SRDP Farm Advisory Service

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News in brief

July 2020

Gradual and controlled return to normality

With governments beginning to lift lockdown restrictions it is hoped that the next few weeks will begin to see a return to normal life. This will be welcome news for the food service industry as restaurants are able to reopen (with social distancing measures in place), and subsequent effects on consumer grocery shopping patterns. As food businesses ease back towards normality supply chains will experience a more gradual and controlled change than the disruption in March; during lockdown retailers are now doing weekly monitoring of consumer spending rather than monthly as before, enabling more informed decisions in managing stock and food supply. Whether Covid-19 has provoked more long-term changes in food consumption habits remains to be seen, but it is clear the sector is far more ready to respond to change than six months ago.

Once the 5-mile radius for leisure is lifted, expected to be announced on the 9th July, rural areas anticipate a surge in visitors, especially as many who usually holiday abroad look to stay closer to home. Stories of crowded beaches in Dorset and volumes of traffic in the Peak District may be replicated in popular Scottish honeyspots in the coming month. While it may be good news for business, with more people out and about in the countryside, farmers may wish to reassess health and safety of public access through farms.

As we become used to a new Covid reality, Brexit is beginning to creep back into the media and political debates, particularly as Covid has given a frank taste of what considerations may need to be implemented for a smooth transition to new agri-food supply chains in a post-Brexit world. Discussions about food standards are back into normal news, following the UK government release of revised import protection last month.

Next month:

- Sector focus: Pigs
- Management matters: Forage costs

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This month's editor:
Anna Sellars

The European Agricultural Fund for Rural Development
Europe investing in rural areas

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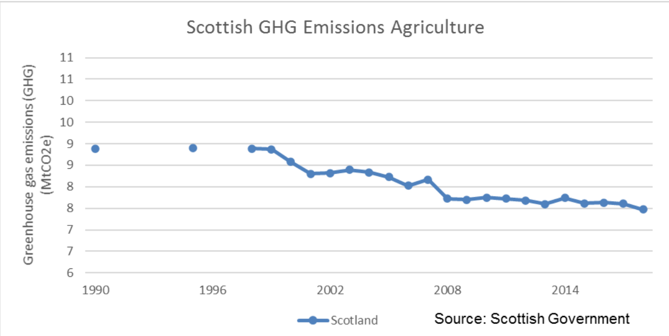
Scottish GHG emissions 2018

Scottish Greenhouse Gas Emissions estimates for 2018 were recently published by the Scottish Government and are available at: https://www.gov.scot/publications/scottish-greenhouse-gas-emissions-2018/.

While, in 2018 total GHG emissions increased by 1.5% since 2017, emissions from Scottish agriculture reduced by -1.7% which is positive news. As the chart below also shows, emissions from agriculture have gradually declined between 1998 and 2018. Continuing to make efficient use of resources by managing animals, soils, waste and fertiliser better, as well as using emerging technologies, will help to ensure emissions from agriculture continue to reduce.



LFASS 2020 payment

As required by EU rules, payments for the Less Favoured Area Support Scheme will be retained at 40% (or €25/ha) for 2020 with payment due early in 2021. However, it is the intention of the Scottish Government to use the second tranche of the convergence money which is due in March 2021 to top up the 2020 payment.

Agricultural census deadline

The deadline for completing the 2020 Agricultural Census has been extended to the 31st July. Although to help ease pressures on farmers during the Covid-19 pandemic this year's survey is voluntary, farmers are being urged to complete it.

The survey can be accessed and completed online at Rural Payments & Services (RP&S) or can be done over the telephone by phoning the Census Operations team on Tel: 0300 2449788 or by emailing agricsurveys@gov.scot.

The Agricultural Census, which collects information about land use, livestock numbers and labour, underpins the research work in the agricultural sector and is widely used by industry bodies as evidence of how the industry is performing.

Farm inspections to restart

Rural Payments & Inspections Division (RPID)

While not all inspections stopped during Covid-19 lockdown, a significant number did. The Scottish Government RPID staff have recently announced that they will shortly be recommencing land, bee and seed cereal certification inspections. These inspections will be carried out following Covid-19 guidelines on social distancing. Farmers and crofters should therefore ensure that the are meeting the relevant rules. Information about inspections can be found on the RP&S website at:https://www.ruralpayments.org/publicsite/futures/topics/inspections/inspections-checker/

QMS

In cases where remote assessments are not possible i.e. new applicants, farmers who have an overdue assessment, those who are the subject of a complaint or are high-risk, physical assurance assessments will gradually be reintroduced from the end of June. Those who are classed as vulnerable but who have been identified as requiring a physical assessment can choose to have a representative present during the assessment to act on their behalf.

Where possible farmers will be asked to submit their records to the inspector before the visit takes place to limit the amount of time they need to spend on farm. When on farm, assessors will be wearing PPE and following strict social distancing rules.

Key dates reminder

Greening

EFA fallow period ends at midnight on 15th July.

SMR 2 - conservation of wild birds

Removing/burning scrub and gorse in the bird breeding and rearing season (1st March to 31st August is not permitted.

Beef Efficiency Scheme

The deadline to data capture all 2020 spring born animals i.e. animals born between 1st January and 1st June, is 15th July.

The deadline to data capture culling or death reasons of cows or calves that were disposed of or died between 1st January and 1st June 2020 is also 15th July.

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US on track for a record maize crop

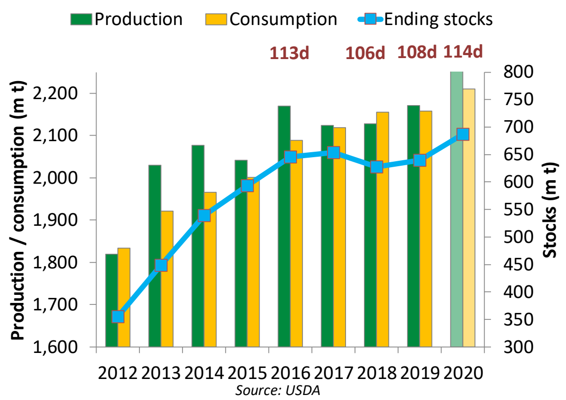
Higher maize sowings and good growing conditions have led the USDA to increase their estimate for the 2020 US maize crop; now set to be 60mt (17%) higher than last year at a record 406mt and above the previous record of 384mt. July is the key yield building month when the US maize crop pollinates and is vulnerable to high temperatures at this stage. Current forecasts are for slightly higher than average temperatures in the next few weeks but also more rain suggesting only limited crop stress. Such a large US maize crop, if achieved, would be single-handedly responsible for 70% of the increase in the world grain crop this year.

Crop forecasts have also increased in Australia where wheat output is expected 10.8mt (71%) higher than last year at 26mt due to excellent winter rains. Crop forecasts are also rising in Russia resulting in the easing of wheat export restrictions.

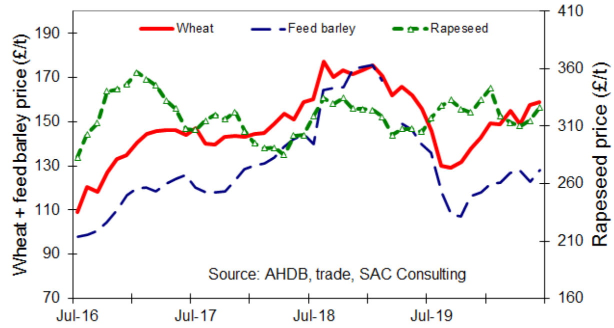
In the EU, rain has come and early harvesting has started in France to reportedly reasonable yields for winter barley. Though overall grain output estimates are expected down on 2019 and this is lending support to EU/UK values.

Overall the USDA is expecting an 87mt rise in world grain output to 2,258mt, consumption up 52mt to 2,201 and stocks to rise 48mt to 687mt to 114 days of use. This would be the highest stock to use level in 33 years since 1987. It is likely that only a serious drop in global crop conditions in the next few months would make a major difference.

World grain supply, use and stock estimates



Scottish spot ex-farm grain and oilseed prices



Imported maize sets price ceiling

Recent rains across Scotland and the UK have certainly averted more serious damage to cereal crops though the yield potential of wheat and spring barley has still been affected. With a short fall in UK wheat supply now expected UK prices are now being set by the price of imported maize. A comparison of forward price estimates suggests that wheat prices in Scotland may be at this limit.

Scottish delivered wheat vs imports

Delivery date	Spot - Jan'20	Spot - Jun'20	New crop - Nov'20
Wheat – delivered	158	168	174
French Maize del.	164	174	174
Any Origin Maize del.		164	164
Scot wheat vs Fr /AO mz	**-6**	**- 6.0 (+4)**	**0 (+10)**

Source: AHDB/SAC Consulting

Distilling barley hinges on Scottish crop

Export brewing malting barley prices in the south of England for harvest are in the low to mid £130's/t at present. Prices for low nitrogen distilling barley are not known at present. While there is uncertainty over distilling demand probably the largest uncertainty is the yield and quality of the Scottish distilling barley crop. This will dictate the extent to which distilling prices mirror or deviate from brewing values in the south.

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Indicative grain prices week ending 18 June 2020 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal May

£ per tonne	Basis	Jun 20	Jul 20	Hvst 20	Nov 20	Mar 21	Nov 21
Wheat	Ex-farm Scotland	159.00	160.00	158.00	160.00	166.00	
Feed barley	Ex-farm Scotland	128.00	130.00	125.00	130.00		
Malt. barley- distil	Ex-farm Scotland						
Malt. barley- brew	Ex-farm England#				135.00	140.00	
Oilseed rape*~	Delivered Scotland			326.00	330.00		

B e e f

The dramatic turn-around in the fortunes of the beef job will be welcomed whole heartedly across the country. Prices in recent days seem to have stabilised with a range of 378p to 390p/kgDW. A pretty respectable trade. We haven't yet reached the 400p/kgDW that is so often talked about but the reality is, the price improvements we've seen in the last 6 weeks equate to approximately £160 increase per finished animal. For the majority of producers this means that positive margins from finishing cattle are once again achievable.

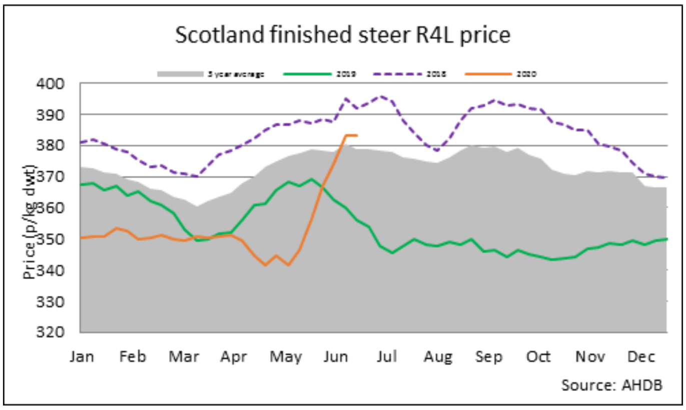
Since lockdown, this article has discussed the importance of carcass balance and lack of demand for premium cuts. Thankfully as lockdown restrictions are beginning to ease, consumers will now have more opportunities to eat out and spend money on higher value cuts.

There is some optimism that although more cattle numbers are coming forward to slaughter, it should remain at a reasonable level over the summer.

The cull cow price remains strong, currently at 300p/kgDW, meaning that a 700kg cow killing out at 50% will return approximately £1,050 to the farmer. With fodder and straw scarce across the country, everyone should be making the most of a favourable trade for culls and killing out passengers and poor performers.

Irish direct support to beef farmers

The Irish Government has recently announced a €50m support package for the beef industry, due to the significant economic challenges the industry has faced due to Covid-19. Details are still to be fully announced but payments to farmers could be in the region of €100 per cow. This new package is on top of the recent €35m BEEP-S scheme secured for suckler industry and also follows last year's BEAM scheme.



Significant levels of market intervention in Ireland has the potential to have a real impact on UK prices. With Irish processors having a large market share in the UK and with Ireland being the biggest supplier of imported beef to the UK, any changes in market dynamics over there will have a knock-on impact on us. While these recent interventions have been done with the best intentions, to support Irish farmers, direct payments like this also act to distort the market and mean that Irish beef may become significantly cheaper than competitors in the market place, giving Irish beef a competitive advantage. As ever, what impact this scheme has on the UK beef industry will remain to be seen.

Famine to Feast

Most parts of the country have seen welcome rain in recent weeks. This has caused a massive boost to grass growth, with grazing and silage fields alike making up for lost time and growing a lot of grass. While this flush of grass can only be welcome news, it is also a real challenge to manage. With the country likely to be short of forage this winter, any surplus grass should be cut and baled. Even if you don't need it, someone somewhere will.

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Scotland prime cattle prices (p/kg dwt) (Source: drawn from AHDB and IAAS data)

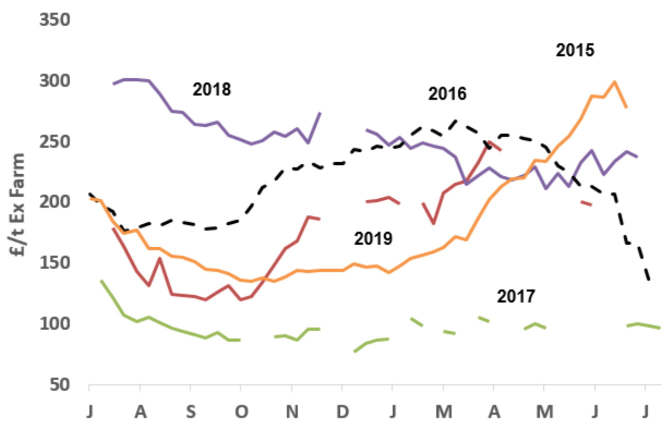
Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
6 Jun 20	374.2	7.4	18.1	372.9	7.8	20.4	372.5	24.3	295.7	269.4
13 Jun 20	383.0	8.8	14.6	380.2	7.3	17.6	377.9	20.1	303.6	282.3
20 Jun 20	383.0	0.0	13.2	381.8	1.6	17.1	380.9	19.4	302.5	277.1

Market price update

- *The GB Weekly Average Prices for the week ending 30th May was £202.55/t for free-buy and contract purchases, and £198.08/t for free-buy purchases*
- *Compared to the previous reported figures on 23rd May, contract and free-buy purchases were down by £1.14/t and free-buy purchases were down by £2.43/t*

Crop Year 2018/19	30 May	23 May	16 May
Average Price (£/t)	202.55	203.69	202.39
AVP change on week (£/t)	-1.14	+1.3	-10.62
Free-Buy Price (£/t)	198.08	200.51	-
FBP change on week(£/t)	-2.43	-	-

GB Weekly Average Free-Buy Price (2015-2019 crop years)



Trading Season July - July Source: AHDB

Market Overview

As the UK slowly returns to some normality, the impact of Covid-19 on all potato sectors is likely to be felt for the remainder of the 2019 season, and well into the 2020 crop season. Free buy demand has been low, and with a surplus of lower quality stocks in the market, it is increasingly difficult for growers to find a suitable home for their remaining potatoes. As we near the end of the 2019 season, packers can cherry-pick the best stocks and put downward pressure on free-buy prices. There are now concerns that some old crop may be dumped if there is little sign of uplift in the market, and the cost of storage may outweigh financial returns. Prolonged old crop presence in June/July is likely to dampen new crop prices, and there have been reports of growers allegedly postponing lifting where possible due to the subdued demand for earlies, especially in the bag trade. Some retailers are said to be offering extended value pack lines in an attempt to shift excess potatoes. Much of this downturn is attributed to the cease of the food service sector as schools, colleges, universities, workplaces, pubs, restaurants and cafes being forced to close during lockdown. Although we are now seeing a gradual opening of some establishments in England, many hospitality businesses will be operating at significantly reduced capacity due to social distancing rules, with some unable to open at all. There is optimism that demand for processing and bagging material will rise again but this is likely to be slow and may not return to 'normal' levels for quite some time.

Prices by sector

In Scotland, Maris Piper is trading around £255/t ex farm, with a high of £285/t ex farm. Poorer quality Piper is trading around £150/t ex farm with reports of some material moving into England. Whites are trading around £200/t ex farm with a high of £260/t ex farm. Poorer quality Whites and wholecrop material is trading around £130/t ex farm.

In the English packing market, Piper is trading around £350/t ex farm, with a high of £365/t ex farm reported. Free-buy demand for Maris Piper is for best quality only. Poorer Piper stocks are trading around £260/t ex farm. Grade 1 Whites are generally trading around £200/t ex farm, and there have been reports of exceptional quality stocks for premium packing jobs reaching highs of £400/t ex farm. Reds are trading around £280/t ex farm, with highs of £350/t ex farm reported.

In the East of England bagging sector, chipping Agria is trading around £140/t ex farm with a high of £160/t ex farm. Prices for Agria have risen by around £10/t on last week due to less availability of quality supplies in the market. Piper is trading around £125/t ex farm with highs of £180/t ex farm reported. There is a wide variation in Piper prices reflecting a wide variation in quality, and end customers. Markies is trading around £130/t ex farm with a high of £150/t ex farm, and Sagitta is trading around £120/t ex farm. In the West, Markies is trading around £145/t ex farm but prices range depending on the quality of material. There are no prices reported in the South of England or in Scotland. There are no prices reported this week (19th June) for processing material, but last week peeling Piper was trading around £60/t ex farm. No prices are reported for exports.

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No show but still a price slip

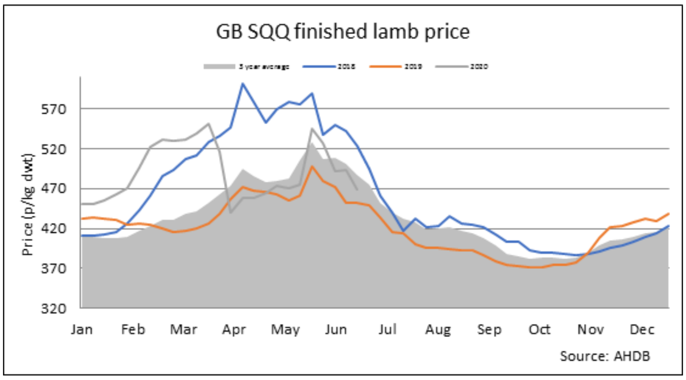
Typically the Highland Show week is when the price noticeably starts to slip for prime lambs. This is due to an increased supply in spring lamb meeting the market place. This again has been true this year. The throughput of Scottish new season lamb is still fairly limited and abattoirs have relied on English lambs filling the quota so far. Lambs are currently averaging ~£4.50/kg, but this is forecast to fall as July progresses.

Skins continue to hold little value, with the manufacturing industry being at a standstill, hopefully there will be a reprieve with restrictions easing over time.

The price for wool has been hit hard with the global market for cross bred wool being shut since February, between February and May is normally when the market is in greatest demand. Resulting in a large amount of stock being carried over to this marketing year.

Eid al-Adha

The Muslim calendar is significant, to understand when the market has a higher demand for sheep meat. The next date of importance is Eid al-Adha (Qurbani), (31st July) this lasts for 3 days. This festival has an emphasis on feeding the poor or donating meat to charity. To illustrate the scale of this festival, it is estimated that over 100,000 sheep are slaughtered in the UK annually for this festival. But the age of the animals and the timing of slaughter must meet certain guidelines. This includes, animals must have reached the age of sexual maturity, animals should be as natural as possible e.g. entire, undocked tails, minimal ear notches, etc. and animals should not show signs of injury or ill health e.g. broken teeth.



Keep an eye on Brexit negotiations

Arguably COVID has given our industry a stress test for a hard Brexit, with disruptions at ports and challenges within the supply chain. It has been stated that a failure to reach a Brexit deal with Europe could lead to worse food shortages than we saw with panic buying back in March. This would be especially true of fresh products that would normally be shipped from Europe. If the border is disrupted, this will disturb the ability to get food into the country, as well as getting food such as lamb out of the country. In a no deal scenario there will be a tariff on produce coming in and going out of the UK, this is speculated at 40-50% tariff for lamb, which gives our industry a major issue. Producers are urged to start looking at their sheep enterprises, with efficiency and minimising waste in mind, remember the majority of our lamb is exported, and a hard Brexit will involve hefty tariffs for our produce going to European markets.

Finally

The final element to keep an eye on is the currency exchange. Especially as July progresses and supply of lamb starts to flood the market. The lockdown measures are set to take longer to recover in the UK than the rest of Europe, and a weaker pound will aid our export market.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish	Ewes (£/hd) Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	**Med.**	Change on week	Diff over stan.	Diff over heavy	**All**	**All**
6-Jun-20	**490.8**	-34.9	-0.4	6.0	**239.60**	-2.8	-2.9	2.7	71.84	68.48
13-Jun-20	**491.7**	0.9	-1.7	5.9	**232.80**	-6.8	3.8	8.3	75.62	68.46
20-Jun-20	**477.5**	-14.2	10.7	15.6	**216.70**	-16.1	-2.7	1.7	71.62	68.31

Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS

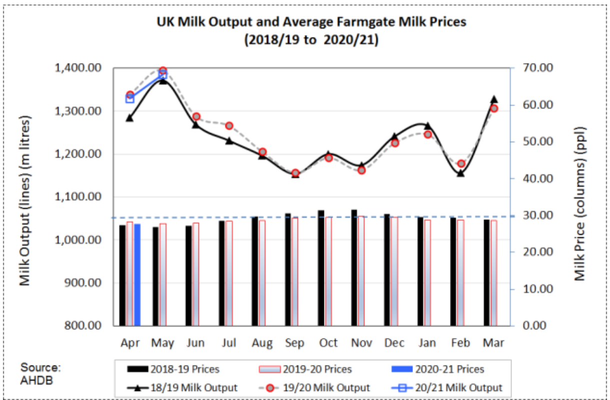
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

UK output reduces in May '20

- *UK milk output for May 2020 is estimated at 1,385.22m litres - down 9.91m litres on May 2019 output.*
- *The average farmgate milk price during April 2020 was 27.60ppl (down 0.63ppl on the average for April 2019).*

UK milk production for May 2020 showed a drop against last year's output according to the most recent data released by AHDB. UK monthly milk output for May 2020 is estimated at 1,385.22m litres (before butterfat adjustment). This is 9.91m litres lower than May 2019 output when UK production for the month stood at 1,395.13m litres.

Cumulative UK milk production for 2020/21 stands at 2,714.21m litres (before butterfat adjustment). This total is exactly 20.00m litres lower than one year ago. Whilst the COVID-19 lockdown and appeals from milk buyers for producers to reduce production have been the main reason for the reduction to milk output, the persistent spell of hot weather during April and May this year has also contributed. At this stage, it appears that grass growth has been negatively impacted and with yields for many first cut silage crops also being depressed, one of the main concerns is that feed costs could rise sharply if demand levels for liquid milk recover sufficiently.



The UK average milk price for April 2020 is estimated at 27.60ppl (0.63ppl lower than the average price for April 2019). This is the first time since June 2019 that the UK average price has fallen below 28.00ppl. (In the chart above, the horizontal dashed line represents 30.00ppl).

Milk price update for July 2020

Price announcements for July 2020 include:

- Arla Foods amba – Arla is to reduce its member milk price by 0.75 eurocents from July 2020. The liquid standard litre price reduces by 0.61ppl to 28.17ppl, whilst the manufacturing standard litre reduces by 0.63ppl to 29.26ppl.
- Graham's Dairy – Graham's have confirmed a 1.00ppl price increase from 1st July 2020. This takes the liquid standard litre price up to 25.50ppl.
- Sainsbury's – members of the Sainsbury's Dairy Development Group (SDDG) will receive a 0.21ppl price increase from 1st July 2020. This takes the price up to 30.91ppl for Müller suppliers, whilst Arla SDDG suppliers receive the same level of price increase taking their milk price up to 30.79 ppl.
- First Milk – FM has confirmed a hold on their farmgate milk prices going into July. This means that the liquid standard litre price continues to hold at 26.75ppl and the manufacturing standard litre remains at 27.63ppl.
- Müller & Lactalis – both companies have held their milk prices for the last two months. Prices quoted in the table below are unchanged from June 2020. As yet, prices remain to be confirmed for July 2020.

Annual Average milk price estimates for July 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1] - tbc	26.50
First Milk Liquid [1, 2]	26.75
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	27.63
Müller - Müller Direct - Scotland [1, 3] - tbc	26.00

1 Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.
2 FM prices include 0.25ppl Member Premium. The member premium increases to 0.50ppl from April 2020.
3 No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium and additional 0.25ppl haulage charge for Scottish suppliers.

DEFRA dairy response fund opens

The DEFRA hardship fund, set up to help dairy farmers in England cope with the impact of the coronavirus outbreak, has opened from 18th June. Eligible dairy farmers in England will be entitled up to £10,000 each to cover 70% of their lost income during April and May 2020. To be eligible for support, farmers will need to be able to demonstrate that they have suffered at least a 25% reduction in the average price received for April 2020 when compared to February 2020.

Cross border producers who have the majority of their land in England may apply. Accordingly, some Scottish producers may be eligible to apply to the fund. Applications must be submitted to the Rural Payments Agency by 14th August 2020.

Strong recovery to wholesale prices

UK dairy commodity prices (£/ tonne)	Jun 2020	May 2020	Dec 2019
Butter	2,980	2,600	3,070
SMP	2,050	1,750	2,190
Bulk Cream	1,390	1,170	1,320
Mild Cheddar	2,910	2,900	2,830
UK milk price equivalents (ppl)	**Jun 2020**	**May 2020**	**Dec 2019**
AMPE (2014)	29.37	24.56	31.19
MCVE (2014)	30.89	30.49	30.16

Source: AHDB

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Agri-tourism

Tourism is a significant contributor to the Scottish economy and plays a vital role in economic prosperity. The value of the Scottish tourism sector to the wider economy is estimated to be around £10.5 billion and employing around 218,000 people (source: Scottish Enterprise, Tourism industry in Scotland, 2020). For many rural areas of Scotland, particularly across the Highlands and Islands, tourism makes a substantial contribution to economic activity, employment, and livelihoods.

Agri-tourism is a key growth area providing agricultural and rural based experiences to visitors looking to connect with farming, food production, and the environment. Scotland has been building its reputation for agri-tourism in recent years providing memorable experiences for customers. For some agricultural/rural businesses, tourism is more than just a sideline - it is now a crucial income stream, and in some cases, is the most profitable enterprise on the farm.

Lockdown devastates peak tourism season

Scottish tourism is arguably the sector hardest hit in rural areas by the coronavirus pandemic. By mid-July, it will be nearly four months since lockdown was initiated, with almost all tourism providers and ancillary businesses, from self-catering accommodation to hotels, pubs, cafes and restaurants, visitor attractions, and tour operators, stopping trading altogether. Lockdown could not have come at a worse time for businesses as they were gearing up for a busy summer season.

Staycation set to breathe new life into Agri-tourism sector

With foreign holidays jeopardised by quarantine periods and uncertainty over flights and travel restrictions, staycations are likely to be the norm this year. As of the 15th July, it is hoped that rural tourism providers will be able to re-open and meet public desire to escape their four walls and enjoy the beautiful scenery and countryside Scotland has to offer. This Scottish Government announcement has been hugely welcomed by the industry and marks a positive milestone in the road to recovery. However, reopening of the Scottish tourism sector remains conditional on public health advice, suppression of the virus, and progression to Phase 3 of the route map.

It is predicted that there will be a big rise in the staycation market late summer, autumn, and winter and Scottish agri-tourism providers are well-placed to capitalise on customer demand. A recent survey of 500 Scottish people found that three quarters would consider an autumn or winter break in Scotland (source: Scottish Tourism Index survey, 56 Degree Insight).

There are, however, mixed feelings among rural communities living in well-known tourism areas. While some businesses are desperate to re-open, welcome visitors, generate income, and maintain livelihoods, other businesses and local residents, who have largely been self-isolating for months now, are concerned that an influx of tourists may spread the virus, increase congestion on roads, and lead to overcrowding in popular areas of natural beauty. Self-catering accommodation, holiday cottages, and rural retreats, are predicted to be popular, and have the advantage of being able to offer space and seclusion for guests.

How can businesses plan for the 'new normal'?

The Scottish Government has recently published guidance for the tourism and hospitality sector which clearly sets out procedures for staff and customer safety, and an operations checklist. The document outlines physical distancing measures, such as the use of paint or tape to mark 2m distances on floors to help people comply with physical distancing regulations, signage to communicate health and safety points and physical distancing, and to ensure that there are no unintended impacts on people with disabilities or caring responsibilities. The checklist also encourages businesses to stagger arrival and departure times to reduce crowding, and sets out cleaning measures to ensure high health, safety, and hygiene for both customers and staff. Full guidance is available here:

https://www.gov.scot/publications/coronavirus-covid-19-tourism-and-hospitality-sector-guidance/pages/related-guidance/

For self-catering businesses, the Association of Scotland's Self-Caterers has set out cleaning protocols including a comprehensive risk assessment and cleaning checklist. Full details are available here:

https://www.assc.co.uk/policy/cleaning-protocols-for-self-catering-properties-in-the-context-of-covid-19/

As we embrace the 'new normal' many of us will reflect on the previous four months. If lockdown has taught us anything, it is that many of life's richest pleasures are simple and often taken for granted. Exploring the countryside, taking good care of our mental health and wellbeing, and enjoying quality time with our family and friends has certainly risen up our list of priorities.

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Autumn cropping for harvest 2021

Forward profitability of cereals and other winter combinables for harvest 2021 is currently similar to or lower than one year ago due to the lower forward prices for many commodities. If current grain prices are maintained or fall, farmers could see a potential fall in forward gross margins for autumn sown crops compared to a year ago. Crop prices can change quickly so longer-term objectives such as lengthening rotations, improving soil health, minimising costs, retaining flexibility in marketing and CAP greening should be considered.

Input costs

Fertiliser prices are down significantly from levels seen this time last year for example; ammonium nitrate is at £236/t compared to £263/t this time a year ago. Cereal seed prices are expected £10-15/t higher this harvest due to the lower area of winter cereals and potentially moderate yields, subject to harvest yields and conditions. Agrochemical costs on average have been rising ahead of inflation according to DEFRA price indices.

Grain price & margins for harvest 2021

Forward prices for harvest 2020 are the same or very similar for wheat, oilseed rape and beans as they were at the same point a year ago but around £10/t below 2020 values. Barley prices are expected to be lower but much depends on the size of the spring barley area and the state of the brewing and malting sectors. Currently winter malting premiums are lower for harvest 2020. LIFFE wheat futures for November 2021 are currently £151/t which is equal to forward prices at the same time last year for November 2020 futures. With variable costs lower than a year ago the net effect is a stable or lower gross margins for cereals of between +£16/ha (1st winter wheat) and -£116/ha (winter barley). Oilseed rape is expected to see a rise in gross margin (+£16/ha) due to stable prices but lower fertiliser costs. Actual gross margins will be determined by weather, yield, quality and price.

Soft wheat – Choosing wheat varieties rated Good for distilling in the SRUC List will provide access to both feed & distilling markets and several new varieties have widened the field available.

Barley/rye – Winter malting barley remains a small market in Scotland so high yielding/low input feed varieties remain the main focus. Winter rye for AD is an alternative in some areas though the sharp drop in the wholesale natural gas market has hit margins and prices they can pay for feedstock at some sites.

Oilseed rape – Margins improving on better prices.

Winter beans – Markets are small and erratic in Scotland. Pulse prices have been good in the last year. Some compounders use them otherwise they will trade farm-to-farm for cattle feed.

Whatever the crop, selling a safe proportion of the 2021 harvest before or as it is going in the ground helps pay for current seed, fuel and fertiliser costs. Grain sales can now be made beyond the planned UK exit from the EU single market on 1 January 2021. Given the uncertainties including the risk of a No-Deal exit and the loss of tariff protection on maize imports; selling some now to cover this period makes even more sense than usual to provide some security.

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	Winter wheat - 1st	Winter wheat - 2nd	Winter barley - malting	Winter barley - feed	Winter oats - milling	Winter rape	Winter beans
Grain price **(£/t)**	150	150	135	120	160	330	205
Yield **(t/ha)**	10.0	8.0	7.5	7.5	6.4	4.0	5.0
Straw	130	130	168	168	224	0	0
Output	**1630**	**1330**	**1181**	**1068**	**1248**	**1320**	**1025**
Seed	97	97	90	90	83	50	118
Fertiliser	211	211	197	197	149	181	40
Sprays	154	154	118	118	83	142	116
Other	13	13	14	14	16	28	40
Drying	78	62	39	39	50	16	39
Variable costs	**553**	**537**	**458**	**458**	**382**	**416**	**352**
2021 Gross Margin	**1077**	**793**	**722**	**610**	**867**	**904**	**673**
2020 Gross Margin	*1062*	*777*	*838*	*703*	*871*	*893*	*702*
Change	*16*	*16*	*-116*	*-93*	*-4*	*11*	*-30*

Covid–19 Seasonal Labour & Social Distancing

Seasonal Labour

With Covid-19 exacerbating the concerns over the impact of Brexit on the availability of seasonal labour for fruit and vegetable crops, the UK and the devolved Governments, National Farmers Unions and Recruitment companies have been working hard to help farmers recruit the necessary workers from the European Union as well the UK.

Recruitment

Under the 'Pick For Britain Campaign', the NFUS and NFU have dedicated webpages with location and contact details for farms looking for seasonal fruit and vegetable workers. The seasonal worker recruitment agency HOPS has launched an App Picker to connect farms and UK-based pickers. Lantra Scotland has launched a Skills Matching Service and Skills Development Scotland has launched a Job Hub to link up businesses and potential employees with relevant skills and experience. To help critical food supply sectors to run as smoothly as possible, The Gangmasters and Labour Abuse Authority (GLAA) are issuing temporary licences lasting up to three months. For Overseas workers – The Seasonal Agricultural Workers Pilot Scheme (SAWS) operated by HOPS and Concordia has been extended to allow farms to hire overseas workers for a period of up to six months until the end December 2020.

Social Distancing

While we are now familiar with the term 'Social Distancing' and the government requirement for physical distancing to reduce the transmission of coronavirus (COVID-19); it takes careful planning to ensure that everyone connected with a farming business is kept safe on a day to day basis.

Guidance for on-farm practices

The UK government, in consultation with industry, has produced guidance to help ensure workplaces are as safe as possible. The guidance covers 12 different types of work, 3 of which have particular relevance to farmers and growers:

1. Construction and other Outdoor Work
2. Vehicles
3. Offices and Contact Centre

Where farm vehicles are being used

- Ideally, limit their use to one person per vehicle or identify a dedicated 'Gofer' to limit the need for multiple staff using one vehicle.
- Equip each vehicle with hand sanitisers, disinfectant wipes, and disposable gloves.
- Ensure that all staff use masks/visors/gloves if multiple occupation of a vehicle is unavoidable.
- Keep windows open where practical.

For Farm office staff

- Consider staggered working times if office space does not allow for social distancing.
- Consider installing protecting screens to separate staff from each other/delivery drivers.
- Provide disposal cups/coffee sachets.

For Seasonal Staff

While the Science & Advice for Scottish Agriculture (SASA) have produced a practical Social Distancing Guide with regards safe working practices for Horticulture, Fruit and Vegetable sector; new farm staff should be given a simple visual reminder of the current 2m rule. The distance may be reduced on the 9th July in Scotland when the current legislation is reviewed. For staff living on farm, to reduce the risk of an outbreak of Covid-19, organise workers into groups based on who they work/live with; self-isolate groups for the first 14 days on farm, and seek to limit contact between groups thereafter. If possible, arrange online food deliveries to keep temporary staff away from the local community.

For up-to-date information on Social Distancing Regulations, please click on the relevant country:

Scotland **England** **Wales**

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Key economic data

General Indicators	
Base interest rate	0.1% (0.75% Mar '20)
ECB interest rate	0.00% (0.00% Sep '18)
UK (CPI) inflation rate	0.5% (target 2%)
UK GDP growth rate	-2.0% (Q1 '20)
FTSE 100	6,124 (25 Jun '20)

Price indices for April 2020 (Defra 2015 = 100)			
Output Prices		**Input Prices**	
Wheat	131.49	Seeds (all)	104.2
Barley	117.24	Energy	107.2
Oats	117.66	Fertiliser	95.4
Potatoes	144.65	Agro-chemicals (all)	128.0
Cattle and Calves	100.05	Feedstuffs	113.7
Pigs	126.05	Machinery R&M	111.9
Sheep and Lambs	121.21	Building R&M	111.1
Milk	112.70	Veterinary services	114.4

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