Farm Advisory Service

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September 2017

News in brief

Euro up, pound down

One of the most positive factors supporting ex-farm commodity prices right now is the weakness of sterling against the euro. The pound recently dropped to its lowest level against the euro since October 2009.

The value of UK BPS farm payments will be determined by the average exchange rate between the pound and the euro during the month of September. Currently, sterling is at 92p to the euro, 8% weaker than one year ago. Farmers can choose whether to cross their fingers and hope that the pound's demise will continue or lock the rate in now.

Much of the pound's misfortune is linked to the slow progress of divorce talks between the EU and UK. Current indicators suggest talks will fail to make enough progress by the EU summit in October for EU leaders to permit discussions to move on to matters of trade. This is expected to be negative for the pound unless agreement suddenly emerges!

Looking further ahead however, there are reasons to believe that the pound may become undervalued. There is growing support within the Tory party and wider UK parliament for a transition deal to bridge the gap between the UK leaving the EU in March 2019 and the signing of any new Free Trade Deal with the EU. Labour has also signalled their intention to consider staying in both the customs union and the single market. Even top-EU negotiator Michel Barnier has suggested the UK remains nostalgic for the single market which is no wonder as we were instrumental in setting it up!

In the end it seems likely that economic necessity will prevail and the UK may stay close to the EU single market certainly during a transition phase. Once some certainty emerges the pound could recover sharply though as ever, the timing of this, based as it is on politics, is impossible to predict.

Next month….

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Changes to EFA requirements for 2018

New greening guidance for 2018 has now been published by the Scottish Government detailing changes to the EFA requirements that will be implemented from 1st January. The updated guidance and details of the new rules is available at https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/basic-payment-scheme/greening-guidance/greening-guidance-2018/. A summary of the main changes are as follows:

Inclusion of hedges as an EFA option. Hedges that are up to and including 3m wide from the centre of the hedge and have a length of at least 20m or a length of less than 20m where it meets another hedge at each end can count as EFA hedges. EFA hedges are linear features, if claimed in its entirety each linear metre will equal 10m^2 of area for EFA, if the hedge forms a boundary each linear meter will equal 5m^2. EFA hedges must also be located on, adjacent to, or within 5m of arable land or be contiguous to a claimed EFA option.

Inclusion of Agro forestry as an EFA option. Agro-forestry planted under a Forestry Grant Scheme on Basic Payment Scheme eligible, arable land since 1st January 2015 can count as an EFA agro-forestry option. Each ha of eligible agro-forestry will be equal to 1ha of EFA.

Fallow land eligibility and maintenance of drainage on EFA fallow. Five year old temporary grass claimed as TGRS5 in 2017 can be claimed as EFA fallow in 2018 and existing field drains can be maintained in the period 15th January to 15th March.

Ban on the use of Plant Protection Products on EFAs options. Pesticides are not permitted on EFA fallow land during the fallow period; EFA nitrogen-fixing crops from establishment until after harvest; EFA catch crops from the date of harvest of the nurse crop until 31st December; EFA cover crops from establishment until 31st December.

Changes to catch crop and green cover options. The main crop must be undersown with an EFA catch crop i.e. recognised grass seed mix in the Spring and EFA green cover must be established by the 1st November. In addition, red clover and white clover now count as two separate green cover crops.

Changes to EFA Nitrogen-fixing crops options. Mixtures of nitrogen-fixing crops with other crops are now permitted, as long as the nitrogen-fixing crop accounts for more than 50% of the seed weight. Red clover and white clover also count as two separate nitrogen-fixing crops.

Merging of EFA field margins and buffer strips to create an EFA margins option. The EFA margins can be cut and grazed after 15th July but it can only be grazed if it does not contain or is adjacent to a watercourse. EFA margins must also be located on, adjacent to, or within 5m of arable land or be contiguous to a claimed EFA option.

These changes follow a pledge earlier in the year by Rural Economy Secretary Fergus Ewing that he would make a number of changes to the greening rules for 2018 or have been identified under the EU Commissioners Simplification Agenda. So, are the rules simpler? Whilst, banning the use of plant protection products on nitrogen-fixing crops will not be welcomed, most of the changes relating to the other EFA options are more favourable.

Brexit paper on availability of goods

The UK Government has recently set out proposals regarding the continuity in the availability of good for the EU and the UK, aimed at providing legal certainty, while avoiding disruption to businesses and consumers. The 'position paper', available at: https://www.gov.uk/government/publications/continuity-in-the-availability-of-goods-for-the-eu-and-the-uk-position-paper calls for:

- Guarantees that goods already on the market, before exit day, can continue to be sold in the UK and EU, without any additional requirements or restrictions i.e. "freest and frictionless trade".
- Products that have been authorised for sale in the EU, should remain valid in both markets after exit, thereby avoiding unnecessary duplication of compliance conditions.
- Market surveillance and enforcement authorities should continue to have access to information about unsafe products, such as medicines and food, and mechanisms to take action with respect to non-compliant goods.

Having a transitional deal that maintains as free and frictionless trade as possible would be reassuring, however at the moment Brussels is refusing to discuss future arrangements, such as trade, until citizens' rights, financial settlement and the Northern Ireland border have been settled.

As another month slips by, the two year timeframe that commenced in March is getting considerably tighter and we are not really much further forwards to knowing what sort of deal will be struck.

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Cereals and Oilseeds

Big crops, get bigger

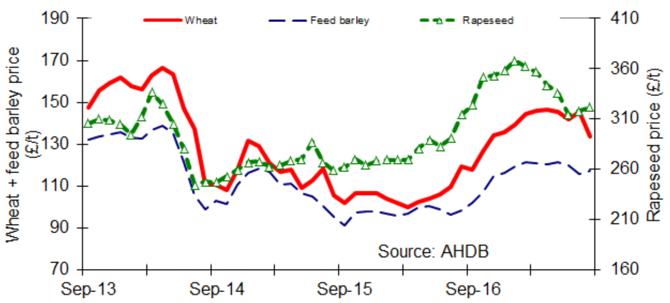
World cereal crop estimates have risen further in the last month pressuring global values lower. US maize and soya crops avoided severe heat, supporting yield estimates while Russian grain output estimates continued to climb. UK values have fallen too but this has been partly offset by the weakness of sterling against the euro, now at the lowest level since 2009.

In their latest estimate the USDA raised 2017/18 global cereal crop forecasts 3mt to 2057mt while usage was unchanged at 2,086mt. Ending stocks rose 4.3mt to 488.5mt still well down on the 521.9mt in 2016/17. There were significant changes within individual grains. Global wheat output rose 5mt due to a large (8.6mt) increase in Russian output offsetting lower US, EU and Canadian crops. World wheat stocks are set to climb to a record 265mt, up 6mt. Feed grain balances were little changed and remain on track for a drawdown in global stocks, expected to fall 35mt to 228mt due mainly to a lower US maize crop.

UK LIFFE wheat futures for November 2017 were at £139.60/t on 25 August, a fall of £5.40/t on a month before.

- World cereal supply looking secure for another year, though small drawdown in stocks may offer some limited price support
- Sharp rise in Russian grain exports a major downward price pressure point this harvest

UK spot ex-farm grain and oilseed prices



UK harvest update

In the UK, harvest reports from ADAS and AHDB indicate average to good yields for most cereals and oilseed rape. Cereal quality appears rather mixed; the bulk of the earlier cut milling wheat retains good hagberg levels, later cut wheat crops in the south, west and midlands appear to have suffered a decline in hagberg. This suggests there may be enough milling wheat for domestic use and so far UK bread milling premiums remain relatively low at £10/t over feed. However, average quality of export wheat may be lower than last year's excellent quality. Overall this would tend to pressure feed wheat values lower relative to other origins. However, the UK wheat export surplus looks very small at between 0.5mt and 1mt. This is further indicated by the fact UK wheat stocks in June 2017 were reported 48% lower at 1.4mt (2.7mt in '16).

There have also been reports of some germination issues in spring barley in the west and midlands, though how significant this is remains to be seen, given the increased sowings in England this year it may not be sufficient to threaten overall availability. UK barley stocks were reported down 34% in June 2017 at 0.51mt (0.77mt).

- Small UK wheat surplus expected, quality appears lower than last year but not drastically, net result; UK not under high pressure to export

Scottish harvest update

The weather has been particularly trying with frequent rain in many areas, however, crops have been slow to ripen allowing time for combines to keep up. The winter and oilseed rape harvests have been completed with generally good yields. There has been a late start to the spring barley harvest. In some areas the wheat has been ready before the spring barley. There are also issues with green grains and uneven crop growth in spring barley. Overall yields appear average to above in some areas with quality so far appearing reasonable in earlier cut crops. The industry awaits more complete harvest results before overall availability and quality can be determined. The overall European malting barley balance is also unclear at present while harvest tonnages and quality are assessed. This in turn is slowing the pricing of malting barley on unpriced contracts.

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Indicative grain prices week ending 25 August 2017 (Source: SAC/HGCA/trade)
'* Before oil bonus, # Ex-farm England spring max 1.85%N, ~ nominal

£ per tonne	**Basis**	**Hvst / Sep 2017**	**Nov 2017**	**May 2018**	**Nov 2018~**	**Nov 2019~**
Wheat	Ex-farm Scotland	138.50	140.00	148.00	145.00	148.00
Feed barley	Ex-farm Scotland	118.60	120.00	126.00	120.00	123.00
Malting barley#	Ex-farm England	154.00	157.00	-	154.00	-
Oilseed rape*	Delivered Scotland	325.00~	330.00~	-	322.00	

Rain doesn't finish cattle

Demand may have dipped as summer holidays and rain limit BBQ season but the same weather has slowed finished cattle to market – roughly balancing itself out and avoiding a drop in price.

While rain may now stimulate grass growth further south, and cattle off grass, a prolonged harvest, northwards, will deflect attentions away from cattle. Supply is liable to tighten again with some of those cattle sheds needed to tip grain.

That is why, although, processors may want price to cool, few are willing to risk shaving more than a few pence off. That could affect supply heading into autumn. Nobody is talking the market down. Any price movement would remain limited. Some processors have actually increased price slightly depending on their portfolio of clients and demand for different product lines and cuts.

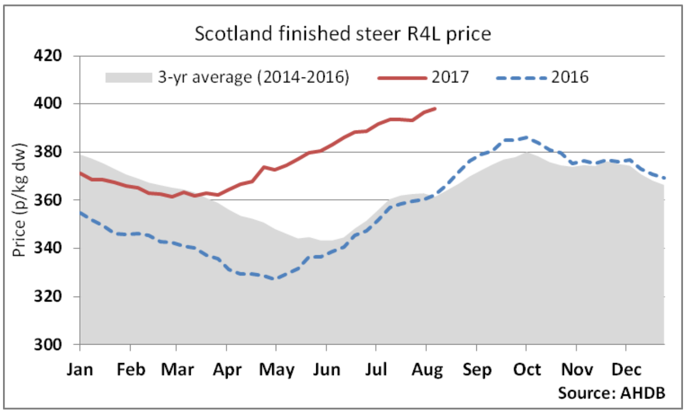
The finished cattle price sits around 385-390p/kg dwt plus potential bonuses for meeting other specification requirements. This means a commercial R4L steer can gross over £1,482/hd at 380kg ccw, which is over £100/hd higher on the year for the equivalent carcase.

Price has stabilised or even crept up over August and expectation is that this will broadly continue. Demand for Scheme and organic cattle also remain strong, with organic cattle reaching 500p/kg dwt– an excellent premium for late summer.

The number of cull cows remains similar on the year although there is an opinion that dairy culls will fall away into autumn, encouraged to put cows back in calf as a result of an improved milk price.

What sort of beef industry?

At some point, bureaucracy becomes more expensive than its intended benefit but what type of industry would there be in the UK without those same standards. How much lower could GB production costs really get even in the complete absence of quality assurance checks, cattle traceability legislation and subsidy driven administration?



They consume considerable time and worry (ensuring things are done properly). Nonetheless, in cold pounds and pence, their affect is probably much less than anyone might hope. Indeed, quality assurance attracts a price premium.

While there are always lessons to learn and efficiencies to make, going toe to toe on price alone with the '*ranch and cheap grain feedlot*' model is not an option.

Does the industry not need a unique selling point that differentiates from negative connotations like the rotten meat scandal, the use of growth hormones and prophylactic use of antibiotics, not to mention the GM feed debate? All of these raise questions of who we are as a nation (producers and consumers) and who we want to be.

More expensive cereals

If you have storage capacity, (and available cash) consider buying cereals off the combine this year. There always tends to be a small discount available locally, which will be significant if cereals steadily increase in price over winter. Feed barley is already £20/t more expensive on the year. Buying off the combine also provides options of how to treat and process (depending on the moisture content). Paying a premium for dried grain that then requires more energy to process and is much more likely to shatter into a dusty meal once through the mill is not cost effective or nutritionally ideal.

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Prime cattle prices (p/kg dwt) (Source: drawn from AHDB data)

	E&W			Scotland			E&W		Scotland
	South R4L Steers	North R4L Steers	North -U3L Y. Bull	R4L Steers	R4L Heifer	-U3L Y. Bull	South -U4L Steers	North -U4L Steers	All -U4L Steers
29 Jul	381.5	383.0	362.7	393.1	394.9	385.0	375.9	377.0	392.9
5 Aug	380.0	382.5	366.5	393.6	395.9	386.7	381.4	374.0	398.1
12 Aug	380.6	384.2	363.0	397.9	398.2	384.0	381.5	375.2	397.4

Potatoes

Market price update

The AHDB's Weekly GB Average Price calculations for the week ending 18th August 2017 were £157.19/t for all potato purchases including contracts and £107.75/t for free-buy purchases. New crop purchases are relatively slow with prices weakening as new crop supplies come to the market especially in the south. Demand has been relatively low over the summer with families away but is expected to pick up as schools go back and autumnal weather encourages consumption.

The questions for the GB market as harvest picks up include: what yield levels and quality can be achieved? Given the higher overall GB planted area, this is of particularly strong interest this season. Likewise on the Continent, higher plantings point to higher output but the volatile weather makes yield and quality estimations difficult until the harvest gets underway in earnest.

In Scotland, from a limited free-buy market, based mainly on chitted and fleeced crops, 2017 grade 1 Maris Piper for packing are trading at £170/t, grade 1 whites are around £160/t and value packed whites are down at £40/t. Most supplies are under contract from earlier produced crops while the industry awaits the start of the main harvest in the next few weeks.

Crops ahead of normal

Crops in Scotland are generally 7-14 days ahead of normal in development which if this can be translated into an earlier harvest could boost crop quality. Very little harvesting has yet started, with most ware crops still a couple of weeks from skin set. Early test digs suggest variable yields, lower tuber numbers and less promising yields in the south of Scotland but better tuber numbers and yield potential in the north. Common scab and powdery scab have been found in some crops with the severity of the problem a little unclear at present. AHDB has reported significant levels of common scab in some crops in Scotland while in others the problem is not too bad. Most seed crops are now burnt down, with lower seed numbers a potential concern in some.

Plantings by variety

AHDB have published their provisional estimates of the GB planted area by variety. The total GB planted area has risen 4,700ha (4%) to 120,900ha on last year in line with the original estimate of July 2017. Within GB plantings Western areas and East Anglia are lower, little change in Scotland and higher in Yorkshire and Humber and the East Midlands. Unsurprisingly, Maris Piper remains comfortably in the top spot but some newer varieties have made large gains. The trend has been towards a rise in varieties for the fresh pack market (38% of plantings) and a decline in processing varieties (29% of plantings), reflecting recent price trends in the market. Packing varieties Nectar (+1,000ha) and Melody (+700ha) have made large gains. Processing varieties Hermes (+500ha) and Lady Rosetta (-500ha).

In Scotland, some of the key changes include; a 400ha decline in Maris Piper to 4,900ha, a 200ha rise in Maris Peer to 1,500ha, a 400ha decline in Rooster to 1,400ha and a 500ha fall in Hermes plantings to 1,400ha.

Top ten varieties for GB 2017

	GB		Scotland
	2017p	2016	2017
1 Maris Piper	16,800	16,800	4,900
2 Markies	5,800	6,100	500
3 Maris Peer	5,000	4,700	1,500
4 Melody	4,500	3,800	100
5 Lady Rosetta	3,400	3,900	200
6 Nectar	3,200	2,300	100
7 Estima	2,900	3,300	200
8 Taurus	2,800	2,700	0
9 Pentland Dell	2,800	2,600	300
10 Marfona	2,500	2,500	200

Source; AHDB, p provisional

GB potato varieties largest changes by area 2017p

Rank	Variety	Change ha	Change %	Move
6	Nectar	+1,000	+42%	+5 pl
4	Melody	+700	+18%	static
20	Cultra	+500	+39%	+4pl
41	Lanorma	+450	+115%	+8pl
14	Agria	+400	+22%	+6pl
33	Challenger	-200	-13%	-10pl
2	Markies	-300	-5%	static
7	Estima	-400	-12%	-1pl
21	Hermes	-500	-22%	-8pl
5	L. Rosetta	-500	-13%	Static

Source; AHDB, p provisional

Dates for your diary - reminder

Wednesday 22nd November 2017: BP 2017, Yorkshire Event Centre, Great Yorkshire Showground, Harrogate.

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Price breaths fresh life into the job

There remains a fantastic trade around the sheep ring with butchers and shapeley export lambs reaching £100/hd in mid-August. Commercial supermarket grade lambs (around 43kg) were also tipping £85/hd. That is a historic high and £5/hd more than the same stage last year, which was itself a good point in time.

Few lambs sell into the peak trade but more than usual were encouraged to market – being drawn to lighter weights to capture high prices. Lamb throughput is 6% up on the year to date (from mid-June). In real terms, it is not huge but it is still significant and positive news.

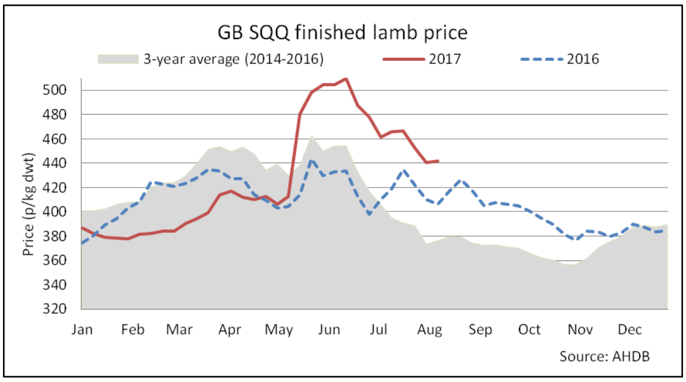
Lamb growth has since slowed over July and this combined with early, lighter, lamb sales now creates a vacuum (premium) for heavier lambs (40-45kg lwt), particularly when buyers are competing with those trying to fill export consignments.

As more lambs reach market, the discount per kilo for heavy compared with medium weight lambs looks to be widening. Early market reports for week ending 18th August suggests it is softening slightly, to between 185-195p/kg lwt. The deadweight trade is holding at around 420-430p/kg dwt. That should steady for a couple of weeks to satisfy demand for Eid on 1st September. Although this principally targets older lambs, hoggs and cull ewes.

Thereafter, more typical seasonal demand will put pressure on price, as it does every year. Domestic consumption reduces in early autumn at the same time as supply reaches a peak. This time, however, the market has a much higher starting position. Also, exports are up and the exchange rate ensures that this remains an open prospect into autumn.

While confidence in the marketplace may only gloss over some cracks in the sheep industry that still ultimately need to be addressed, for now, taking advantage of strong trade can be enjoyed – that said, it is best to use the good years to make any changes required to protect the future.

- Focusing on selling lambs quickly remains about trying to make a good year better, while taking pressure off autumn pasture to help ewes



Bicester Barometer

The large breeding sheep sale of 26,000hd held annually at Theme market in early August acts as an early indicator of confidence for forthcoming breeding sales across the country. Despite more pens, trade averaged marginally higher and demonstrates keen demand.

This confidence looks to span Britain with the recent sale of ewe lambs at Lairg also averaging £5/hd higher on the year, albeit for fewer sold.

Wedder lambs were £3 lower at the same sale although the wider trade seems to be a touch up on the year. At least being on par shows sector confidence as buyers will generally have less cash due to a poor finishing trade in spring. More opportunities to buy store lambs will also arise with more 2017 crop lambs on the ground and fewer light lamb exports forecast.

Update from New Zealand

The Kiwi breeding ewe flock has fallen by nearly 2% to 30th June 2017. This is countered by evidence from Beef and Lamb New Zealand suggesting more hoggs ran with the tup, ewe condition has been better, and scanning percentage is similar to or slightly better than 2016. Early indications estimate a lamb crop +1.1% on the year. It is too early to tell whether this will translate into greater volume sales with dry summers curtailing recent carcase weights, although forage stocks are currently adequate.

Meanwhile, Australian lamb production is forecast slightly lower for 2018 and with growing emphasis on the Chinese market.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg			Scottish auction (p/kg)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy	All	All
29 Jul	454.0	453.4	446.4	178.3	183.8	182.9	62.35	63.41
5 Aug	442.1	438.7	435.8	185.0	196.1	194.4	60.75	62.63
12 Aug	442.9	441.8	436.1	181.2	193.4	192.0	57.58	60.22

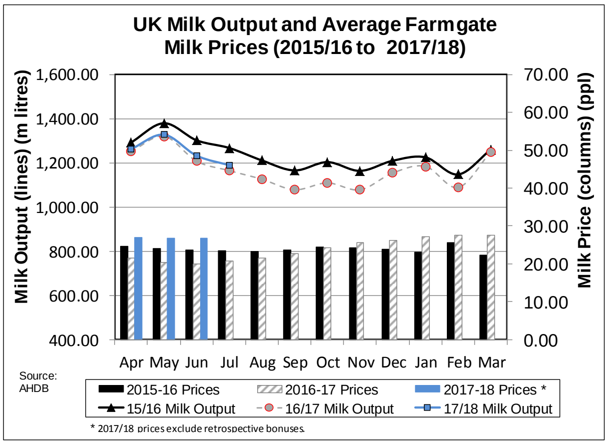
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB.

Tight supplies help maintain positive UK price outlook

The latest production figures from AHDB Dairy show that UK milk production for July 2017 is estimated at 1,190m litres (before butterfat adjustment). This equates to an increase of 25.06m litres on July 2016 production (1,164.94m litres). On a cumulative basis, the UK has produced 5,013.07m litres up until the end of July 2017. This represents an increase of 68.39m litres on the cumulative total at the same point last year. That said, milk output for 2017/18 is well below 2015/16 output (see chart below).

According to AHDB, the average milk price level across the UK has reduced slightly during the first three months of the production year (April to June). Between May and June 2017, it is estimated that the average price reduced from 26.78ppl to 26.75ppl. This trend is typical at the current time of year, as seasonality and profile adjustments take their toll on the net milk price being achieved. More recently, however, several milk purchasers have opted to increase farmgate milk prices to reflect increases within wholesale markets. This is sure to be reflected in average price data as the data gets collated retrospectively.

- *To date, price data shows that UK milk prices reduced slightly between April and June 2017 with the June 2017 price estimated at 26.75ppl* (*excluding bonuses)*
- *During recent months, several UK milk purchasers have announced price increases. As a result, it is anticipated that the UK average price level will rise further during the next few months*



Müller launch 'Farm Insight'

Müller are set to launch a new service named 'Farm Insight' which will provide the company's non-aligned suppliers (now called Müller Direct) with one day's free consultancy through AB Agri. The service is optional and will allow Müller Direct suppliers to compare their own business against aggregated data from other similar farms.

Farmgate prices increase for Sept' 17

Price announcements for September 2017 include:

- Müller M&I – will increase prices by 1.31ppl from 1st September 2017. This takes the price for non-aligned suppliers up to 29.00ppl. The retailer supplement for July 2017 is confirmed at 0.356ppl for non-aligned suppliers.
- Graham's Dairies – will increase producer prices by 1.00ppl to 28.75ppl from 1st September 2017.
- First Milk – as mentioned in last month's edition of Agribusiness News, FM will introduce their new pricing schedule from September. As yet, we await details of the impact on FM's September prices.

Annual Average milk price estimates for September 2017 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	27.50
First Milk Balancing- A price (90% of production). [1,2]	26.39
First Milk Manufacturing (Lake District)- 4.0% Butterfat & 3.3% Protein-A price (90% of production). [1, 2]	26.98
Müller Wiseman- M&I - Müller Milk Group [1, 3]	29.00
[1] *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] *August 2017 prices stated. September 2017 prices awaiting release.*	
[3] *No monthly supplementary payment included in the price estimate.*	

Reducing butter stocks drive prices up

UK wholesale prices for butter and cream have continued to rise during the last month amidst growing demand for fats. Reducing world stocks of butter is the main driver behind the rising prices. Cream prices have also increased as a result of the continued improvement to the butter market.

UK dairy commodity prices (£/ tonne)	Jul 2017	Jun 2017	Feb 2017
Butter	5,420	5,100	3,450
SMP	1,570	1,700	1,700
Bulk Cream	2,500	2,370	1,540
UK milk price equivalents (ppl)	**Jul 2017**	**Jun 2017**	**Feb 2017**
AMPE (2014)	36.71	36.41	28.27
MCVE (2014)	37.14	36.92	32.28

Source: AHDB

In contrast, SMP prices have decreased since the beginning of the year reflecting the high level of SMP held in EU intervention storage. Price levels for WMP have been relatively static between May and July with prices fluctuating between US $3,100/t and US $3,300/t.

Date for the Diary

UK Dairy Day on 13th September 2017 at The International Centre, Telford, Shropshire TF3 4JH. Further details at: www.ukdairyday.co.uk/

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Craft alcohol in Scotland

Craft alcohol production is at an all-time high in Scotland. Scotland's national drink – whisky - was the highest value export at £875.8m in the first quarter of 2017, up £79m (9.9%) year-on-year, whilst gin contributed £108m in export revenue in the same period. HMRC overseas trade statistics reveal that whisky exports are currently shipped at a rate of 34 bottles every second. With two-thirds of the UK's gin produced in Scotland – accounting for more than half the world's total exports – and a record 22 breweries opening last year – bringing the total number of breweries to more than 100 for the first time in more than a century – the demand for Scottish drinks shows no sign of slowing. Craft alcohol production has seen a boom in the last decade, spirited along by the uniting principles; found both in producers and consumers; of quality rather than quantity. There is currently no legal definition on what makes a "craft producer" or a "craft" beer or spirit, but there is a generally held consensus that it is measurable on a value and quality based system.

Production and innovation

There is clear evidence that craft gin production is at an all time high in Scotland. There are currently 54 registered gin producers in Scotland. Gin production is a low risk way for producers to enter the craft spirits market. Many gin producers purchase Grain Neutral Spirit (GNS) and then distil or macerate the botanicals, to create their own craft gin. This allows them to access the market without a large investment in equipment and premises.

The Scottish Government's Connect Local programme provides advice and support to Scotland's food sector. Experience from this programme and other activities illustrates the level of innovation and new products being developed by craft alcohol producers in Scotland, a few examples are detailed as follows.

Verdant Spirits Co based just outside Dundee, has been operating for 2.5 years. They have just launched Verdant Dry Gin, a classic dry gin with a very full and robust flavour. Andrew, previously Head of Creative for McLaren, attended Abertay University to complete a Masters in Food and Drink Innovation. Verdant, while producing a gin, has decided to innovate within the sector, to produce one of the first Scottish craft vermouths. Verdant want to create the perfect Martini, pairing their classic dry gin, and their balanced botanical dry vermouth.

Another innovator in the industry is Lost Loch Distillery based at the Deeside Activity Park in Aboyne, produce a honey, bramble and whisky liqueur called Haroosh. Haroosh is made by macerating the brambles (from Angus fruit farms), with honey (from beehives in Deeside), in Scotch whisky for 3-4 months. Lost Loch are set to release Scotland's first craft Absinthe called Murmichan (Auld Scots for "Wicked Fairy"). Absinthe is notoriously difficult to make due to the highly complex botanicals used, including wormwood. Murmichan will use local; honey, blackberry leaves and heather flowers in its botanical profile.

Fierce Beer is a craft brewery in Aberdeen. Operating commercially since May 2016, Dave McHardy and Dave Grant make Fierce Beers, with strong, bold, 'in your face' flavours. The range is split into four key areas; hoppy, fruity, dark and seasonal. Fierce strive to use local producers wherever possible, and make a point of marketing the fact that they use local berries from Castleton Farm, their Cacao is sourced by local chocolatier Cocoa Ooze and they get all of their spices from local wholesalers. They are constantly looking to innovate, experiment and collaborate.

Opportunities for primary producers

Craft drink producers all over the country want to use local produce to add value to their brands and products with quality and provenance. Botanicals are scarcely grown in Scotland, most being imported from Continental Europe. Lost Loch is looking to collaborate with Cairnton Farm to setup polytunnels, hire a botanist and produce their own local wormwood. Fierce Beer would love to use local malt if it was suitable for their brewing requirements. Verdant Spirits Co believe that produce that isn't fit for commercial grading would be perfect for use in maceration, distillation or brewing. Craft producers are more likely to innovate and change their recipes seasonally, creating a more diverse and less demanding supply chain. Craft producers are looking for opportunities to innovate and collaborate with primary producers, i.e. farmers. As Andrew at Verdant Spirits says, "These opportunities can come through chance conversations but requires everyone to look for new possibilities and to think outside the box."

Links for further advice or information:
www.connectlocal.scot
http://scottishdistillers.online/
http://tbas.scot/

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Management Matters: Tenancy Update

Land Reform (Scotland) Act 2016

The provisions relating to agricultural tenancies will be brought into force through a series of commencement packages over the next couple of years. A number of provisions are now active and a number are still to come. The following provisions are now in force:

Assignation and Succession

Any assignations or deaths occurring on or after 23rd December 2016 are subject to the new rules. The new rules create two classes of relative for the purposes of assignation and succession: a *near class* and a *far class*. The *far class* is very wide ranging and is subject to the landlord's right to withhold consent on any **reasonable grounds.**

The *near relative* category is as follows:

- A parent of the tenant
- A spouse or civil partner of the tenant
- A child of the tenant
- A grandchild of the tenant
- A brother or sister of the tenant
- A spouse or civil partner of such a brother or sister
- A child of a brother or sister of the tenant
- A grandchild of a brother or sister of the tenant
- A brother or sister of the tenants spouse or civil partner
- A spouse or civil partner of such a brother or sister
- A child of such a brother or sister
- A grandchild of such a brother or sister

Where the assignation or succession is to a *near relative* the grounds upon which a landlord can object are: 1) **Character**; 2) **Resources** (capital); 3) **Training/Experience**.

If an objection is on the grounds of a lack of training or experience, the person being assigned/ succeeding to the tenancy has a specified time period to gain the relevant training required.

The new legislation abolishes the viable unit test in relation to the unit which is being inherited and it removes the challenge that the successor is already in occupation of a viable unit elsewhere.

Landlord's Improvements

Landlord's wishing to carry out an improvement listed on Schedule 5 of the 1991 Act must serve a notice on the tenant. The tenant has the opportunity to object in certain circumstances. In the face of an objection, the landlord can appeal to the Land Court.

Diversification

The new rules require the landlord to make an application to the Land Court if objecting to a tenant's diversification proposal. This is a complete reversal, as previously the tenant had to make the application.

Improvements Amnesty

A 3 year Tenant's Improvement Amnesty opened on 13th June 2017. The amnesty can only be used for improvements that were carried out prior to the 13th June. No valuations need to take place, nor compensation paid as part of the amnesty process.

The amnesty allows for certain improvements which may not have been correctly registered or which have missing paperwork to be officially recognised as a tenant's improvement.

It is important for a tenant to have improvements registered for two reasons: in order to receive compensation for the improvement at the end of tenancy and also in relation to the productive capacity of the farm, which is expected to be part of the new rent test.

The Tenant Farming Commissioner has created a Code of Practice for the amnesty which can be found at: http://landcommission.gov.scot/tenant-farming/codes-of-practice/

A series of tenancy themed meetings are being planned for the autumn through the FAS.

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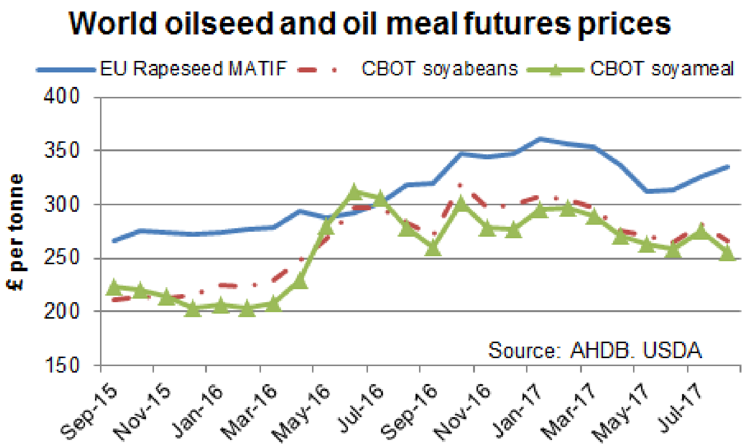
Oilseeds market update

According to the USDA, the world is expecting a record oilseeds crop this year of 577mt up 6mt from last season. World oilseed crush is also expected at a record 488mt, up 20mt from last year. Ending stocks are expected up 1mt to 109mt. The rise in demand is outstripping growth in output meaning that the world stocks to use ratios are set to fall this year, providing some underlying support to the oilseeds markets.



In the EU, rapeseed production is forecast to rise to 22mt, up from 20.5mt in 2016/17. Last year the EU relied on imports of rapeseed from Australia and Ukraine to meet crushing demand, this year imports are expected to fall. Overall EU rapeseed supplies are set to remain tight. In contrast world soya-bean supplies look abundant following good growing conditions in the US, although conditions for the following South American crop have yet to be determined. The net result is that oilseed rape prices are expected to remain at a premium to soya-beans again this season. It also indicates that soya-meal will be relatively competitive this season against other oil-meals such as rapeseed meal within the EU. In Scotland soya-meal is currently around £315/t delivered and rape-meal close to £200/t delivered depending on location.

Oilseed rape prices have picked up steadily in recent months following their lows in May. A large part of this rise is due to the weakness of sterling against the euro with the rest largely due to a divergence between rapeseed and soya-bean markets described above. In the UK, good oilseed rape yields have been recorded and it is expected that the crop will be higher than last year despite the lower sown area. At 1.9mt to 2.0mt the UK rapeseed crop is also expected to more or less meet UK demand, which should reduce the need for imports. Oilseed rape is currently worth £336/t delivered Liverpool with ex-farm Scottish values in the £310 to £315/t range depending on location. This represents an increase of around £5/t on equivalent values last harvest.

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Key economic data

General Indicators	
Base interest rate	0.25% (0.50% Mar '09)
ECB interest rate	0.00% (0.05% Mar '16)
UK (CPI) inflation rate	2.6% (target 2%)
UK GDP growth rate	0.3% (Q2 '17)
FTSE 100	7,439 (1 Sep '17)

Price indices for June 2017 (Defra 2010 = 100)			
Output Prices		Input Prices	
Wheat	120.4	Seeds (all)	98.8
Barley	119.8	Energy	98.8
Oats	134.7	Fertiliser	93.3
Potatoes (Main Crop)	147.7	Agro-chemicals (all)	100.6
Cattle and Calves	133.9	Feedstuffs	114.2
Pigs	114.1	Machinery R&M	114.8
Sheep and Lambs	126.4	Building R&M	113.5
Milk	108.5	Veterinary services	108.6

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