SRDP Farm Advisory Service
National Advice Hub
T: 0300 323 0161
E: advice@fas.scot
W: www.fas.scot

April 2023

News in brief

New First Minister, new cabinet

March has been an eventful month in Scottish politics, with Nicola Sturgeon stepping down as First Minister after nearly 9 years in the role, and Humza Yousaf being announced to step into the role. Yousef promises to deliver on poverty, public services and a fairer, green economy, and his appointment is seen as a positive move for continuing the coalition with the Scottish Greens, with agenda with strong focus on climate change and maximising Scotland's natural capital.

With regards to rural, Yousaf has promised investment in rural infrastructure and transport, and into a rural housing plan to purchase or long lease housing for key workers and others in rural areas in need of affordable housing. He also vows to support proposals to allow EU migrant workers to work under a rural visa pilot scheme, to tackle post-Brexit shortages in labour in the agriculture and hospitality sectors.

A new cabinet was appointed this week, with Mairi Gougeon remaining as Rural Affairs, Land Reform & Islands secretary, following Kate Forbes' turning down of the position.Mairi McAllan has been appointed as Net Zero and Just Transition minister, moving on from her position as Minister for Environment, Biodiversity and Land Reform. All in all, the cabinet has seen quite a reshuffle, with a number of senior ministers moving on, and five of the new cabinet under the age of 40.

The new cabinet inherits a relatively new budget, announced on the 15th December, with the annual budget increasing by £637 million in cash terms, or £223 million in "real" terms, compared to Budget 2022-23. Any changes as to how that budget will be channelled remains to be seen.

Next month:

- On-farm circular economy
- Arable outlook

Contents

This month's editor:
Anna Sellars

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Beef Support Scheme (SSBSS) 2022

From the 28th March 2023 payments for the 2022 SSBSS 2022 scheme year will be paid at the following rates:

Mainland:	£101.42 per animal
Island:	£144.48 per animal

2023 Single Application Form

The submission period for 2023 Single Application Forms (SAF) opened on the 15th March 2023 and will close at midnight on Monday 15th May 2023.

A point to note for this year's scheme is that, if the area of land has changed since 15th May 2022, businesses must submit a Land Change Notification (LCN) online using the Customer Proposal function with the LPIS Map Viewer on RP&S or submit a paper Land Maintenance Form (pLMF) with supporting documentation to their local area office.

LCNs should be submitted before the 16th April 2023 or they will not be processed until after the 15th May 2023, which could result in a delay in payment.

Ecological Focus Area – Agroforestry

This year, the EFA Agro-forestry option now includes stands of woodland established under the Small or Farm Woodland option FGS081-09 of the Forestry Grant Scheme (FGS). Businesses claiming such plantings towards any EFA requirement, must use code EFAAF in the EFA section of the application.

Small Producers Pilot Fund

As part of the Agriculture Reform Programme, the Scottish Government has announced plans to replace the Small Farms Grants Scheme. The new Small Producers Pilot Fund will be aimed at:

- Increasing the proportion of food grown and processed by small farms and small holders;
- Creating and growing more localised food supply chains;
- Enhancing producer value;
- Helping individual small producers to increase their resilience and to enhance their contribution to the rural economy;
- Supporting small producers to develop their skill set; and
- Cutting food miles and enhance sustainability.

The pilot scheme will be developed in partnership with the Scottish Agricultural Organisation Society (SAOS) and agriculture, smallholding and food industry stakeholders.

The industry-led steering group met for the first time on the 28th March 2023 with the remit of designing a range of new support measures that will support local food supply chains, improve access to the right training opportunities, and will help link together small producers into existing abattoirs. The pilot scheme is expected to be launched later this year.

Enhanced Housing Support for Crofters

Aimed at improving homes in remote and rural communities, the Scottish Government has announced enhanced support measures under the Croft House Grant Scheme.

Grant rates for have been increased from 40% to 60% of the total project cost, with a ceiling of £28,000 for 'Standard' priority areas and £38,000 for 'High' priority areas within any ten-year period. Grants for new houses have the same financial ceilings based on priority area. 'Standard' and 'High' priority areas are defined by postcodes.

As crofting tenure requires crofters to live within 20 miles of their croft and provide their own housing, the Croft House Grant scheme can assist crofters to meet their statutory duty. Eligible applications are assessed using a scoring system, which is designed to target support at those who would not be able to build or improve their home without grant support. There are four application rounds every year, March, June, September and December.

The deadline for the next application round is 1 June 2023.

Key dates

Date	Action
4 April 23	Deadline for RPID to receive an application to transfer Basic Payment Scheme entitlements for the 2023 scheme year.
16 April 23	Submit Land Change Notification online to avoid potential payment delay.

christine.beaton@sac.co.uk

Wheat markets see price correction

Against a backdrop of bearish market sentiment on pricing, wheat prices this week bounced back, prompting questions as to whether the market may have found its floor. Two weeks ago, UK ex-farm grain was trading at £209/t before losing £17/t last week, it has subsequently recovered some of those losses this week to currently sit at the £200/t mark. May '23 and Nov '23 Futures are currently trading at £210/t and £221/t respectively. All this illustrates the change in the dynamic of our domestic market as two months ago old and new crop prices were at near parity and now, we are seeing new crop Futures trading at an £11/ton premium to the May position.

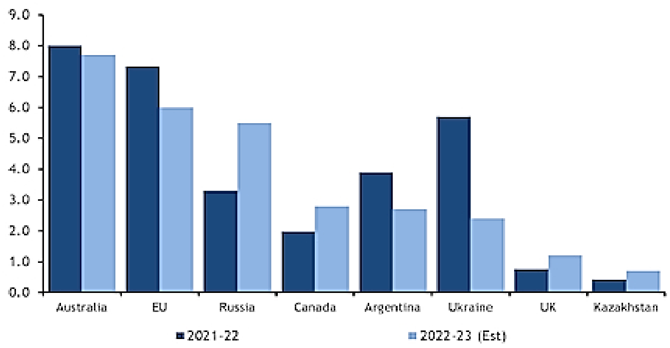
May '23 Feed Wheat Futures

Several factors continue to influence market movement short term. On the downside cheap Russian supplies are continuing to pressure markets and looking towards new crop, plentiful supplies are expected from Europe and US, despite the drought, due to the increase in planted area. The reality of the residual 2022 harvest surplus and lack of its export pace is also still weighing on price, although UK grain remains competitive at these price levels.

On the upside the institutional investors which had taken up short positions as prices were falling, have now closed them out, supporting a bounce back in price. And in a geo-political context there have been two announcements to support prices; Russia announced on Wednesday that top agricultural commodities trader Cargill will stop exporting its grain and Glencore-based crops trader, Viterra, is also reportedly planning an exit from the Russian market, adding to uncertainly over the future of shipments from Black Sea ports. As well as a possible reduction in Ukrainian supply, a major weather event between now and harvest, could see the tables turn. An adverse weather event, either in the US, here, or wider Europe is not uncommon at this time of year and would impact production for the coming harvest.

There is also uncertainly as to the volumes of barley supplied out of the Black Sea ports through 2023 and into 2024. Ukraine was the world's third-largest barley exporter in 2021-22 and is expected to be ranked sixth this marketing season (*see chart*). But the country may lose further share of the global barley market in 2023-24, with limited supplies of about 1Mnt projected to be available for export.

Leading global barley exporters (Mn/t)



UK barley continues to price competitively within Europe, and the export campaign as of late has been strong. As of 20th March, so far this season, the EU had imported 824.6Kt of UK origin barley, up from 605.8Kt at the same point last season. Barley prices continue to be weighed on by movement in wheat markets. Discount of ex-farm UK feed barley to UK feed wheat stood at £15.50/t as of 16th March.

With Scottish plantings yet to get underway supply and demand is expected to be evenly matched which bodes well for malting premiums. The total annual requirement for malting barley in Scotland is around 900,000 tonnes (to 1Mnt this year), of which the majority is required for Scotch Whisky distilling. The total UK market for malting barley is around 1.8 million tonnes and so Scotland is a significant part of that total, despite having only around 10% of the arable area of the UK.

Bearish sentiment continues for rapeseed with the EU crop faring well. This decline is expected to continue as rapeseed supplies on the continent are forecast to increase.

Indicative grain prices week ending 31st Mar 23 (Source: SAC)

£ per tonne	Basis	Mar '23	May'23	Nov'23
Wheat	Ex farm Scot.	200	210	221
Feed Barley	Ex farm Scot.	186		200
Malt. dist. Barley	Ex farm Scot.			250
Oilseed Rape	Delivered Dundee	382	384	395

mark.bowsher-gibbs@sac.co.uk

Deadweight prices reach £5/kg

Prime cattle prices have continued to rise throughout March, with a tightness in the supply of cattle continuing to be a concern to the processors. R4L steer prices for the week ending 25th March were 499.8p/kg.

Recent data from QMS and BCMS show that the number of cattle in the 12-30 months age bracket is 3.3% lower than a year ago, a large contributor to that is the number of store cattle that continue to go south of the border.

Towards the end of March deadweight prices have risen to new highs, with prices well over 500p/kg achievable on full loads of in-spec handy weight cattle. As the numbers of cattle available have tightened, some processors, in an attempt to secure more cattle, are willing to pay full weight on cattle up to their weight limit with no deductions on the heavier cattle. This is great news to finishers who have had to pay substantially more for store cattle in 2023 as it increases the possibility of a reasonable margin being made on these cattle.

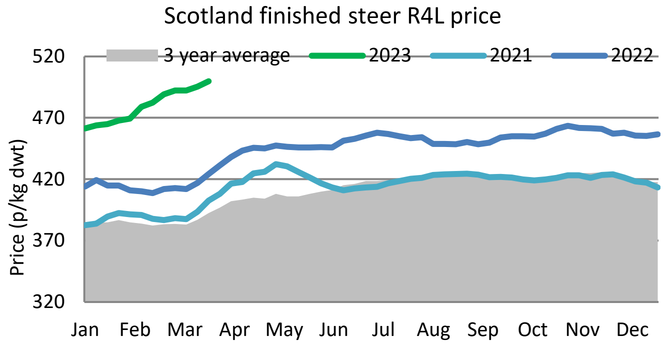
It is however somewhat frustrating, as an industry, as we had made significant progress in reducing carcass weights in response to clear market signals.

In addition to weight limit changes, there is also more openness to contracts for cattle from processors, again to secure numbers, this has given many of the finishers who have signed up to them confidence to keep buying in the store ring.

Store cattle

Store cattle continue to be a very strong trade, with most weight bands averaging 300p/kg or more across the store sales in Scotland. Forward stores continue to be the most sought after, which is no surprise, given the current finished price and the short-term confidence in the price.

The trade for grazing cattle, whilst still being strong, is slightly more cautious due to the longer keep and uncertainty around prices longer term.



Source: AHDB

Cull cow prices continue to be high, as the demand for manufacturing beef continues and there are also fewer cows coming forward at this time of year. Deadweight cow price is now around 435p/kg and the live ring is often providing a stronger trade on the cows than deadweight can.

Beef herd reduction & implications

There continues to be a concern around suckler cow numbers and the contraction of the breeding herd in Scotland, with a 3.3% reduction in over 30-month beef bred females compared to a year ago and data from QMS and BCMS also illustrating fewer under 30month beef bred females on farm than a year ago, this will mean by late 2024 there will be fewer stores and finished cattle available, the question will be where the demand will lie by that time.

There appear to be less suckler herd dispersals being advertised than at the tail end of last year and whilst this may partly be down to the time of year, it may also be that current cattle prices both store and finished may be encouraging beef producers to stay in the game. With many breeding cattle sales due in the coming months, it will be interesting to see what the value is in these cattle and whether the recent high prices are encouraging producers to reinvest in breeding stock.

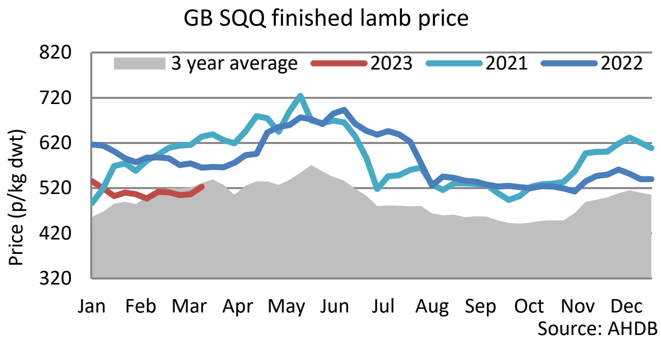
lesley.wylie@sac.co.uk

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bulls -U3L		Cull cows	
		Change on week	Diff over North Eng.		Change on week	Diff over North Eng.		Diff over North Eng.	R4L	-O3L
04-Mar-23	**492.4**	3.2	0.8	**491.5**	5.5	-0.7	482.7	-0.9	428.7	405.4
11-Mar-23	**492.4**	0.0	-1.4	**489.8**	-1.7	-3.7	481.1	2.5	429.9	404.6
18-Mar-23	**495.5**	3.1	1.7	**493.5**	3.7	-5.2	487.4	-1.2	431.7	404.1
25-Mar-23	**499.8**	4.3	6.1	**501.2**	7.7	1.7	492.9	2.4	435.7	409.0

Input prices affect performance

The lamb trading year has been fairly distorted with high input costs. Resulting in producers reducing the amount of inorganic fertiliser and purchased feed in sheep systems. This has had a knock-on effect on lamb growth, meaning excess lambs in the marketplace now late in the season affecting the price.



Source: AHDB

Festivals drive trade uptick

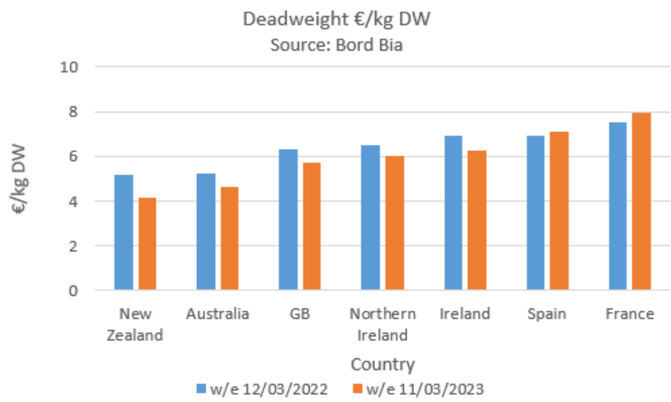
Prime and cull trade is improving, as would be predicted with Ramadan (23rd March – 21st April) and Easter (9th April) approaching. This year will see the first Muslim festival, Ramadan in a cost-of-living crisis. AHDB have predicted that there will be a trend of a transition from lamb to cheaper meats such as mutton and chicken or cheaper cuts e.g., mince and shoulder. The recent strong demand for ewes possibly demonstrates this already happening. In 2021 Muslim lamb sales accounted for 20% of UK lamb sales, to put this into perspective, 6.5% of the UK population is Muslim.

Australian flock growth a threat

Meat and livestock Australia has recently launched their sheep industry forecast, with some frightening stats on their national flock growth. In 2023 the sheep flock will be the largest it's been in over 15 years at 78.75 million head, a 13% rise on their 10-year average. This is set for a further rise in 2024 to 79.5 million head (750,000hd increase!). Before dipping down to 78.52 million head in 2025. The reason for the increases is due to good breeding conditions, due to favourable weather, a national investment in flock genetics, high lambing % and confidence in the sector, looking at global opportunities.

These global opportunities include the decrease of the NZ flock due to land use changes (tree planting) and the dairy herd increasing, a declining US national flock and high global demand for protein. In addition, the Australians see great opportunity within the UK, with trade deals allowing for better market access and the seasonal dips of supply in the UK. They have a keen eye on our inflation increasing and the possible removal of subsidy which will both put extreme pressure on our production. With their increased flock, combined with the reduced NZ flock, they are preparing to grow this market into the UK over time.

However, our domestic flock is also growing, while the French flock is shrinking. The UK sheep industry is fully integrated to export chilled lamb and import lamb to smooth out seasonal supply, but is there enough demand and margin to take more Australian, and can the consumer pay for UK lamb?



Source: Bordbia

Kirsten Williams; 07798617293

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
04-Mar-23	510.6	508.8	508.1	231.50	234.20	222.40	68.20	89.74
11-Mar-23	512.2	511.1	510.8	230.60	235.10	221.10	75.29	91.63
18-Mar-23	531.7	526.6	528.0	244.40	248.90	232.90	78.37	91.60

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

High-level outlook

On 15th March, Jeremy Hunt revealed his first UK Government budget, detailing plans for tax and public spending for this financial year. Alongside this, the Office for Budget Responsibility (OBR) shared fiscal forecasts for the next five years, accounting for policies in this budget. A number of announcements which will impact agricultural and personal finances in 2023 and beyond.

The energy crisis had a major detrimental impact on the entire UK economy. Now that the energy squeeze is abating, the economy is expected to contract less than previously thought, and the Government has slightly more fiscal space to manoeuvre. GDP will be higher than expected due to this easing of energy prices, as well as population growth from in-migration. However, real household disposable income expected to fall by 6% between 2021/22 and 2023/24. The UK is currently experiencing the steepest fall in living standards since records began in 1950s, which are not expected to return to pre-pandemic levels until 2028, the impact of the trade shock resulting from the energy crisis and structural weakness in economy.

Energy and fuel costs

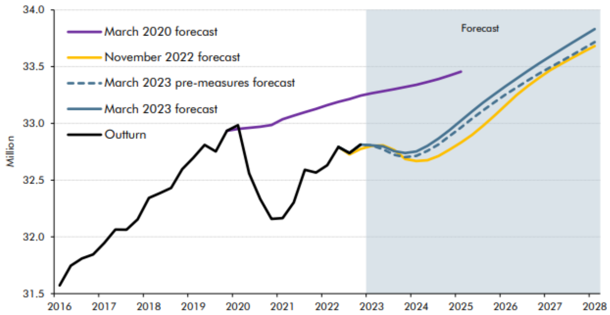
The first move that this flexibility has allowed Government to take is to keep the energy price guarantee at £2,500 for a 'typical household' until June 2023, after which point prices are not expected to exceed this, anyway. The price cap is not a limit on bills, but is effectively a limit on unit price charge, based on units used by a typical household. Wholesale energy prices are falling and in July it is expected that the OFGEM price cap (which caps what suppliers can charge) will be lowered to around £2,200, below government support levels. In line with expectations, fuel duty will remain frozen for another year, including the previous five-pence cut.

Corporation tax

A planned increase from 19% to 25% for the top rate of corporation tax has been confirmed. Companies making profits below £50k will be fully taxed at 19%, those with profits over £250k will be fully taxed at 25%, while those falling between these figures will be taxed on a tapered scale. To help compensate for the increase in these tax rates, the Treasury have announced some additional changes.

Firstly, they have announced a provision for full expensing, called 100% First Year Allowance, from 1st April 2023 until 31st March 2026 (potential to be extended in future). Companies will be able to write off the full cost of qualifying main rate plant and machinery investment in the year of investment, while special rate assets will get a 50% first year allowance in the same period. Next, the Annual Investment Allowance is to remain at £1M, permanently. This is relevant to unincorporated business who do not qualify for full expensing, which will benefit many farmers in particular. Unlike full expensing, this will apply at 100% to "special rate" assets, unincorporated businesses, and second-hand assets. Lastly, eligible SMEs who spend more than 40% on research and development (R&D) will receive £27 from HMRC for every £100 of R&D investment they make.

Figure: UK employment, millions. Employment is expected to get back 'on track' to pre-pandemic forecast (purple) around 2026/27. (ONS, OBR)



Increasing the workforce – parents

Hunt outlined his plans as a 'budget for growth' and the OBR forecasts agree, especially due to policies put in place to address falls in labour force participation. First of these is to expand free childcare for working parents of nine-month to two-year-olds (currently 30 hours per week for three- and four-year-olds). Although this provision is currently only available in England, the rest of the UK will receive reciprocal funding under the Barnett formula, so there is a strong chance that a similar scheme will be announced in Scotland in due course. The Budget also increases the requirement for more parents and carers claiming Universal Credit to increase their hours or seek work. Finally, a new disability employment programme is expected to further increase employment.

Pensions

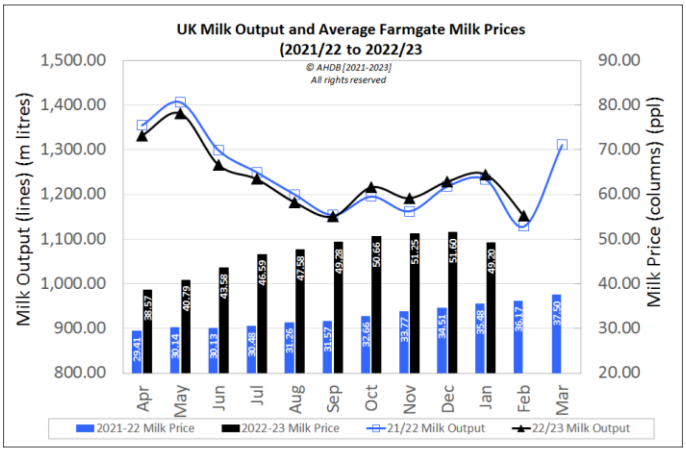
Annual tax-free pension allowance will be increased from £40k to £60k. This generosity of tax treatment will be particularly useful for farming businesses who have seen exceptional profits within a year. Further to this the pensions lifetime allowance (currently £1.07M) is to be abolished. For those with more than this amount in their pensions (a very small proportion) will no longer pay tax on money taken from their pension savings that exceed the protected lifetime allowance (at 55%). These measures are expected to have a positive effect on employment.

brady.stevens@sac.co.uk
andrew.coalter@sac.co.uk

UK prices reduce during April

- *UK milk output increased to 1,151.92m litres during February 2023 (up 23.16m litres on February 2022).*
- *After a period of record high milk prices in the UK, milk output is elevated. Production across the UK and EU remains high relative to consumer demand.*
- *Widespread milk price reductions have been confirmed by UK milk buyers as the market adjusts to higher supply volumes.*

Milk production statistics from AHDB Dairy shows that output for February 2023 is estimated at 1,151.92m litres (before butterfat adjustment) – an increase of 23.16m litres on a year-on-year basis. Cumulative UK production for the 2022/23 milk year to the end of February 2023 stands at 13,581.03m litres (before butterfat adjustment). Cumulative production to the end of February 2023 is now only 20.87m litres lower than the same time last year. The UK average milk price for January 2023 is estimated at 49.20ppl – down 2.40ppl from the December 2022 average price (51.60ppl). The average milk price for January 2023 is, nonetheless, some 13.72ppl higher than the average price one year earlier during January 2022.



Farmgate prices: April 2023

Announcements for March & April 2023 are as follows:

- Arla Foods amba – A late announcement at the end of February for March milk prices. The Arla milk price reduced by 4.00-euro cents from 1st March 2023. The manufacturing standard litre price reduced by 3.52ppl from 48.47ppl to 44.95ppl. The liquid standard litre price reduced by 3.39ppl from 46.57ppl to 43.18ppl.
- Tesco – The Tesco Sustainable Dairy Group (TSDG) milk price is to reduce by 1.50ppl from 1st April 2023 (in line with the reduction to the Müller Direct milk price reduction). The decrease takes the liquid standard litre price down from 44.00ppl to 42.50ppl. The milk price will reduce from 43.75ppl to 42.25ppl for Arla TSDG members.
- Sainsburys – 0.54ppl price reduction from 1st April 2023. This takes the liquid standard litre price down from 44.44ppl to 43.90ppl for Müller suppliers. Arla members of SDDG will receive the same 0.54ppl reduction from 1st April 2023 and will see their prices move down from 44.32ppl to 43.78ppl.
- Co-op – 1.18ppl price reduction from 1st April 2023. This takes the liquid standard litre price down from 44.15ppl to 42.97ppl.
- Müller Direct – 1.50ppl price cut from 1st April 2023. This takes the liquid standard litre price for Scottish suppliers down from 43.75ppl to 42.25ppl. See table, below.
- Müller Lidl – 1.50ppl price cut to the Müller-Lidl fixed price contract from 1st April 2023. This reduction is in line with the reduction to the Müller Direct milk price and takes the liquid standard litre price down from 44.00ppl to 42.50ppl.
- Grahams Dairies – 2.00ppl reduction from 1st April 2023. This takes the liquid standard litre down from 40.00ppl to 38.00ppl.
- First Milk – 3.00ppl price cut confirmed from 1st April 2023. See Milk Price table, below.
- Fresh Milk Company – 2.31ppl price cut from 1st April 2023. This takes the liquid standard litre price down from 41.81ppl to 39.50ppl (see table below).
- Yew Tree Dairy – 2.00ppl reduction to A volume litres from 1st April 2023. This takes the liquid standard litre price down from 44.00ppl to 42.00ppl.
- Arla Directs – 3.53ppl price cut from 1st April 2023. The manufacturing standard litre price reduces from 45.93ppl to 42.40ppl. The liquid standard litre reduces from 44.09ppl to 40.70ppl.

Annual average milk price estimates for April 2023 (ppl)	
Milk Prices – Scotland	**Standard Ltr***
Lactalis / Fresh Milk Co. (No profile or seasonality) [1]	39.50
First Milk Liquid [1, 2]	41.27
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	42.69
Müller - Müller Direct - Scotland [1, 3]	42.25
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 *The FM member premium is set to remain at 0.50ppl from April 2022.*	
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.*	

UK dairy commodity prices (£/ tonne)	Mar 2023	Feb 2023	Sep 2022
Butter	4,060	3,920	5,980
SMP	2,230	2,200	3,110
Bulk Cream	1,610	1,508	2,858
Mild Cheddar	3,670	3,680	4,860
UK milk price equivalents (ppl)	**Mar 2023**	**Feb 2023**	**Sep 2022**
AMPE (2021)	34.55	33.47	53.13
MCVE (2021)	39.35	39.47	53.92

Dates for Your Diary

Digital Dairy Chain – Knowledge Exchange Event
19th April 2023 (10.00hrs - 15.00hrs)
Easterbrook Hall, Crichton, Dumfries DG1 4UQ
This is a FREE event to attend, with tea/coffee & lunch provided. For more details please email:rachel.cook@sruc.ac.uk

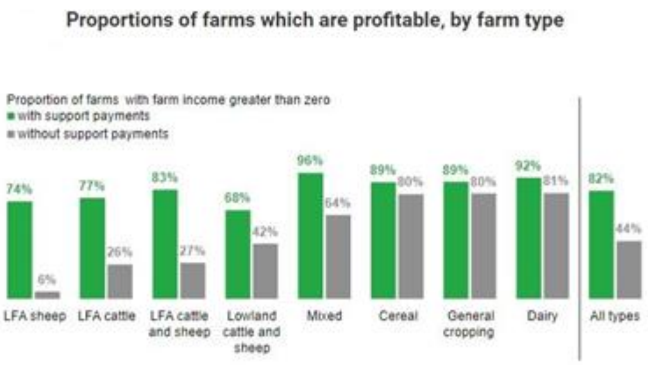
alastair.beattie@sac.co.uk, 07771 797 491

- *Average FBI is at its highest for the last 10 years, at £50k, and it's also the first year that the average farm is profitable without support payments at an average FBI of £5,100.*
- *The main drivers for this apparent rosy picture are the large increases in FBI seen on dairy and cereal farms. This is due to higher prices for milk, wheat and barley in this year. Overall agricultural output on all farms is up by 10%, which more than offsets the rise in input costs, which here are up by an average of 6%.*

Published recently on March 30th, Farm Business Income Estimates for Scotland 2021-2022, is the Scottish Government's definitive economic analysis of over 400 Scottish farms in the traditionally supported sectors. Farm Business Income (FBI) is equivalent to net profit for a business, and these results include figures up to the end of May 2022. They therefore do not include the sustained period of high inputs costs in 2022-2023. These statistics have value for all in the industry: they help the industry establish long-term trends and they are a window to understanding the economic evidence that Scottish Government uses to inform its Agricultural policy.

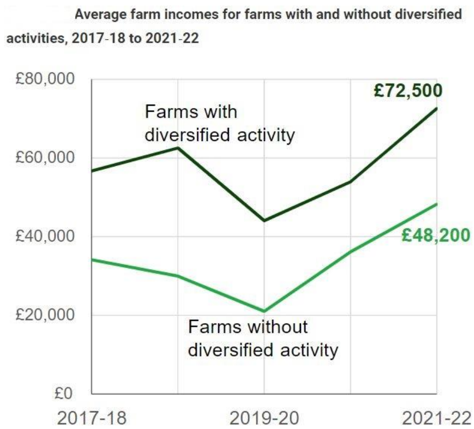
Support Payments

However, the average livestock farm remained loss-making without support. The role of support payments is particularly evident not only in LFA livestock farms, but also to a lesser extent in lowland livestock farms. There is also a sustained number of farms across the board whose FBI is less than £0 even with support. The average figure both this and last year, remains at approximately one fifth of these farms. This is borne out by the ranges of FBI found within the sample, and although dairy and cereal farms have the highest FBI this year (avg £162,100: dairy, £84,600: cereals) they also have the widest ranges of FBI.



Diversification

In the last 5 years, 350 farms have remained in the sample. In this subset those farms that have diversified activities show a sustained higher FBI. Just because a farm diversifies does not mean it is necessarily profitable, however there is something here suggesting that opportunities present themselves in a diversified farming setting. Indeed, looking closer, mixed farms, out of all the farm types, have the largest percentage of their overall FBI attributable to diversified activities at 17%.



Looking Ahead

So, what does the future hold? Sustained high input costs through 2022-23 has brought its challenges. In addition, the volatility within those price rises makes the timing of purchases of inputs difficult to get right. Defra publish forecasts based on industry prices and their FBS data up to February 2023. This may provide a view of what is to come next year in Scotland. Although a less robust analysis, and Scotland has retained its BPS payment, it demonstrates an even more polarised year for profitability between sectors. Dairy incomes rise further by over two thirds with a concomitant significant drop in grazing livestock FBI DEFRA England FBI 2022-2023 forecast.

Average Farm Business Income per farm in real terms (a) at 2022/23 prices (£/farm)

Farm Type	2019/20	2020/21	2021/22	2022/23 forecast	% Change 2021/22 to 2022/23
Cereals	69,900	75,100	126,100	134,000	6%
General cropping	93,900	70,100	152,700	125,000	-18%
Dairy	94,300	96,900	147,200	249,000	69%
Grazing livestock (Lowland)	10,400	19,300	35,700	17,000	-53%
Grazing livestock (LFA)	25,400	35,000	45,000	16,000	-65%
Mixed	32,100	42,100	77,700	63,000	-19%

Although the rising prices for livestock seen in recent weeks are a boost, that increase has not come before time, and its continuation has the potential to reverse this trend.

Sascha.Grierson@sac.co.uk, 07557 661316

Northern Ireland Protocol Update

What is the latest on the NI Protocol?

In late February Westminster announced the Windsor Framework, a new proposal to resolve ongoing post-Brexit trade issues around the Northern Ireland Protocol. This new version proposes a two-lane system for imports to Northern Ireland – a green lane for NI-destined products from the UK with few checks, and a red lane for EU-destined products with full customs checks.

This announcement has been welcomed by both the EU and most politicians and businesses in NI, in offering the best solution so far to ensure ongoing freedom of trade. However, while the DUP agree that the Framework addresses trade issues in principle, it argues that practicalities are still vague, and it doesn't address the continued issue of 'EU sovereignty' in NI (in relation to having to adhere to EU law on EU-designed products within the country's borders. As such, the DUP continue to block the deal by refusing to join in the power sharing agreement required for Stormont to sit under the Good Friday Agreement, blockading parliamentary sittings, and creating frustration in NI as administrative concerns build up.

An early version of the Protocol was rejected due to the suggestion of border customs checkpoints, which were expected to essentially create a hard border and targets for violence. A following version suggesting an Irish Sea border has received equal concerns about hugely increased costs and lack of food availability in NI, with the proposal essentially cutting NI off administratively (in terms of trade) from the rest of the UK.

What does this mean for trade and businesses, in NI & beyond?

Previously, NI businesses – many of which are smaller and less able to order on scale or absorb costs – have faced large fees for shipments, particularly those for products where vet or plant health inspections have been required.

The expected changes for agriculture-related products under the Windsor Framework include:

Agri-foods

- Previously NI was subject to third country checks and controls – spot checking of a large proportion of shipments for physical checks, plus vet/official signed certificates for each type of product per shipment with each certificate costing £150;
- Beyond the extension provided by the EU, there would have been a ban on import of chilled meats e.g. sausages, mince, lamb joints etc;
- A temporary extension has allowed this to continue, but needed to be resolved or face a future where imports must meet full EU standards;
- Individual (and expensive) certificates are no longer needed, as well as a vastly reduced need for physical checks of green lane imports;
- Continued chilled meat products to be allowed, and to UK health, marketing and production standards, same as GB;
- Continued access to the RoI through NI, with relevant EU checks on red lane shipments, and no hard border, just checks at port.

Plants, seeds & agricultural machinery

- The ban on seed potatoes will be lifted, meaning British seed stock can move to NI again;
- The ban on 'high risk' trees and shrubs will be lifted to allow for greater planting in the next season;
- No certification requirements - Removal of burdensome paperwork for plants and other phytosanitary certificate checks;
- Switch away from plant passports to plant labels.

What's next?

The recent vote in favour in the Commons is positive news for Sunak, and the EU will have to make legislative changes to implement the agreement which may take some time, but it is expected that the Framework will come into force in Autumn 2023.

In preparation, businesses will register as a trusted trader with HMRC to allow for pre-approval for export and smooth the logistical and administrative process. This will mean no routine checks or controls on goods at ports for shipments through the green lane.

The deal would be a huge relief to the agri-food sector, in NI and beyond. NI exports to Ireland account for 17% of all UK exports to Ireland – led by dairy produce, eggs and animal feeds; dairy exports account for 41% of all UK exports to Ireland. In addition, 64.1% of NI agri-food exports come to Great Britain, driven by beef and sheep trade. Movement for processing has historically been crucial, with NI processing milk and livestock in the Republic (due to lack of capacity), and the Republic packing potatoes in the North.

The Framework may not solve challenges of continued customs compatibility and checks across the UK-EU border, but will begin to smooth the processes for NI businesses to adapt and reduce the cost and administrative burden of operation.

anna.sellars@sac.co.uk

Seasonal Workers

Seasonal Worker Sponsor Licences

The regulations of Seasonal Worker Sponsor Licences apply to any overseas national that a UK farm wishes to employ if they are not a 'settled worker' or do not otherwise have immigration permission to work for you in the UK. A settled worker would include an EU, EEA and Swiss citizen who has been granted pre-settled or settled status under the EU Settlement Scheme; Irish Citizens or a Commonwealth Citizen with the right to abode. To confirm criteria for immigration permission to work in the UK, Sponsorship guidance should be consulted.

Sponsor requirements

Seasonal workers can be sponsored for a maximum period of 6 months in any 12-month period. Individual employers and businesses cannot apply for a sponsor licence to bring in workers via the seasonal worker route. Only those who are Defra approved and licenced by the Gangmasters and Labour Abuse Authority and therefore deemed as Approved Scheme Operators can do so. There are currently 7 operators approved specifically for seasonal worker licences. There are 45,000 visas for seasonal workers available for the horticultural sector in 2023 with an additional 2,000 visas for the poultry sector.

Modifications for 2023

Many seasonal workers arrived late to the UK in 2022 as a result of the war in Ukraine. Therefore, these workers will be permitted to re-enter five months after their 2022 leave expired rather than having to wait the full six months. This will only apply for 2023 to enable businesses to have staff in place for the start of the 2023 harvesting season. Normal rules will apply for 2024 onwards.

Pay for Seasonal Workers

The regulations of the Scottish Agricultural Wages Board (SAWB) apply to Seasonal workers. The rates of pay are set on the 1st April annually. The minimum hourly rate for all workers as of 1st April 2023 will be £10.42 while those with qualifications in the sector they are working in would receive a £1.55/hour top up taking their minimum wage to £11.97/hour. Qualifications include a Scottish or National Vocational Qualification in agriculture or horticulture at SCQF Level 6 or above. This includes a Certificate of Apprenticeship in Agriculture. The Agricultural wages: A Guide for Workers and Employers is a useful reference document on pay, working hours and benefits for agricultural workers. This guide is available in full in Bulgarian and Polish or there is an abbreviated document covering the key features in Russian, Belarusian, Moldovan, Romanian, Ukrainian, Nepalese, Latvian and Kazakhstani. Copies of this guide can be sourced by contacting SAWB on 0131 244 9750 or e-mail sawb@gov.scot

Overtime for Seasonal Workers

Eligibility for overtime payments depends on the length of time working with that employer and the number of hours worked. For workers with up to 26 weeks continuous service, overtime must be paid when a worker works for more than 8 hours on any day or for more than 48 hours in any week. For workers with more than 26 weeks service, overtime must be paid when a worker works for more than 8 hours on any day or for more than 39 hours in any week. Overtime is calculated at 1.5 times the minimum hourly rate to which the worker is entitled.

Accommodation for Seasonal Workers

From 1st April 2023, any deduction an employer makes from a wage in respect of accommodation other than a house (caravans or static homes) shall not exceed £9.50/day. The deduction must only be made for each day in the week that living accommodation is provided. The accommodation itself must be clean, wind and watertight and have met all legislative safety checks such as gas, electricity, and water tests for legionnaires disease. To avoid worker exploitation, washing and toilet facilities should be provided on site.

Weather Protective Clothing

The provision of weather protective clothing for employees and the replacement of any clothing that is no longer fit for use is the responsibility of the employer, not the employee.

mhairi.dalgleish@sac.co.uk

Key economic data

General Indicators	
Base interest rate	4.25% (3.5% Feb 22)
ECB interest rate	3.0% (2.5% Feb 22)
UK (CPI) inflation rate	10.4% (target 2%)
UK GDP growth rate	0.1% (Q4 '22)
FTSE 100	7,367.62 (31 Mar '23)

Price indices for January 2023 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	219.0	Seeds (all)	122.1
Barley	220.9	Energy	202.5
Oats	207.5	Fertiliser	258.7
Potatoes	138.2	Agro chemicals (all)	172.7
Cattle and Calves	141.3	Feedstuffs	180.1
Pigs	154.7	Machinery R&M	134.4
Sheep and Lambs	134.4	Building R&M	153.7
Milk	200.9	Veterinary services	118.3

This publication is funded by the Scottish Government as part of the SRDP Farm Advisory Service