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News in brief

June 2020

UK restores import protection – for now

The UK government has released a new set of Tariff Schedules with increased import protection for most UK food products. This is good news as it means the UK will maintain import protection close to EU levels unless or until a trade deal is done with say the EU or the US. The UK government may still attempt to keep a lid on UK food prices through Tariff Rate Quota for example but details of planned changes there are not yet known.

The message for farmers is this buys time – protection from lower priced imports will not disappear or drop drastically on 1 January 2021 as was implied in the previous set of UK Tariff Schedules.

The not so good news is that the UK plans to negotiate this protection away in return for trade deals with the EU, US etc. Canada apparently walked away from discussing trade agreements with the UK before because they had already got most of what they wanted for free under the previous Tariff Schedule. This is Trade Negotiation 101 – you need something to give away if you want concessions in return.

However, it will take a lot longer than everyone is pretending – Trump can't sign off a trade deal in the time left before the US elections and we know typically trade deals take 5-10 years. The UK will have to do a deal with the EU in a much shorter time frame for economic necessity. But until we have an EU deal no other country will conclude trade talks with us – fix your trade terms with your largest trade partner before you move on to everyone else - again Trade Negotiation 101. *For more details please see the New UK Tariff article on page 10 of this month's edition.*

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Julian Bell

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UK Agricultural Bill

Brexit requires the UK to have a new agricultural policy, which will mainly be defined by the Agricultural Bill. At the latest reading, the majority of MPs voted against an amendment, new Clause 2, requiring new international treaties on the import of agricultural and food products to comply with World Trade Organisation safety rules and the UK's own standards. Those opposing the amendment did so because they thought it would stifle future trade deals with countries such as the US, Australia, New Zealand, etc. On the other hand, those for the amendment are concerned that by allowing imports into the UK that have lower standards it will make it very difficult for UK farmers to compete with lower priced imports.

After leaving the House of Commons, the Agricultural Bill will now move on to the House of Lords. Organisations and groups that have campaigned to protect the UK from lower standards of food imports will continue to seek amendments. Meanwhile Ministers insist that the issue of protecting food standards in post-Brexit trade deals will be dealt with in the forthcoming Trade Bill which is currently going through Parliament.

Although Covid-19 may have dominated the headlines for the past few months, behind the scenes, Brexit talks are still in full flow. How much progress is being made with the EU remains to be seen, but at the moment it would appear that sparks between the EU and UK negotiators are flying!

Key Dates

Tenant's Improvements Amnesty

The amnesty is a one-off opportunity to clarify, and have agreed for the record, the improvements which the tenant carried out and which in future will be discounted from the 'productive capacity' test for rent review, and on which compensation will be payable at waygo. A three-year period had been allowed for the process, whereby the landlord and tenant agree the list of improvements. This deadline, previously 12th June 2020 has been extended by six months to 12th December 2020.

2020 BES tissue tagging

BES participants who plan to sell their animals in September can be included in an early animal selection round by ensuring that the calving details for spring-born calves are recorded on their BES account by 9th June. Tags for this early selection will begin to be issued in early July with all being issued by the beginning of September.

Participants who do not wish to enter their data by 9th June remain subject to the scheme deadline of 15th July for recording calving data for calves born 1st January 2020 to 1st June 2020. A selection of these spring calves will be made in late July with tags starting to arrive in August and all tags arriving by 1st November.

FAS funded specialist advice

Scottish farmers and crofters can now apply for up to £1,000 of funding through FAS to engage a specialist adviser to help with woodland creation, without the need to complete an Integrated Land Management Plan (ILMP) first. Funding can be applied for at: https://www.fas.scot/specialist-advice/. In addition to this there is still £1,000 of funding available for a resilience plan, without the requirement for a prior ILMP. Something worth considering, if not already, to help farm businesses review their business and develop a post-Brexit/Covid-19 resilience action plan.

AECS contracts

From the middle of June, the Scottish Government will be writing to AECS contract holders whose contracts expire this year to offer them a one-year extension. Management of relevant options will therefore continue until December 2021.

Agricultural Survey Changes

June Agricultural Census

The Scottish Government will be conducting a voluntary June online survey to help assess the impact of Covid-19 on the agricultural sector. In previous years the June Census was collected by the end of June, the Scottish Government are currently revising how soon they can deliver this survey with a decision to be announced shortly.

Farm Structure Survey (FSS)

The Farm Structure Survey will be delayed until 2021 to help reduce the burden on farmers.

Cereal Harvest Survey

Instead of using surveys to produce a Final Cereal Harvest report, industry intelligence on predicted crop yields and other statistics will be used. These information sources are currently used to provide Initial Estimates.

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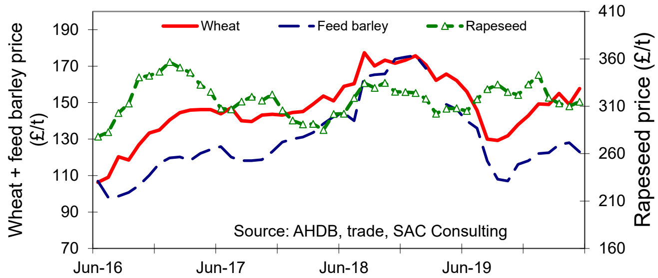
Higher stocks weaken world markets, drought supports European prices

Dry weather has continued to affect the UK and large parts of Northern Europe leading to falling yield estimates. Recently the European Commission cut 2020 EU wheat production estimate by 4.3mt (3.4%), from 125.8mt to 121.5mt (130.8mt in 2019).

Crop conditions in other global regions, however, have been more favourable leading to a rise in crop estimates for the coming harvest. In their May report the IGC raised their 2020/21 estimate of global grain supply by 12mt to 2,230mt and cut consumption 4mt to 2,2218mt. This leads to an estimated rise in stocks of 10mt to 627mt, reversing the small stock decline expected previously. Stocks-to-use ratios are also set to rise slightly in 2020 despite the 36mt increase in world grain use.

Scottish spot ex-farm grain and oilseed prices



- World expected to see larger grain harvest in 2020 – but drought lowering UK and EU crops.

Drought moves UK wheat prices to import parity despite record stocks

The latest supply and demand balance sheets for UK wheat released on 28 May indicate record UK wheat ending stocks. This has arisen due to the large crop in 2019, disruption to export trade due to Brexit uncertainty and more recently loss of demand due to Coronavirus restrictions. This would be negative for prices but has been overtaken as a factor by the low crop area and poor yield prospects for 2020 harvest. A wet autumn slashed sowings, and the driest May on record has left remaining crops facing lower yield potential.

In the UK, wheat futures prices have risen £4.50/t in the last month and the discount to French wheat futures has narrowed -£10/t from -£16.50 in April to just -£6.50/t at the end of May. This makes the UK uncompetitive in export markets as the grain may mostly be needed here in the UK if yields are as poor as expected. Farm incomes may suffer from the poorer yields but higher prices and a reduction in exposure to Brexit uncertainty in export markets may offer some offsetting benefits to UK farmers.

Malting barley – weather a major issue

Both Scotland and the UK had been expecting good barley crops but the chances of this are fading as barley crops in the East of Scotland and England suffer from the drought.

Demand for malting barley has been reduced due to distilleries closing. When and how quickly distillery demand picks up will be important for malting barley prices in Scotland. However, this is rapidly being overtaken as a market factor by the impacts from the dry spring.

Feed demand for barley is expected to grow across the UK and Scotland as beef and dairy forage supplies suffer from the drought – this coupled to a smaller barley crop could support feed barley prices.

Spring barley in England will already be inevitably higher nitrogen and of less value to distilling – around 200kt of English malt comes into Scotland for distilling. This means Scottish growers may see less competition for distilling markets from English barley come harvest, potentially supporting relative malting barley prices in Scotland. However, this will only fully benefit Scottish growers' incomes if they get significant rain in the next couple of weeks to support crop yield and quality here.

- Brewing and distilling demand remain weak due to COVID restrictions and economic disruption.
- But the dry weather in the UK and parts of Europe is now a significant issue affecting both feed, brewing and distilling barley potential output.

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Indicative grain prices week ending 21 May 2020 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal May

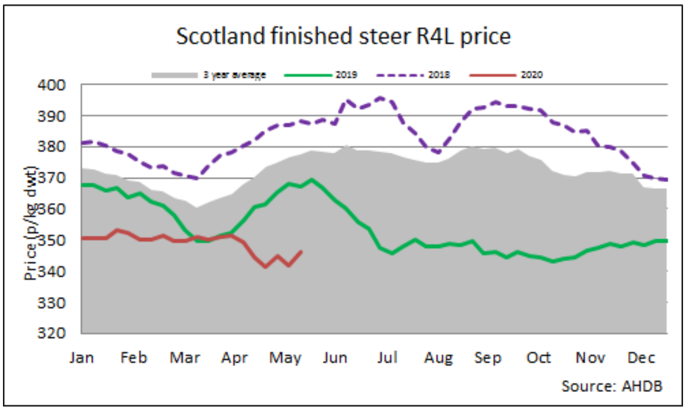
£ per tonne	Basis	May '20	Jun '20	Jul '20	Hvst '20	Nov '20	Mar '21	Nov '21
Wheat	Ex-farm Scotland	157.70	159.00	161.00	164.00	168.00	173.00	150.00
Feed barley	Ex-farm Scotland	123.00	124.00	125.00	125.00	130.00		120.00
Malt. barley- distil	Ex-farm Scotland				190.00			
Malt. barley- brew	Ex-farm England#					135.00	140.00	
Oilseed rape*~	Delivered Scotland		321.00		321.00	330.00		

It has been many months since there was last some positivity in the beef sector. At last, however, we are able to report some positive changes in the beef sector. While we must keep in mind that one swallow doesn't make a summer, the direction of travel in the beef price has been positive and the consensus of opinion is that further price increases are on the horizon. At the start of lockdown, several commentators were discussing the potential for prices to drop to the £3/kgDW mark. Thankfully this didn't materialise and we are now approaching the £3.50/kgDW mark.

In the last few weeks, the beef market has experienced a level of volatility, dairy farmers are becoming very used to this. Low value cuts, like mince and burgers are in high demand in supermarkets. Which has contributed to high prices (£2.70/kgDW) for cull cows, with whole carcases being used to produce mince. Prime cattle have benefitted from good mince demand but with low demand for prime cuts, the full value of the carcase has been under pressure. However, in the last few weeks, supermarkets have been actively promoting steaks and prime cuts. This has driven demand for these products and is responsible, at least in part, for recent price increases. With McDonald's committing to opening restaurants in the coming weeks, demand for beef is likely to increase.

What's happening across the water?

As our main source of imported beef coupled with the sizeable market share Irish companies have in UK slaughterhouses, what happens in Ireland has a significant and direct impact on the price we receive. Irish slaughterhouses have struggled to retain output as staff have contracted Coronavirus, some slaughterhouses have been labelled as Covid hotspots. With poor prices, bull beef has been hit particularly hard, many bulls have been cut and turned out to grass, creating a gap in the supply of prime cattle. Alternative export markets are beginning to open up again for Irish beef, meaning that less may be heading in this direction, for the time being.



With supply restricted and demand increasing, the price will naturally have to increase. Hopefully, the good weather forecast for the next few weeks and a relaxation of lockdown restrictions will also stimulate demand for beef and increase prices to sustainable levels.

Global trade uncertainty

At a time when we are under lockdown, consumers are shopping more locally, with provenance and story are hugely important to many. While the news is full of Covid 19 stories, the government has taken some significant steps to shape our post Brexit futures. A key amendment to the Agriculture Bill has been thrown out. This amendment would guarantee that any food imported into the UK would have to meet our strict standards of production. By passing the Bill without this amendment, the future for Scottish beef farmers has become less certain. There is now a real threat of cheaper, substandard product being imported from across the world. We've all heard the stories about chlorinated chicken and hormone beef. As a country, we now have options, reduce our standards in a bid to compete on a global stage, where the scale of Scottish production is minuscule or work hard to differentiate our high value product from cheap imports. We regularly hear that "Scotch beef is the best in the world," over the coming months, it's time for beef farmers to walk the talk and ensure that what we are producing is truly world class.

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Scotland prime cattle prices (p/kg dwt) (Source: drawn from AHDB 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
2 May 20	344.8	3.3	1.5	340.5	2.4	-2.8	333.7	13.9	266.6	237.8
9 May 20	341.6	-3.2	1.8	339.2	-1.3	-0.6	332.2	7.9	267.3	239.9
16 May 20	346.3	4.7	5.0	343.9	4.7	2.6	341.3	8.8	274.1	246.0

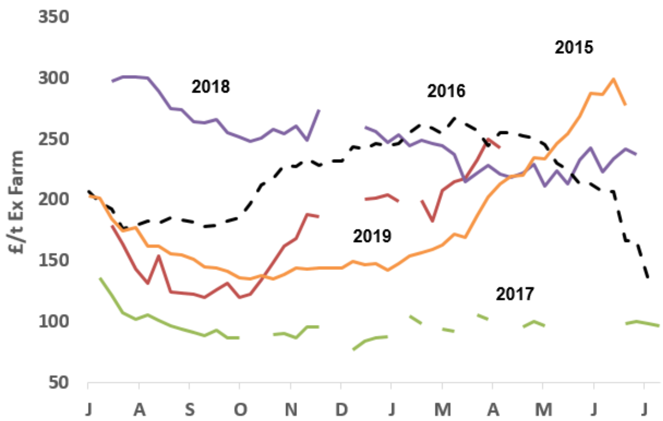
The finished cattle base price quoted by a buyer may be significantly different from the national average deadweight price presented above as these are averages of both commercial and premium cattle, reflect variation between processors and any bonus payment differences.

Market price update

- *The GB Weekly Average Prices for the week ending 16th May was £202.39/t for free-buy and contract purchases*
- *There were no weekly average free-buy prices reported for the week ending 16th May. The latest weekly average free-buy price reported on w/e 2nd May was £225.50/t*
- *Compared to the previous reported figures on 9th May, contract and free-buy purchases were down by £10.62/t*

Crop Year 2018/19	16 May	9 May	2 May
Average Price (£/t)	202.39	213.01	206.49
AVP change on week (£/t)	-10.62	+6.52	+0.49
Free-Buy Price (£/t)	-	-	225.50
FBP change on week(£/t)	-	-	-

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



Trading Season July - July Source: AHDB

Market Overview

The shockwaves of Covid-19 continue to ripple throughout every business and household across the world, and as we look into the horizon taking small steps into a 'new normal', it is only inevitable that the world will be in a very different place to that we remember. For consumers, the things that mattered only a few weeks ago, like holidays, cars, and weekend treats, are much less relevant than they were. Health, family, money, community, and crucially food have rocketed to the top of people's list of priorities.

The potato industry is also adapting to the shockwaves caused by Covid-19 as we look beyond lockdown and into the 'new normal'. Across much of the UK, free-buy trade has steadied as packers are able to utilise contracted material to cover orders. Now that retail demand has returned to 'normal levels', there is less need for packers to top-up with free-buy material. There are reports of high volumes of potatoes in the chipping and processing sectors due to very limited demand in the food service sector. There is optimism that the gradual easing of lockdown restrictions and reopening of some businesses within the food service sector will increase stock movement, but movement is likely to be slow and may not reach the same levels experienced before the country went into lockdown. For demand to increase, there needs to be a widespread reopening of foodservice outlets, including chip shops across seaside and coastal areas, but with lower footfall due to social distancing guidelines, many are likely to operate at reduced hours to make it economically viable.

With a surplus of chipping and processing material in the market, these stocks continue to be sold to packers where quality and skin finish allows. This is likely to continue throughout the remainder of the season and may well dampen free-buy prices going forward. Prices for top quality packing material remain strong despite demand easing to more consistent levels, and Piper continues to see strong demand with its well-recognised name being attractive to consumers.

In Scotland, grade 1 Piper is trading around £225/t ex farm, with a high of £280/t ex farm. Grade 1 Whites are trading around £180/t ex farm, with a high of £260/t ex farm. In England, grade 1 Piper is trading around £250/t ex farm, with a high of £350/t ex farm for particularly good packing material. Grade 1 Whites are trading around £230/t ex farm with a high of £385/t ex farm. There is quite a wide variance in prices due to differences in varieties and quality, with poorer quality packing varieties and chipping varieties being purchased at a low of £135/t ex farm.

In the East of England bagging trade, Agria is trading around £130/t ex farm, with a high of £150/t ex farm, Piper is trading around £120/t ex farm with a high of £200/t ex farm, Markies is trading around £125/t ex farm with a high of £150/t ex farm, and Sagitta is trading around £155/t ex farm with a high of £170/t ex farm. In the West of England, chipping whites are trading around £155/t ex farm. There are no prices reported for bagging material in the South of England or in Scotland. In the processing market, peeling piper is trading around £70/t ex farm with a high of £120/t ex farm, and whites are trading around £65/t ex farm with a high of £100/t ex farm. There are some reports of processing, fresh chipping, and packing white stocks being exported to Ireland at around £125/t ex farm and a high of £140/t ex farm.

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Lambing 2020

A great start to the year for many but more rain needed through much of Scotland. Many are battling with the balance between grazing silage land and good grass for ewes and lambs. Well stocked farms may look to offload stock to ease the pressure: consider selling any excess hoggs, poor performing ewes or single lambs with decent fat cover. Alternatively, look out for opportunities to graze hoggs or ewes and lambs off farm. Creep feeding is another option, but I would doubt whether the benefits would offset the costs for lambs now if they won't hit market within a month.

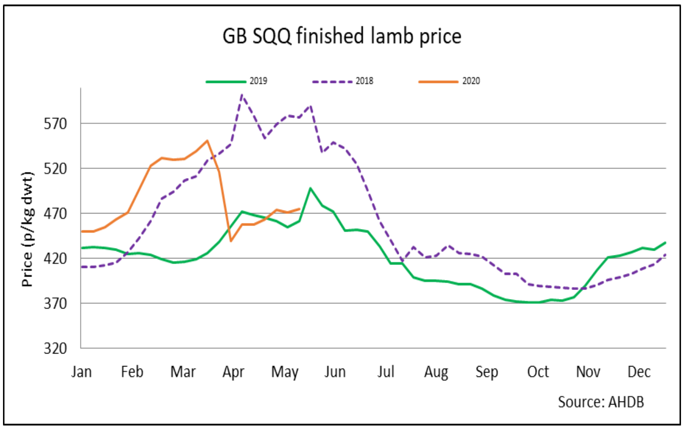
From Hogget to New Season Lamb

At time of writing (21st May) hogget was still making up around 50% of the throughput in Scottish abattoirs as we begin to see New Season Lamb coming through. Deadweight price is tracking quite closely with 2019 which isn't too bad given the circumstances. Ramadan ending and the feasting festival, Eid al-Fitr on 24th May will have helped – a good start to the season.

Supermarket sales of lamb is down 23.9% on the year (AHDB Weekly Retail Tracker, week ending May 10) – the sales of roasting joints have suffered most but mince and steaks are doing OK. Strong butcher and farm shop trade is boosting trade through the ring. New Zealand lamb trade will be back focusing on China, therefore, things are not too bad for lamb trade so far.

Industry challenges

The trend for cheaper, more convenient cuts puts pressure on the premium cuts, which will impact price per kilogram. Two horsemeat shipments were seized in Europe in early May, supporting fears of a potential surge in food fraud during the pandemic.



A big knock to the situation has been the passing of the Agricultural Bill which did not take on the industry's urges for amendments to ensure trade deals meet the same high production standards that are in place on UK farms. The subsequent Trade Bill (20th May) has not addressed this issue. As they say, there will be winners and losers in this situation, I fear the competition to our high welfare Scottish red meat will be detrimental to trade.

Looking ahead

At 90p/euro, the pound has weakened which bodes well for export sales. Smooth trade into France is key and should keep us tracking with 2019 prices up to July at least. However, as supply floods the market combined with lockdown measures and effects on disposable income, this trend may not continue.

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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
2 May 20	**477.5**	9.4	-1.5	2.3	**212.0**	-4.9	4.8	12.2	73.83	69.87
9 May 20	**474.1**	-3.4	-1.0	0.1	**217.9**	5.9	14.3	11.6	76.02	74.80
16 May 20	**482.7**	8.6	1.2	0.8	**260.9**	43.0	-0.5	19.4	78.80	77.03

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

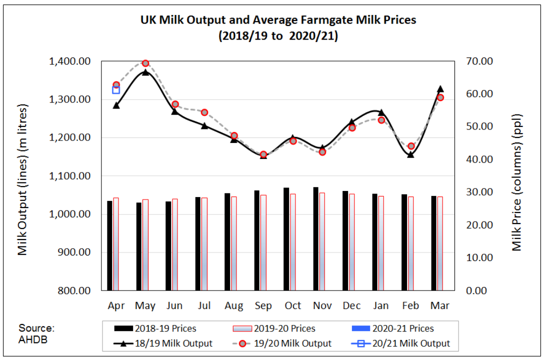
UK milk output down for April '20

- *UK milk output for April 2020 is estimated at 1,324.75m litres - down 14.33m litres on April 2019 output*
- *Annual production for the 2019/20 milk year is revised to 14.964bn litres. This is the highest UK milk output on record*

The latest milk production figures from AHDB show that UK monthly milk output for April 2020 is estimated at 1,324.75m litres (before butterfat adjustment). This is 14.33m litres lower than April 2019 output when UK production for the month reached 1,339.08m.

The slight dip to April production bears little relation to production trends of last year. 2019/20 was certainly another high output year; for the twelve months ending 31st March 2020, UK annual production is estimated at 14,964.82bn litres. With fewer producers and fewer dairy cows, average yields must be soaring. No doubt we will hear more about this at a later stage, once the statisticians have crunched some more numbers.

Conditions for grass growth have been favourable up until the end of April 2020 but with many areas experiencing little in the way of any significant rainfall since mid-April, grass yields are starting to drop. If the dry weather persists much longer, there may well be an impact on milk yields further along the line.



The UK average milk price for March 2020 is estimated at 28.63ppl (0.26ppl lower than the average price for March 2019). The average milk price for February 2020 has been revised to 28.67ppl.

Milk prices for June 2020

Price announcements for June 2020 include:

- Arla Foods amba – Arla is to hold its member milk price for June 2020. The liquid standard litre price will remain at 28.78ppl, whilst the manufacturing standard litre will remain at 29.89ppl. Both prices are based on a new pricing structure which takes account of a Climate Check bonus for submitting environmental performance data.
- Marks & Spencer – Aligned M&S supplies will receive a reduction of 0.61ppl from 1st June 2020. This takes the liquid standard litre price down to 31.72ppl.
- First Milk – FM has confirmed a hold on May 2020 prices into June. This means that the liquid standard litre prices remain at 26.75ppl and the manufacturing standard litre remains at 27.63ppl.
- Müller – May milk price (26.00ppl) will be held until at least 1st July 2020 (see table below).

Annual Average milk price estimates for June 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	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]	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.*

Müller lift 3% reduction obligation

As from 22nd May, Müller has released suppliers from the company's request to reduce milk supplies by 3% during April and May. The initial request for suppliers to reduce production was made on 8th April in response to the collapse of food service markets and the wider impacts of COVID-19. Whilst this latest announcement is certainly very welcome, Müller stress that suppliers should not invest in extra milk supply at this time.

GB dairy farm numbers decline

The latest producer numbers for the UK are shown in the table below. Recently, AHDB have reported a further drop in GB producer numbers. According to AHDB, producer numbers in GB are now estimated at 8,380 for April 2020 with the average farm producing 1.5m litres per year.

	Eng & Wal	Scot	NI	UK
June 2017	9,406	918	2,636	12,960
June 2018	9,304	902	2,545	12,751
June 2019	8,735	888	2,586	12,209

Wholesale prices show partial recovery

After significant levels of disruption to dairy markets during March and April, the situation has shown a degree of improvement during the latter half of May as some European markets begin to re-open.

UK dairy commodity prices (£/ tonne)	May 2020	Apr 2020	Nov 2019
Butter	2,600	2,390	3,180
SMP	1,750	1,730	2,130
Bulk Cream	1,170	900	1,550
Mild Cheddar	2,900	2,880	2,830
UK milk price equivalents (ppl)	**May 2020**	**Apr 2020**	**Nov 2019**
AMPE (2014)	24.56	23.33	31.14
MCVE (2014)	30.49	30.11	30.20

Source: AHDB

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The 'New Normal'

Not only has Covid-19 brought about unprecedented changes to our daily existence; it is peppering our everyday language with new 'Covid-19' lingo. Before the 23rd March 2020, 'Self-Isolating' and 'Social Distancing' were not part of our everyday vocabulary, and as we start our 'Roadmap' out of 'Lockdown', we are entering the era of the 'New Normal'. For farmers, 'Working from Home' is not a new concept but 'Elbow Bumping' your way around the Auction mart ring might take some getting used to!

Demand for Meat & Dairy

From a producer perspective, lockdown has changed consumer habits with the percentage of households buying meat rising from 67% in April 2019 to 71% in April 2020 (AHDB); butter sales due to home baking are up 43% on the year, and cheese by 30%. The recent summer like weather has boosted retail sales of cream and ice cream, and bizarrely, Google searches for cream tea deliveries rose by 750% in May 2020, highlighting a new diversification opportunity for any farm shop/café adjusting to the 'new normal'.

Food Service Sector

As lockdown starts to ease, for those in the food service sector unable to open on a take-away/delivery basis/able to create socially distanced dining space outside, their future survival is becoming increasingly uncertain. Even for those who resume trading this month, their longer-term fate will depend on what percentage of capacity they can safely operate at, how quickly consumers will return to 'old' dining out habits and how much consumers can afford to spend.

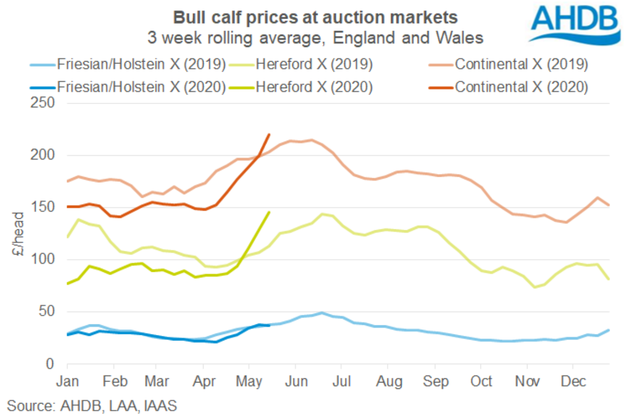
Supporting British Farmers

As the COVID-19 crisis has forced supply chain planners to make smart and fast decisions to respond to the disruptions happening across global supply chains; supermarket marketing campaigns like M & S's *Supporting British Farmers* and Morrison's instore *Steak & Seafood Bars* are seeking to balance supply and demand for British produce.

Further marketing support for the Scottish Red Meat sector comes in the form of QMS's *Make It* TV advertising campaign which aims to inspire consumers to create restaurant-style meals in the comfort of their own home, and to support the UK dairy industry, AHBD, Dairy UK and the Devolved Governments have launched *Milk Your Moments* through social media.

Bull Calves

While prices for pure bred dairy bull calves are similar to last year, since the start of Covid-19, demand and prices for cross bred bull native and continental calves have been on an upward trajectory as shown in the chart below. This is partially due to dairy farmers faced with being told to scale back production or dump milk, coupled with a rise in deadweight cattle prices, have opted to retain calves that they would normally have sold or bought in calves to rear on surplus milk. With pressure mounting from dairy companies for bull calves not to be destroyed, dairy cross calf enterprises may become the 'new norm' for some dairy producers looking to build in a buffer between peak production and contracted delivery schedules.



Schools – Blended Learning

When the Scottish schools re-open on the 11th August 2020, 'Blended Learning' will be the 'New Normal' for families with nursery and school aged children, with the school week becoming a mixture of part time in-school learning for pupils, and part time remote learning, in order to comply with social distancing regulations.

For the farming community, 'Blended Learning' is probably a much better linguistic choice than the alternative, 'Hybrid Learning' as budding stockpersons could have been very disappointed that their school day did not revolve round breeding catalogues! However, on a more serious note, for farmers and their staff juggling work, school runs and home schooling commitments, it is going to be challenging, even if non-farming partners can still work from home. Subject to social distancing rules, developing a community based approach may help to retain staff and preserve everyone's sanity until the 'old normal' is re-instated.

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Soil Carbon Sequestration

Carbon emissions have become a hot topic across all industries over the last few years, and agriculture, contributing to 23.9% of Scotland's greenhouse gas emissions (ScotGov, 2017), is no exception to the discussion. Unlike other industries, agriculture is recognised in playing an important role in managing the landscapes, including having both positive and negative carbon flows. In the content of policy debates about a new system of 'public money for public goods' farmers are understandably keen to have clear recognition of their role in managing carbon and the environment. However, quantifying these interactions is challenging, due to the complexity of interactions between agricultural management practices and existing environmental systems; SRUC continues to work at the forefront of research in this area.

The carbon cycle and carbon stocks

The key to begin assessing impact of agricultural emissions is to separate agricultural management practices from existing natural environmental practices. The carbon cycle in agriculture involves the conversion of CO_2 in the atmosphere, to carbon in plant biomass through photosynthesis, then animal biomass through grazing, and soil carbon through plant and animal waste deposits; this in turn is recycled into the atmosphere through plant degradation and soil bacteria activity, creating a balanced cycle.

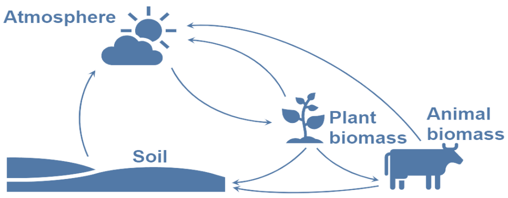

Figure 1: The carbon cycle

Carbon stocks refers to the level of carbon within an area of land under the natural carbon cycle, and stocks are determined by various natural factors such as soil type and climate; these carbon stocks are static and determined prior to any effect of land management, such as agricultural use.

Interactions between agriculture and carbon stocks

However, agricultural and other land management practices can have an impact on whether these carbon stocks are maintained, increased (i.e. sequestration), or reduced (i.e. loss) through how the components of the carbon cycle are managed, such as through land use, management and inputs.

Carbon sequestration can occur over time when agricultural practices increase the soil carbon stocks. Just some examples of practices that may do this include improving grassland sward, decreasing grassland density, optimising manure application, or reducing tillage effects on soil.

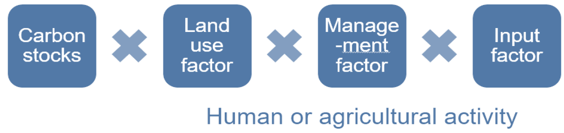

Figure 2: Calculating carbon impacts of agriculture

It takes approximately 20 years for these new management practices to improve the soil carbon to a higher level of carbon stocks (based on IPCC[1] standards), therefore practices need to be implemented continually over and beyond this to maintain the improved level of carbon stocks.

While soil carbon sequestration is an important process to recognise and quantify in agriculture, it cannot be seen as the silver bullet to offset all emissions from production systems.

Reducing emissions is as good as carbon sequestration

While the potential for carbon sequestration of grassland may not be sufficient to offset farm emissions, reducing farm emissions can still have a significant impact to improving your farm's carbon footprint. Improved efficiency measures can reduce carbon by 10-15%, as well as potential cost savings, so knowing and managing your carbon footprint is a good tool for building future business resilience; low carbon farms are efficient farms.

Carbon is a business issue

Increasing interest, from not just policymakers but retailers and large commercial farms, as well as finance institutions and input manufacturers, shows that the industry is responding to incentives to disclose environmental impact of production within supply chains and to the end consumer. The consumer may sometimes seem a long way from the day-to-day life of a farm, but there are more close-to-home ways that carbon is important for the farm business.

You can request a fully-funded carbon audit of your farm or croft via the FAS website, to see where performance improvements and savings can be made.

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New UK Global Tariffs

Since the UK left the European Union on 31 January 2020, the Department for International Trade (DIT) has been preparing the UK's first independent tariff policy in almost fifty years. The UK's new Most Favoured Nation (MFN) tariff regime, to be known as the UK Global Tariff (UKGT) comes into effect on 1 January 2021. This will replace the EU's Common External Tariff (EU CET) which applies until 31 Dec 2020.

In World Trade Organisation (WTO) nomenclature 'The Most Favoured Nation' is somewhat of an oxymoron in that it suggests special treatment for trade with a single country, but in fact it actually means non-discrimination. Each member of a trade agreement treats all the other members equally as 'Most-Favoured' trading partners. If a country improves the benefits it gives to one trading partner, it has to give the same "best" treatment to all the other WTO members. Unless of course a preferential arrangement or Tariff Suspension applies. MFN tariffs do not apply to goods from developing countries with Generalised Scheme of Preferences (GSP), or to goods from countries with which the UK has a Free Trade Agreement (FTA).

UK Global Tariff (UKGT)

Jargon aside; the UKGT aims to support the UK economy by making it simpler, easier, and cheaper for businesses to import goods as well as keeping prices down and increasing consumer choice. From 1 Jan 2021, 60% of trade will come into the UK tariff free on WTO terms or through existing preferential access. Tariffs have been simplified, streamlined, and in some cases scrapped to ensure that UK businesses can compete fairly with the rest of the world. The UKGT tariffs will be in sterling, not euros.

Current Agricultural Tariffs

Currently, as part of the EU's Common External Tariffs, the UK applies a range of complex agricultural tariffs including:

- Ad Valorem – Fixed % on the value of the goods.
- Specific Tariff – Monetary charge per import unit.
- The Meursing Code (tariffs linked to sugar/starch/fat/protein content).
- The Entry Price System (linked to price of fruit & veg).
- Tariffs based on seasonality and/or period of sale.

UK GT - Implications for Agricultural

The new UK Global Tariff Schedule will:

- Move to single % tariffs with minimum and maximum parameter set for specific goods or the percentage component will be simplified through banding.
- Remove threshold related tariffs.
- Remove EU Entry Price System & Meursing Code.
- Simplify seasonal tariffs to reflect UK production.

Tariffs will be cut on over 100 products to back renewable energy, energy efficiency, carbon capture, and the circular economy. The examples of the UK GT Agricultural Tariffs in the table below show that, in general, the UK will maintain import protection close to EU levels, if there is no other trade agreement in place.

Product	EU Tariff €/100 kg	UK GT £/100 kg
Frozen Bovine Carcases	12.8% + 176.80	12% + £147
Fresh/Chilled Beef	12.8% + 303.40	12% + £253
Frozen Lamb Carcases	12.8% + 128.80	12% + £107
Fresh/Chilled Lamb Carcases	12.8% + 171.30	12% + £143
Fresh/Chilled Fowl	102.40	£85
Domestic Swine Hams/cuts	77.80	£65
Prepared/Preserved Meat	75.00	£62
Cheddar	167.10	£139
Milk & Cream by Fat Content <=1%	13.80	£11
Whey and Modified Whey	167.20	£139
Barley (Excl Rolled barley grains)	93.00	£77
Wheat	95.00	£79
Fresh Eggs	30.40	£25
Fresh/Chilled New Potaotes Jan-June	9.60% (01 JAN-15 MAY), 13.40% (16 MAY-30 JUNE)	8.00%

Source: Scottish Government Exchange Rate 1€:£0.8367.
Rates = or > £10 rounded down to the nearest pound.

The table shows that one of the greatest degrees of tariff simplification will be in the potato sector. Eggs have been given a degree of protection given earlier indications of a zero tariff. Although, the beef and sheep sectors have retained a Compound Tariff; a further review of Tariff Rate Quotas is expected.

Given that one of the UK's priorities is to launch further negotiations with the EU, the US, Australia, New Zealand, and Japan, the newly documented 11,831 UK Global Tariffs may simply be a 'Starter for Ten' or 'Trade Negotiation Room101' for future trade agreements with the EU and rest of the World!

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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	0.8% (target 2%)
UK GDP growth rate	-2.0% (Q1 '20)
FTSE 100	6,066 (26 May '20)

Price indices for March 2020 (Defra 2015 = 100)			
Output Prices		**Input Prices**	
Wheat	129.22	Seeds (all)	110.0
Barley	115.10	Energy	116.0
Oats	116.37	Fertiliser	92.6
Potatoes	145.25	Agro-chemicals (all)	129.0
Cattle and Calves	101.30	Feedstuffs	113.4
Pigs	128.23	Machinery R&M	111.6
Sheep and Lambs	141.73	Building R&M	111.1
Milk	117.04	Veterinary services	114.3

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