Business Services department handled 46,500 inbound calls made by 21,000 members and referred 17,000 calls to our team of specialist advisers – who provided advice and information on 12 different legal subjects. In addition we co-ordinated the production and distribution of 5,700 Business Guides and 1,236 model clauses that were requested by members.

Our Legal Assistance Scheme (LAS) awarded £2,051,889 to individual subscribers/group cases on subjects including bTB, NVZ Appeals, HS2 petitions/hearings, flooding, disputes in relation to milk contracts and Moorland Appeals in Wales.

To ensure that the NFU understands members' views and experiences on issues that impact on their farming businesses, we undertook 34 different research projects amongst 7,000 members. We also canvassed more than 10,000 consumers to help us understand what the public thinks of farming and the key issues, in order to develop our campaign messages.

To work effectively in all these ways on behalf of our members requires a strong NFU and I am delighted to say that we have got even stronger over the last year. For the first time in many years we have met each of our targets for increases in income, number of members and acreage paid. Subscriptions are vital, not only because they make up some 55 per cent of our income, but because an increasing membership improves our lobbying 'clout' with government and others with whom we engage on your behalf. Our relationship with the NFU Mutual remains strong and the very substantial financial contribution from the Mutual is a tangible illustration of that. In addition our investments have again been managed carefully and performed well, all of which combined has put us in the strong financial position that allows us to do the things we need to do for our members.



Andrew Robertson
NFU Director General

A close-up photograph of green wheat stalks. The focus is on the grain heads, which are still green and unripe. The background is a soft, out-of-focus green field. A white circular graphic is overlaid on the center of the image, containing the text "OUR WORK" in a bold, white, sans-serif font.

**OUR
WORK**



WALES

NFU Cymru had a busy 2014 as it fought hard for members' interests on many fronts including, CAP, TB, the dairy and red meat sectors. Significantly, the past year also heralded changes to the ministerial team in the Welsh Government, with Rebecca Evans' appointment as Deputy Minister for Food and Farming, and we have built a constructive working relationship with her.

The changes weren't just confined to the Welsh Government, and 2014 saw Ed Bailey stepping down as the NFU Cymru's President, with Stephen James elected in his place. After almost forty years' service to the industry, NFU Cymru Director, Mary James, retired in August, making way for John Mercer. We wish both Ed and Mary well for the future, and welcome their successors to their new roles.

NFU Cymru's intensive lobbying efforts on TB compensation delivered some positive news in October, when the Deputy Minister announced that the Welsh Government was not, after all, going to press ahead with proposals for tabular valuations for TB-affected animals. There can be no doubt that our work in securing the support of opposition parties in resisting the proposals, combined with a robust consultation response, helped head off the introduction of tabular valuations in Wales. The Welsh Government's decision to fast-track the removal of TB pre-movement testing exemptions, whilst leaving the issue of the six-day standstill rule unaddressed, continues to be a source of considerable frustration for our members.

2014 was the first year for completion of the single application form online and proved to be a success with more than 30 per cent of digital applications. This success was in no small part due to NFU Cymru in designing the online SAF, and to NFU Cymru staff in promoting this new service to our membership.

The deeply unpopular pillar transfer decision has served only to strengthen the Union's resolve to ensure that as much RDP money as possible finds its way back to the industry. The Wales RDP can be key enabler for our vision of a productive and profitable

industry but to achieve this we need schemes and projects developed that offer clear farmer benefit, ensure high levels of uptake and participation are easily accessible and adequately resourced.

NFU Cymru had significant input into the development of the EID Cymru pilot project run by HCC. This has given 1,500 farmers the opportunity to qualify for a voucher to help towards the purchase of EID equipment. This type of project is an example of what we would like to see further developed under the new RDP.

Frustrations in the livestock sector culminated in our members protesting outside Tesco's stand at the Royal Welsh Show, with the Union's members reiterating their demand to retailers that they back Welsh produce. Our campaign for retailers to back Welsh produce was accentuated with a successful social media campaign.

A downturn in global commodity prices, rounds of unsustainable price cuts by processors and deep discounting by retailers still threaten the viability of domestic milk production. In October the Deputy Minister launched a review of the dairy sector in Wales, and NFU Cymru has been active in this review.

In December a legal challenge brought by a group of upland farmers saw the Welsh Government agreeing to a consent order quashing the Basic Payment Scheme regulations. These are uncertain times for the farming industry in Wales as we await a new WG consultation on policy options for how the BPS in Wales will be distributed. NFU Cymru is committed to working for a solution that delivers the best possible outcome for the Welsh farming industry as a whole.



BRUSSELS

The first months of 2014 saw the Brussels office lobbying MEPs on bovine EID and the animal and plant health package, swiftly followed by the European elections in May. We worked with UK colleagues to raise awareness of our policy priorities for the next five years, jointly organising a programme of hustings to present our farming manifesto to prospective candidates.

The election saw UKIP top the polls, gaining 24 of the 73 UK seats and altering the political landscape. With a number of new MEPs from all parties, we moved quickly to build relationships and secure commitments from the new intake. We launched a pledge to 'Back British Farming' in Strasbourg in July – committing more than half of UK MEPs who signed it to work closely with us on issues affecting farmers and growers. We have urged MEPs to fight for fairness in food supply chains, to put science before politics, to create the right conditions for growth, to boost international trade and to improve the CAP by making it simpler and fairer.

The changes in political personnel didn't stop at the European Parliament, with a new top team at the European Commission. A new President of the European Commission, Jean-Claude Juncker, was appointed in July.

In the political hiatus of a Brussels summer the policy work rumbled on – the Russian trade embargo of EU food products led to lots of activity for the BAB office in August.

New Commissioners were appointed in the autumn, with Irish politician Phil Hogan taking the role of Commissioner for Agriculture and Rural Development. Commissioner Hogan, seen as a powerful champion for farming interests, has taken on board many of the priorities laid out by the NFU; committing to simplifying the CAP

greening rules and the administrative burden they create. The EU/US trade discussions are gently simmering and it is reassuring to hear that the Commissioner has "no intention of sacrificing EU standards and sensitive sectors on the altar of a trade deal".

The new Commissioner also shares NFU concerns with respect to the uneven bargaining power of the retailing and processing industries in the EU. He has committed to intensifying efforts and is considering legislation to tackle imbalances in the interest of fairness in the food chain.

Amid political changes, the strong lobbying of the NFU continued in 2014. We convinced MEPs to scrap plans for MOT-style tests for tractors and livestock trailers. We helped to secure emergency measures to stabilise the EU market following the Russian import ban. We saw proposals scrapped that would have stifled business growth; the energy taxation directive aimed to increase duty rates on heavy fuels and the national emissions ceilings directive would have set crippling targets on ammonia emissions.

2014 was a year of great political change in Brussels, the European institutions have a new mandate and the UK relationship with the EU is firmly on the domestic political agenda. The NFU needs a strong presence in Brussels to fight for the interests of our farmers and growers, now more than ever.



GOVERNMENT AND PARLIAMENTARY AFFAIRS

2014 has been an exciting year for the Westminster based Government and Parliamentary Affairs (GPA) team, as we started to prepare for the General Election and produced the NFU Manifesto.

Bovine tuberculosis has continued to dominate the political landscape. A number of high profile stunts, demonstrations and parliamentary debates have culminated in a Backbench Business debate, Secretary of State statement on the Independent Expert Panel and another on the 2014 Pilot Cull results, and two Westminster Hall debates on the topic in Parliament. The NFU Westminster team has constantly briefed and monitored these events. However, MPs are being lobbied heavily by groups opposed to the pilot culls, so it is vital that members continue to lobby legislators in order to counter the misinformation and emotive campaigning being directed at them.

The High-Speed 2 (HS2) Hybrid Bill has represented the largest legislative body of work for our team in the past year, with debates, briefings and lobby opportunities, culminating in the NFU submitting written evidence to the HS2 Select committee followed by a two-day petitioning session. Affected members have also had an HS2 lobbying day to meet their MPs in Parliament and GPA staff visited the line of the route to gain a greater understanding of the impact upon members.

Other legislation we have taken a particular interest in includes the Infrastructure Bill and the sections on invasive species, the Lobbying Transparency Act and the Control of Horses Private Members Bill, covering illegal fly-grazing, which has been instigated and supported by the NFU.

The spring was dominated by reports and investigations into the winter 2013/14 flooding, whilst the summer and autumn have been focused on the production and roll-out of the NFU 2015

General Election Manifesto, with an initial 92 policy asks whittled down to 47. The NFU Manifesto was launched to the media in September and promoted at all three main party conferences, before being presented at regional staff conferences. A second version of the manifesto will be printed in time for the NFU conference, where a campaign to invite candidates on farm is being promoted along with simplified policy ask pledge cards. Throughout the autumn and winter we have been busy visiting regional offices and hosting training on lobbying techniques and how to utilise the manifesto. In November the GPA office played an important crisis management role in dealing with the Avian Influenza (AI, also known as Birdflu) outbreak on a Yorkshire duck farm, by assisting and attending the National Disease Control Centre emergency 'bird table' meetings held at Defra three times a day during the onset of the AI outbreak.

During 2014 the Government and Parliamentary Affairs team has consolidated its position in the wider Policy directorate within the NFU. We have produced more than 100 parliamentary briefs on a huge range of issues and submitted evidence to 17 Select Committee inquiries, while also attending 30 All-Party Political Group events on agricultural, food and environmental related issues. We also attended the three main party conferences, with large turnouts at our fringe events and increased our Twitter @nfupolitical account by 1,200 to 3,500 followers. We continue to welcome NFU branch, region and Board visits and undertake regular lobbying training and parliamentary inductions for new group secretaries, young farmers, and new NFU staff – something proving vital in the final run up to the May 2015 General Election.



POLICY

2014 has been a crucial year in terms of the implementation process for the new CAP. The NFU's SPS advisers have been heavily involved in influencing the RPA and Defra to ensure effective implementation of CAP reform and to interpret rules as they were announced by the Government. NFU staff across Policy Services led 70 CAP-focused meetings during the year, with an estimated attendance of 5,500 members.

This has been supported by the production of a series of 'CAP Essentials' briefings for members, which were updated as more rules were released. As part of this work, the NFU has also pressed the Government to ensure that there is a robust IT system in place to administer farm payments in 2015. This pressure will be maintained up until the deadline for submitting Basic Payment Scheme applications in May 2015.

Throughout 2014 the NFU has worked with government on how the new Countryside Stewardship scheme will be implemented, while shaping its development. Key has been that all farmers can access capital support for on-farm conservation work in the new scheme. In terms of the existing agri-environment scheme, ELS, the NFU sought to reduce the potential impact of 'double funding' on agreement holders by stressing the need for an approach that would allow full payment of ELS options where the land was not used for Ecological Focus Areas and for affected agreement holders to change their agreement or exit early without any repayment or penalties.

The rollout of the CAP IT system has highlighted the importance of digital-based delivery: universal superfast broadband and reliable mobile phone coverage is vital. We gave evidence to the Defra Select Committee on Rural Broadband and Digital-only services in late 2014. We asked for government departments to accelerate rural provision and challenged current government targets for providing superfast broadband (measured at 24 Mbps) by 2017 for 95 per cent of the population and 2Mbps for the rest (i.e. largely rural areas). We also raised concerns about mobile phone coverage, as although there should be 98 per cent coverage by the end of 2015, this still leaves many farm businesses without coverage.

The preparedness of our sector for weather-related

extremes, whether flood, drought or disease, has been brought into sharp focus by the anticipated signing in 2015 of a historic worldwide climate change agreement in Paris, now more likely after the commitments already made by the USA, China and the European Union. With 49,000ha of agricultural land underwater last winter this brought the reality of these weather extremes close to home, and the NFU made the case that urgent funding was needed to get land back into production quickly. The Government responded by announcing a £10 million Farming Recovery Fund, the detail of which was launched at the NFU Conference in February. The fund allowed farmers to claim up to £35,000 for soil and grassland recovery and repairs to field boundaries, trackways and other farm assets. Also at the conference, the NFU published its Flooding Manifesto, setting out four core issues; the need for better valuation of agricultural land, management of water from urban areas, better and more frequent maintenance and increased funding.

In our response to a government consultation in 2014 on long-term proposals to reform the current abstraction regime, the NFU has supported the principle of reform but continues to stress the need for a 'fair share of water to grow our food'. As the Government considers what changes in abstraction licensing renewal policy may be needed to ensure compliance with the 'no deterioration' requirements of the Water Framework Directive and the precautionary principle of the Habitats Directive, the NFU continues to call for robust scientific evidence to support any policy decisions and for greater weight to be given to the public benefits that farming delivers. Continuing the theme of water, following NFU intervention, the Government decided to review the requirement for a statutory registration scheme for septic tanks, made back in 2011. During last year, it decided on a new approach of regulating discharges from septic tanks through the

introduction of 'General Binding Rules' introduced in January 2015.

As Europe is one of the biggest influences on environmental policy, a good understanding of how we can influence the European institutions, such as the Commission, remains critically important to the work of Policy Services. In 2014, we registered some success: after a number of years of sustained lobbying, all poultry farmers across the EU will be allowed to combust poultry litter on-farm to create energy.

The need for robust scientific evidence in policy decisions has been a common theme throughout all our lobbying work in 2014, for example with the 'Healthy Harvest' campaign launched last autumn to highlight the loss of plant protection products due to the hazard-based EU regulatory system. To support the campaign, the NFU co-commissioned a report analysing the impact on UK agri-food sector and the wider economy. Meanwhile, in an event for NFU members, we brought together leading bTB scientists, government, academia and the veterinary profession to discuss the scientific basis for eradicating bovine TB with farmers battling against the disease.

Meanwhile, on-farm renewable energy continues to grow as an important, if sometimes controversial, source of diversification income, supporting profitable farming in England and Wales. The NFU has worked with the various renewable technology sectors to establish high standards of practice, for example in the selection and management of solar farm sites, and in the management of environmental risks for the growing of crop feedstocks for anaerobic digestion. We have also urged the Government to provide consistent and long-term energy policy signals to smooth the path of investment, so that farmers can help to decarbonise our national economy.

Obtaining planning permission remains a barrier to the growth of farm businesses. During 2014 the NFU responded to a consultation to reduce red tape in the town planning system. We asked for clearer national policy guidance for agriculture and clearer procedural guidance for local planning authorities. We used the consultation to ask for updating and extension of permitted development rights for agriculture to reflect modern farming techniques. We also asked for the threshold for buildings for intensive livestock planning applications needing an Environmental Impact Assessment to be raised from 500 square metres to 1,000 square metres. We have lobbied specifically for the poultry industry, and emphasised the importance of clearer procedures for the recently introduced change of use from agricultural to residential use. However, while we welcome the changes we continue to question the consistency with which it is being implemented locally by planning authorities.

After voicing concerns over the impact on the horticultural industry of draft revisions to the EU energy tax directive,

we were pleased that these revisions will be withdrawn by the EU Commission this year. We have had some notable successes arguing that the conversion of an agricultural building to residential use under new prior approval rules could qualify for the DIY self-build VAT recovery rules and agreeing a process with DWP to enable ex-SAWs employers to host DWP national insurance number provision interviews on farm.

Major infrastructure projects have dominated the headlines in 2014 and with the Government's investment in this area we can expect to see more in 2015. One such infrastructure project which has grabbed major media coverage has been the High Speed 2 (HS2) project, which the NFU was heavily involved in throughout the year. Our lobbying work has already secured a number of commitments from HS2, including for HS2 to provide an agricultural liaison officer. The NFU team, which included legal, planning, law and tax experts, submitted comprehensive evidence to the HS2 Select Committee in November 2014 to illustrate the far reaching impact of the HS2 project on farmers. Attention focused on the inadequacies of the compulsory purchase code but the points made will have much wider relevance.

Another big feature of 2014 was volatility and falling farm gate prices across commodities. Our Economics Team has been providing valuable insight on the challenges this creates for our members and analysis on the reasons behind falling prices have all been critical. It makes outputs like the sector dashboards (produced in partnership with AHDB) and analysis of currency markets required reading. The team has also used the annual NFU Confidence Survey to map changes to farmer confidence and investment intentions as we head into 2015.

The NFU's Legal Affairs Team has continued to make a valuable contribution to our policy work. This has included legal advice on the implementation of the CAP and BPS, as well other legal issues flowing from it, such as double funding. We secured the NFU's position as an intervener in two European cases challenging the European Commission's decision to bring in restrictions on certain neonicotinoids. Together with the NFU's Dairy Team, the Legal Team worked on the review of the Dairy Voluntary Code on Contracts conducted by Alex Fergusson MSP. This year saw positive steps towards a statutory approach in England to the issue of fly-grazing, and we have worked with colleagues to move this forward. Together with the Environment Team, the Legal Team has also provided a robust response to Natural England's consultation proposals governing general and class licensing for bird control; the result being that Natural England dropped its proposal dubbed 'shoo before you shoot'. Meanwhile, on bovine TB, we have continued to provide legal advice to the NFU on the second year of the pilot area culls in Somerset and Gloucestershire. In addition, we have brought committal proceedings for contempt of court against a prominent animal rights activist who we believe has repeatedly breached the NFU's injunction.



FOOD & FARMING

FALLING COMMODITY PRICES

Commodity price volatility characterised most sectors in 2014. The dairy sector saw record highs for farmgate milk prices early in the year, but prices fell away rapidly in the final months of 2014. With dairy farm numbers in England and Wales dropping below 10,000 for the first time and the expectation of further cuts in 2015, sector confidence has plummeted. Whilst the situation in dairy markets has dominated the headlines, other sectors have faced their own pricing challenges. For example, beef prices fell to four year lows early in the year, before a partial recovery later in the year. Similarly, cereal and oilseed prices came under pressure post-harvest. Feed wheat prices came perilously close to dropping below the psychological £100/tonne mark and price prospects for 2015 remain below the typical cost of production.

These market challenges themselves generate much activity. For example, NFU calls for a ministerial summit on the beef industry led to a cross-industry meeting and we continue to contribute to Defra's farm resilience work. Indeed, much of the last year has seen the NFU's Food & Farming team explaining the wider impact of falling commodity prices across the supply chain, highlighting positive actions that all players can take and using mainstream media to encourage the public to Back British Farming. And yet it also forms the backdrop for a wide range of issues that the NFU Food & Farming team continues to lobby for.

ADAPTING TO GREATER VOLATILITY

The last year has cemented the need for effective risk management tools for farmers. In the cereals sector, futures markets are an established risk management tool. However, new legislation for financial markets risks making hedging commodities with forward price contracts very difficult. The NFU's combinable crops team is leading lobbying activity at the UK and EU level so that rules aimed at tackling banking and financial speculation don't destroy agricultural commodity futures markets.

Pricing and contract mechanisms continue to be a key work area for the Dairy Team. With the removal of milk quotas in 2015, continued development of dairy contracts is essential to reflect the reduction in market management tools. The NFU's work on the voluntary code has been an important part of this evolution, with a review of the code in 2014 reinforcing the importance of the code and work of the Dairy Board to deliver it. There has been a similar focus for the Livestock Team, working with the British Meat Processors Association on a code of practice that should ultimately see greater transparency of terms and conditions. And as the NFU's Horticulture Team demonstrated, resources like the improved Potato Sellers Checklist and the updated NFU Audit Pack mean that it's not just about detailed codes of practice or futures markets.

Planning the future is very much a focus for NFU Sugar. Ahead of the end of quotas in 2017, activity has already started for new working groups to investigate improvement of the logistics in the supply chain and on possible future market linked price options for growers. Significant resources have also been invested in informing and preparing growers for the end of quotas and the changes to the market place. For the time being however, the NFU takes a critical role in price negotiations. Against the background of falling commodity prices, increased market competition and record sugar stocks, a contract price of £24/tonne was secured for beet in 2015/16 campaign. Growers within the industry transport scheme will also receive a £1/tonne bonus payment. The NFU also secured a substantial increase in the transport allowance payable to growers. From 2015 those growers not within the industry scheme will receive the true costs of transport and the additional cost of cleaning and loading, together the estimated value is around £1.50/tonne over today's allowance.

LOBBYING FOR BETTER REGULATION

After many years of NFU lobbying, the Government has

agreed, as a first step, to increase tractor and trailer weights to 31t and to increase the speed limit for standard tractors to 25mph. The NFU will continue to make the case for more appropriate increases ahead of a second stage in 2016, and the NFU's commodity teams continue to be invaluable to all our work on regulation. The Horticulture Team's input to the National Pollinator Strategy has helped deliver a balanced and strongly evidence-based approach to safeguarding pollinating insects. Similarly, continued input in to the Red Tractor standards has helped deliver earned recognition for scheme members. However, the livestock sector has more than its fair share of regulation, and we will continue our work to reduce the burden of unnecessary red tape on farmers.

TACKLING ANIMAL AND PLANT HEALTH ISSUES

From safeguarding plant protection products to strengthening poultry industry efforts to tackle campylobacter, the NFU's commodity teams play a leading role. Our campylobacter activity has seen us host an industry conference, produce biosecurity videos and posters, and more recently provide free on-farm testing. The NFU Poultry Team was also actively involved in the speedy reaction to the bird flu outbreak in November, working with Defra and the APHA at national and local levels. Minimising disruption to farming businesses in the controlled zones was a particular feature. Bovine TB remains a scourge on our industry and on this issue the NFU has delivered far more than any other organisation, supporting the pilot areas. There are frustrations, but there are successes – for the first time we do have an eradication plan from government that includes wildlife control measures.

From a plant health perspective, our 'Healthy Harvest' campaign involves NFU's Combinable Crops, Horticulture and Sugar teams. First launched at Cereals 2014, our work has advanced significantly through the second half of the year with us taking the key messages to Europe and down the supply chain. The ban on neonicotinoids could just be the beginning of a loss of crop protection tools. Encouraging member engagement in these issues will be critical in future, and there has been some success for the NFU team in regard to endocrine disruptors; first securing a consultation from the European Commission and then facilitating member responses to the consultation.

HELPING TO BACK BRITISH FARMING

Although discounters have been in the UK market for 25 years, the last twelve months has seen them

rapidly gain market share and put pressure on the 'big four' retailers. With the retail outlook for 2015 similarly tough, NFU work on supply chain relationships remains a priority. More transparent and longer-term relationships are ongoing theme of our work and relevant to all sectors. Whilst the Grocery Code Adjudicator has made headway in ensuring relationships between retailers and their direct suppliers are fairer and more transparent, primary producers are still not covered under this legislation, leaving primary producers susceptible to the imbalances of power in the chain. This remains a key work area for the NFU Food Chain Team.

Although price may have been the focus for many, the Elliott report highlighted the importance of short supply chains and the role played in delivering safe, traceable food to consumers, not only in a retail setting, but also across public sector catering. NFU surveys have shown that the British public want to buy British food – 78 per cent of consumers feel supermarkets should sell more food from British farms. In the past 12 months we criticised retailers who failed to live up to their commitments on sourcing British, and we also praised those who listened to consumer demands and supported farmers.

2014 also saw cross-government and ministerial support for better standards of food procurement for the public sector, with the launch of The Great Food Plan and Hospital Standards Panel recommendations. Working closely with the three year Great Food Plan, since its inception we want to see this deliver tangible benefits and increased market opportunities for British farmers.

LOOKING AHEAD

There are still lots of ongoing issues. Beak trimming lobbying has already seen our Poultry Team take ministers and MPs out on farm, with more activity to come in 2015. We know that immigration will be a key issue in the run-up to the 2015 election. The NFU has already added perspective to debates around migrant workers – the basic fact is that businesses producing British-grown fruit and veg, flowers or plants are heavily dependent on non-British workers, who have a positive impact on our economy. Our aim is to ensure the industry has the workforce it needs to grow in the future. In sectors like red meat and dairy, there has been much talk about the potential of new export markets. And it is critical that we see actions that facilitate future market access – strong trading relationships cannot be developed quickly.



FINANCIAL REPORT

The officers present their annual report on the affairs of the NFU, together with the financial statements for the year ended 31 October 2014. The NFU's financial performance has been extremely good once again this year and its balance sheet is stronger than ever. It is therefore in a very good position to meet the many challenges facing its members and the industry as a whole in the coming years.

PRINCIPAL ACTIVITIES

The principal activities of the NFU are to champion British farming and provide representation and professional services to its farmer and grower members.

resulted in the audited accounts showing a surplus on ordinary activities before tax of £2,301,143 (2013: £5,083,956) for the year. The surplus after tax is £1,997,522 (2013: £4,407,547), which has been transferred to the Accumulated Fund.

BUSINESS REVIEW

Consolidated results have been produced for the year. These results include the NFU General Fund, the Legal Assistance Scheme (LAS), and NFU Services Limited along with the adjustments required by Financial Reporting Standard 17 – Retirement Benefits (FRS17). The results of the LAS and the FRS17 assumptions are disclosed in notes 25 and 11 respectively to the full accounts.

Members' subscriptions and related income has increased by £0.4 million to £30.6 million (2013: £30.2 million). Within this, the actual subscription income increased by £0.1 million during the year from £20 million in 2013 to £20.1 million in 2014 due to the farmer and grower category. As at 31 October 2014, NFU membership, excluding Countryside and Professional, stood at 55,116 (2013: 55,328).

During the year, the NFU Group showed an operating loss of £642,653 (2013: £1,818,802 surplus) on consolidation, due to increased grants to members from the Legal Assistance Scheme, staff costs, and fewer property disposals than last year. This coupled with the surplus on investment activities

Income also included contributions from the NFU Mutual of £6,017,000 (2013: £5,939,333) along with strong advertising sales. The NFU's long-standing relationship with the NFU Mutual is very important to us and we place great value on its support.

Total operating costs are £2.9 million higher

than the previous year at £31.3 million (2013: £28.4 million) due to the factors mentioned above. Member representation costs include our ongoing work on animal health and welfare.

Our consolidated balance sheet reserves have increased by £11.9 million to £104.4 million (2013: £92.5 million). This was due in the main part to the increased valuation of our investment properties and the decrease in the pension scheme deficit.

INVESTMENTS & PROPERTY

There has been very little change in the value of our listed investments at £58 million (2013: £58.1 million). The unrealised increase in value in the year of £113,792 (2013: £8,191,543 increase) is reflected in the Statement of Total Recognised Gains and Losses.

Although our investment portfolios have ended the year almost exactly where they started there has been volatility throughout. The state of world markets is perhaps best illustrated by the divergence of central bank policies; with the USA tapering quantitative easing while it is being introduced in Japan and the EU. We are also in an economic environment of low interest rates, low inflation, slowing growth in China, and low oil prices driven by near self-sufficiency in the USA. Market volatility is therefore likely to continue. We will continue to monitor the situation closely with our fund managers, Baillie Gifford and Rathbones.

The yield from our quoted investment portfolios has performed well despite this volatility. Dividends and other investment income amounted to £1,400,586 (2013: £1,452,345).

Our investment properties in Knightsbridge have increased significantly in value by

£8 million to £42.1 million (2013: £34.1 million). These were valued by Peter Hutchinson of Hutchinson Morrison Childs as at 31 October 2014. The increase is mainly due to increased rental yields in the London West End property market and reflects our own recent experience.

The NFU also holds operational properties in order to fulfil its commercial and representational needs. During the year we continued to sell surplus properties. Disposals of note included the offices in Melton Mowbray.

PENSION SCHEME

The NFU Staff Pension Scheme was closed to new entrants with effect from 31 October 2000 and closed to further accrual from 30 June 2008. The assets held in the scheme performed well during the year; however, bond yields remain low, which tends to cause a larger pension scheme deficit. On the other hand, the NFU paid £1.1 million of pension deficit recovery payments (2013: £2.5 million) during October 2014. The obligation under FRS17 is shown in the balance sheet as £3.7 million (2013: £6.2 million).

During the year the NFU set up its own healthcare trust for staff through Healix, which includes some of our post retirement private medical insurance obligations. As a result the PMI provision fell to £10.7 million (2013: £10.9 million).

RISK MANAGEMENT

The NFU's activities expose it to many types of business risk. The NFU's financial, investment and other strategies seek to mitigate risk wherever practical and possible. A risk register has been approved by the Governance Board and is reviewed regularly by the Audit Committee.

ANNUAL ACCOUNTS 2014

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 OCTOBER 2014

	2014	2014	2013	2013
Year ended 31 October 2013	£	£	£	£
MEMBERS' SUBSCRIPTION AND RELATED INCOME		30,630,096		30,206,053
OPERATING COSTS				
Cost of Sales	1,857,010		1,700,050	
Members' representation	4,099,940		3,858,899	
Promotional activities	972,537		1,057,732	
Staff costs	16,085,813		15,193,660	
Legal assistance scheme	1,888,746		1,167,607	
Administrative costs	2,836,204		2,500,685	
Establishment costs	3,532,499		2,908,618	
		<u>(31,272,749)</u>		<u>(28,387,251)</u>
OPERATING SURPLUS/(DEFICIT)		(642,653)		1,818,802
INVESTMENT ACTIVITIES				
Property rental income	1,897,700		1,682,762	
Interest on term deposits	65,404		86,660	
Dividends and other investment income	1,400,586		1,452,345	
(Loss)/Profit on sale of investments	(242,331)		54,673	
Reversal of impairment of investments	-		-	
		<u>3,121,359</u>		<u>3,276,440</u>
SURPLUS ON INVESTMENT ACTIVITIES		3,121,359		3,276,440
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST		2,478,706		5,095,242
Interest payable		(521)		(3,198)
Notional finance costs of defined benefit pension and private medical insurance schemes		(177,042)		(8,088)
		<u>2,301,143</u>		<u>5,083,956</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		2,301,143		5,083,956
Tax charge on surplus on ordinary activities		(303,621)		(676,409)
		<u>1,997,522</u>		<u>4,407,547</u>
SURPLUS FOR THE YEAR		1,997,522		4,407,547
TRANSFERRED TO ACCUMULATED FUND		<u>1,997,522</u>		<u>4,407,547</u>
The net surplus for the year arises from the NFU's continuing operations.				

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014	2013
	£	£
Surplus for the year	1,997,522	4,407,547
Revaluation of investment property	7,950,000	(1,606,181)
Revaluation of fixed asset investments	113,792	8,191,543
Private Medical Insurance Scheme		
Actuarial gain/(loss)	434,232	(2,121,871)
Tax on actuarial gain/(loss)	–	549,479
Pension scheme:		
Actuarial gain/(loss)	1,678,674	(166,555)
Deferred tax on actuarial gain/(loss)	(232,527)	(379,521)
Total recognised gains and (losses) relating to the year	<u>11,941,693</u>	<u>8,874,441</u>

CONSOLIDATED BALANCE SHEET

	2014	2013
	£	£
FIXED ASSETS		
Tangible fixed assets	16,890,966	17,137,132
Investments		
Property	42,050,000	34,100,000
Other	58,044,358	58,078,499
	<u>116,985,324</u>	<u>109,315,631</u>
CURRENT ASSETS		
Debtors	3,100,129	3,438,746
Cash at bank and in hand	9,869,080	7,848,875
	<u>12,969,209</u>	<u>11,287,621</u>
CREDITORS: amounts falling due within one year	<u>(8,205,532)</u>	<u>(8,424,562)</u>
NET CURRENT ASSETS	<u>4,763,677</u>	<u>2,863,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	121,749,001	112,178,690
PROVISIONS FOR LIABILITIES	<u>(2,976,821)</u>	<u>(2,549,998)</u>
NET ASSETS EXCLUDING RETIREMENT BENEFIT OBLIGATIONS	118,772,180	109,628,692
RETIREMENT BENEFIT OBLIGATIONS	<u>(14,358,140)</u>	<u>(17,156,345)</u>
NET ASSETS INCLUDING RETIREMENT BENEFIT OBLIGATIONS	<u>104,414,040</u>	<u>92,472,347</u>
RESERVES	<u>104,414,040</u>	<u>92,472,347</u>

The accounts were approved by the Officers and authorised for issue on 14 January 2015 and are signed on its behalf by:

M D Raymond
President

M D Raymond

A J Robertson
Director General

A J Robertson



REGIONAL CONTACTS

NFU CYMRU – WALES

Anglesey, Brecon and Radnor,
Ceredigion, Carmarthenshire,
Clwyd, Glamorgan, Merionethshire,
Mid-Gwynedd, Monmouthshire,
Montgomeryshire, Pembrokeshire
Ty Amaeth – Agriculture House,
Royal Welsh Showground,
Builth Wells,
Powys LD2 3TU

01982 554200
Fax: 01982 554201
nfu.cymru@nfu.org.uk

NFU NORTH WEST

Cheshire, Cumbria, Lancashire
Agriculture House,
1 Moss Lane View,
Skelmersdale,
Lancashire WN8 9TL

01695 554900
Fax: 01695 554901
north.west@nfuonline.com

NFU WEST MIDLANDS

Herefordshire, Shropshire,
Staffordshire, Warwickshire
and Worcestershire
Agriculture House,
Southwater Way,
Telford, Shropshire TF3 4NR

01952 400500
Fax: 01952 409380
west.midlands@nfuonline.com

NFU SOUTH EAST

Berkshire, Buckinghamshire and
Oxfordshire, Hampshire,
Isle of Wight, Kent, Surrey,
West and East Sussex
Unit 8 Rotherbrook Court,
Bedford Road, Petersfield,
Hampshire GU32 3QG

01730 711950
Fax: 01730 711951
south.east@nfuonline.com

NFU NORTH EAST

North Riding and Durham,
Northumberland, York,
East Riding, Yorkshire and
West Riding,
Agriculture House,
207 Tadcaster Road,
York YO24 1UD

01904 451550
Fax: 01904 451560
north.east@nfuonline.com

NFU EAST MIDLANDS

Derbyshire, Holland (Lincs),
Lincolnshire,
Nottinghamshire,
Leicestershire,
Northamptonshire and Rutland
Agriculture House,
North Gate,
Uppingham,
Rutland LE15 9NX

01572 824250
Fax: 01572 824251
east.midlands@nfuonline.com

NFU EAST ANGLIA

Bedfordshire and
Huntingdonshire,
Cambridgeshire, Essex,
Hertfordshire,
Norfolk, Suffolk
Agriculture House,
Willie Snaith Road,
Newmarket,
Suffolk CB8 7SN

01638 672100
Fax: 01638 672101
east.anglia@nfuonline.com

NFU SOUTH WEST

Cornwall, Devon, Dorset,
Gloucestershire, Somerset
and Wiltshire
Agriculture House,
Pynes Hill, Rydon Lane, Exeter,
Devon EX2 5ST

01392 440700
Fax: 01392 440701
south.west@nfuonline.com

NFU HQ

Agriculture House,
Stoneleigh Park, Stoneleigh,
Warwickshire CV8 2TZ
024 7685 8500
Fax: 024 7685 8501
nfu@nfu.org.uk

NFU BRUSSELS OFFICE

British Agriculture Bureau,
61 Rue De Treves, Brussels
B-1040 Belgium
00 322 285 0580
Fax: 00 322 230 3928
bab@nfuonline.com

NFU LONDON OFFICE

King's Buildings,
16 Smith Square,
London SW1P 3JJ
020 7808 6600
Fax: 020 7808 6610
nfulondon@nfu.org.uk

MUTUAL SUPPORT

Part of the fabric of British farming for more than 100 years, we're at the heart of rural communities. As well as providing insurance for over 70 per cent of the UK's farmers we provide financial and practical support. Here's how we supported farmers and their families in 2014:

HELPING FARMERS WORK SAFELY

We set up the Farm Safety Foundation charity with an initial £250,000 donation to raise awareness of the dangers of working on farms and to promote safe working practices, particularly with younger farmers.

Working with key groups such as the Farm Safety Partnerships, the foundation's 'Yellow Wellies' initiative is providing practical help to help stem the tide of accidents that have made farming the UK's most dangerous occupation.

FIGHTING RURAL CRIME

Recognising the worry and financial impact of rural crime we work closely with farmers' groups, police and security organisations to help farmers protect their property. Our financial support for the police unit tackling tractor theft is paying off with tractor theft falling in 2014.

Our Country Crime Fighter Awards provided a forum to showcase the nation's best rural security schemes and celebrate the efforts of individuals and groups to keep rural thieves at bay.

HELPING FLOOD VICTIMS

We gave the strongest possible demonstration of our determination to provide excellent customer service when our members were hit by the terrible flooding on the Somerset Levels.

Our claims teams waded in to organise immediate cash payments and alternative accommodation to people flooded out of their farms while their homes and businesses were dried out and repaired.

NFU Mutual's Charitable Trust donated £50,000 to charities helping farmers and rural communities who are struggling as a result of the devastating floods on the Somerset Levels.

SUPPORTING AGRICULTURAL STUDENTS

Launched by NFU Mutual to celebrate its 100th birthday, the NFU Mutual Charitable Trust's 'Centenary Award' supports top postgraduate students taking agricultural courses.

Three postgraduate agricultural students won bursaries in 2014.

WINNING AWARDS

NFU Mutual won the coveted 'Best Insurance Services Provider' accolade in the 2014 Which? Awards. We were also recognised as a Which? Recommended Provider (car and home insurance) for the ninth time.

NFU Mutual won three awards in the 2014 Moneywise Customer Service Awards, Over 35,000 people voted, making this the biggest awards of its type in the country. NFU Mutual was awarded:

- Most Trusted Car Insurance Provider;
- Most Trusted Home Insurance Provider; and
- 'Highly Commended' in the Most Trusted Insurer category.



SUPPORTING THE NFU

Throughout our 104-year history we have worked alongside the NFU to support farmers.

Our relationship has never been stronger and benefits the members of both organisations.

FIND OUT MORE

Contact your local agent, visit nfumutual.co.uk or call NFU Mutual on 0800 622323 for more information on its range of products and services. NFU Mutual is The National Farmers Union Mutual Insurance Society Limited (No. 111982). Registered in England. Registered Office: Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. For security and training purposes, telephone calls may be recorded and monitored.



National Farmers' Union, Agriculture House,
Stoneleigh Park, Warwickshire CV8 2TZ



Tel: 024 7685 8500



Fax: 024 7685 8501



www.nfuonline.com

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