SRDP Farm Advisory Service

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News in brief

April 2024

All Change

As promised last autumn, the Scottish Government has announced more details with regards how agricultural support will change in Scotland from next year, and the actions that farmers and crofters will have to take in order to be eligible for the new support payments.

In preparation for the gradual transition to the new agricultural support framework which will start in 2027, the latest update puts some meat on the bones of the Agricultural Reform Route map including the introduction of a maximum 410 day calving interval for suckler cows; pest management plans for arable farmers, biodiversity audits and new conditions for managing peatlands and wetlands. Extensive guidance on each of the new changes will be available during the summer.

With IACS season underway, the proposed new Land Reform (Scotland) Bill currently at Stage 1 in the parliamentary process could change how land in Scotland is owned and managed in rural and island communities. The implications for large farms and estates could be significant given the fact that proposed measures include, in certain cases, prohibiting landholdings over 1,000 ha from being sold until Ministers can consider the impact on the local community.

In this month's edition of Agri Business News, while our sheep articles explain why baa-rilliant lamb prices are hogging the farming headlines, our dairy article explains why despite the spring flush, from a financial perspective, dairy farmers are not feeling flush.

Our sector focus and input articles this month highlight the benefits of investing time and money in your vet and how straw could be the new golden currency in our increasingly cyclical economy.

And with the wet weather continuing through March, the knock on effect on both spring work and the demand for grazing cattle; this month's article on retirement planning may tempt some family members to review their options.

Next month:

- Pig Update
- Hemp
- Forage Focus

Contents

This month's editor:
Christine Beaton

New Land Maintenance Form

The Scottish Government have introduced a new Land Maintenance Form (PF06) to simplify and expedite the process of making essential land changes to land parcels. To access the new form and initiate land parcel changes where required please visit the Rural Payments and Services website.

Wildlife Management and Muirburn Bill

The Wildlife Management and Muirburn (Scotland) Bill has now been passed. Its main remit is to protect wildlife. The new Bill bans the practice of snaring and the use of glue traps to catch rodents. It also gives greater powers to the Scottish SPCA to tackle wildlife crime and introduces a new licencing framework for grouse moors.

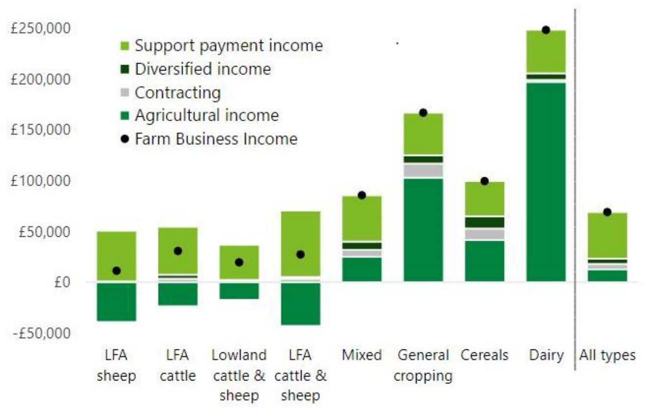
Land Reform Bill

The new Land Reform (Scotland) Bill is aimed at changing how land in Scotland is owned and managed in rural and island communities. Measures include in certain cases, prohibiting landholdings over 1,000 ha from being sold until Ministers can consider the impact on the local community. This could lead to some landholdings being lotted into smaller areas and/or communities being given the opportunity to take on ownership of some or all of the land in question.

Farm Business Survey

As the Scottish Farm Business Survey is Scottish Government's primary source for economic modelling of the impact of future policy change, the farm income by farm type 2022-23 figures (chart below) highlight that, while on the whole general cropping, cereal arable and dairy units are profitable without support; livestock farms, largely remain unprofitable without support due to increasing costs of production. Recent and sustained high prices for livestock may go some way to reversing that trend.

Figure 7: Breakdown of contributions to farm income by farm type, 2022-23.



Spring Budget

National Insurance

- From the 6th of April 2024, National Insurance contribution for employees will be reduced by 2% from 10% down to 8%. This is in addition to the 2% reduction applied in January 2024.
- For self-employed (Class 4) contributions where business profits exceed £12,750, National Insurance contributions are being reduced by 3% from 9% down to 6% including the 1% cut announced in the Autumn Budget statement.

VAT Registration

- From the 1st of April 2024, the 12-month taxable turnover threshold which determines whether a person or business must be registered for VAT increases from £85,000 to £90,000.
- Conversely, the 12-month taxable turnover threshold for de-registration for VAT increased from £83,000 to £88,000.

Furnished Holiday Lets

From the 6th of April 2025, the Furnished Holiday Lettings (FHLs) tax regime will be abolished. The intention of this is to remove the current tax advantage for landlords who let short term furnished holiday properties over those who let out residential properties to longer term tenants.

Under Capital Gains Tax reliefs, holdover/rollover/Business Asset Disposal (BAD) reliefs will no longer be available on disposal of a property.

While currently under the scheme, FHLs qualify for plant and machinery capital allowances on items such as furniture, equipment, and fixtures. Going forward, allowances will only cover replacement of domestic items. In addition to which, mortgage interest will no longer a fully deductible expense.

Christine Beaton, Andrew Coalter & Sascha Grierson

Key dates

Date	Point to Note
From 1 Apr 24	New Agricultural Wages Order
19 Apr 24	AECS – Deadline for Slurry Store and Stand-alone Water Use Efficiency Irrigation Lagoon grant applications.

Global wheat production holds steady.

Global wheat production in 2024 is forecast to increase by 1% over the previous year but will fall short of the record output reached in 2022, according to a report from the Food and Agriculture Organization (FAO). The FAO report noted that in the United States and Canada, two of the world's largest wheat producers, plantings are down but anticipated yields are up due to improved weather conditions. For 2024, FAO pegs US wheat production at 51.5 Mt, which would be above last year's total and the recent five-year average. Canada, meanwhile, is projected to harvest 33 Mt in 2024, despite a 2% contraction in wheat plantings.

Also contributing to the FAO's projected global wheat output of 797 million tonnes is Russia, where an increase in output is expected due to favourable weather conditions. China, where strong domestic demand and an increase in the minimum purchase price have supported an expansion of the area planted is spurring an expected rise in production; and Pakistan, which is expected to increase production to 28.3 million tonnes in 2024.

With wheat planting having been disrupted by heavy rains in several of the European Union's key wheat-producing countries, particularly France and Germany, the FAO expect output in the EU in 2024 to fall slightly to 133 million tonnes, adding that falls are also expected to play out in the UK.

UK wheat imports to export ratio 10:1.

Recent weakening of sterling against the Euro and US dollar makes imported grain into the UK comparatively more expensive. This means UK prices can rise (hence the recent lift in Futures values) before being capped by the cost of importing grain.

From July 2023 to January 2024, wheat imports totalled 1.25 Mt, up 55% on the year, and up 13% on the previous five-year average. Full season wheat imports are expected to reach 1.73 Mt, up 28% from last season, and would leave the wheat carryover at 2.83 Mt, 31% tighter on the year. The current value of Nov '24 wheat futures at £191/t compared to May '24 values, at £170/t, reflects this tighter situation. So far this season (Jul 2023 -Jan 2024), UK wheat exports have totalled 165.7 Kt, down 78% on the year, and down 64% on the previous five-year average. As well as not pricing competitively on the global market and reduced demand for European wheat; a tighter year on year wheat balance is also contributing to the downturn in exports.

Harvest 2024 areas reviewed.

After heavy rainfall through the autumn and winter, the updated Early Bird Survey shows considerable falls in winter cropping, including wheat, winter barley and oilseed rape. The UK wheat area is now expected to fall 15% year-on-year to 1.463 Mha.

This year, the total barley area is estimated to rise over 8% to 1.236 Mha, with sharp falls in winter barley, down 22%, offset by considerably higher spring barley planting up 29% year-on-year to an estimated 881 Kha.

Overall, the total UK oat area is estimated to rise by 26% to 209 Kha, just shy of the 210 Kha harvested in 2020.The total area of OSR for harvest 2024 is estimated to be 28% lower than planted in 2023.

Consultation on bioenergy.

Although as a more environmentally friendly alternative to fossil fuels, Scotland's energy framework already heavily incorporates bioenergy, derived from organic materials such as trees, plants, and food waste; proposals are being sought regarding the sustainable utilization of bioenergy, which encompasses the cultivation of crops suitable for conversion into electricity, heat, and fuels.

The newly proposed strategy outlines how bioenergy can contribute to the emission reduction efforts and advocates for dedicating specific agricultural land to the cultivation of bioenergy crops.

The 12 week consultation period ends in mid-June, with the Scottish Government seeking input on both the potential benefits and obstacles associated with utilizing biomass for fuel, as well as the feasibility of utilizing land for the cultivation of perennial energy crops to meet domestic energy needs.

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£ per tonne	**Basis**	April '24	Harvest '24	**Nov'24**	**Nov'25**
Wheat	Ex farm Scotland	179	182	191	193
Feed Barley	Ex farm Scotland	169	164	173	
Malt. dist. Barley	Ex farm Scotland	240	245		
Oilseed Rape	Delivered Dundee	363	366	375	

Indicative grain prices week ending 27/03/2024 Source: SAC//trade/AHDB)

Weekly Price Drop for Finished Cattle

After slipping back weekly throughout March, at the time of writing (late March) finished cattle prices are sitting at 506p/kg/dwt (for R4L (Scottish steers). With cattle supplies plentiful in recent weeks, processors have cut prices to reflect availability. Reports suggest that cattle availability has exceeded expectations as finishers offload cattle due to the changes in the tax year.

Despite fat price dropping, the beef price remains strong and prime cattle prices remain elevated (+11p/kg compared to the same week last year).

Going forward, reports suggest that prices could be unpredictable due to 4-day weeks over Easter. However, it is anticipated that prime cattle supplies will tighten from mid-April onwards, which should see a rise in the finished price.

Strong Retail Demand

Reports suggest that retail demand is currently strong. Recent retail figures from AHDB show beef steaks performed well – up 1.7% over the same period - influenced by Valentines Day purchases.

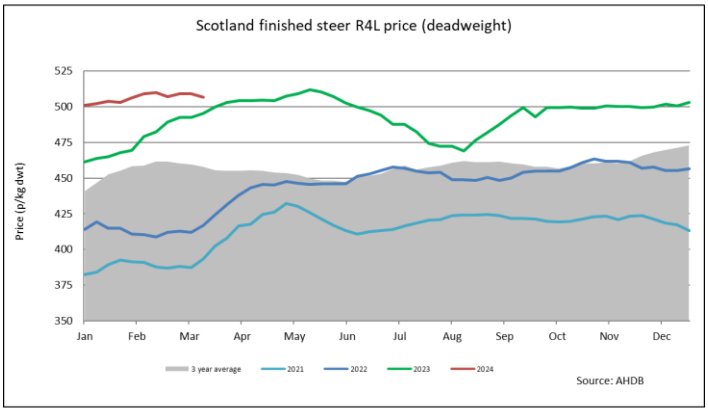
AHDB also reported robust demand for mince, contributing to the trade for cull cows. In recent weeks cull cow prices have marginally increased, currently sitting at 380p + /kg DW (R4L price).

It is anticipated that cow prices will rise as demand increases as we head toward bank holidays and potentially BBQ weather. This, coupled with a drop in the numbers available should push up prices.

Store Cattle Trade

Store cattle continue to be a strong trade, although not as brisk in previous weeks, with several markets reporting prices to be less. The heavier stores 500kgs + are in demand as finishers look to turnaround these quickly within 100 days or so.

Early spring store sales are usually a good trade as finishers seek to fill sheds ahead of the start of arable spring work. Once sowing starts/ sheds are filled; the demand from finishers may reduce, putting a dip in



the store trade especially as some finishers are now thinking that store prices are getting 'too dear'.

While to date, wet weather has been hindering turnout; heading into April, a spell of dry weather should increase demand for grazing type stores.

Revised Specifications from Processor

Following Kepak's grid change in December, ABP have also recently announced revised specifications in a move to reflect market conditions and the greater influence of dairy beef bred animals. This will see greater rewards for better bred dairy cross cattle. The changes include 5p/kg bonuses for R+ cattle and weight restrictions being increased to 420kgs.

However, reports suggest that weight caps have been waived in recent months, due to tightening cattle supplies, with the revised limit announcement now simply providing official confirmation of this. For those finishers buying yearling cattle at £1,600 a lift in weight limit will be a welcome relief.

Beef Support Scheme Payments (SSBSS)

Scottish Suckler Beef Support Scheme (SSBSS) 2023 payments have commenced. The 2023 payment rates are:

Mainland £105.10	Island £151.24

Payments are £3.68 per head greater this year for Mainland calves and £6.76 per head for island calves due to less animals being claimed for in 2023.

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bulls -U3L		Cull cows	
		Change on week	Diff over North Eng.		Change on week	Diff over North Eng.		Diff over North Eng.	R4L	-O3L
02-Mar-24	**509.2**	2.1	1.9	**506.5**	-3.2	-2.4	494.9	-8.1	380.6	359.7
09-Mar-24	**509.2**	0.0	0.6	**507.2**	0.7	-2.6	496.0	0.2	384.1	366.0
16-Mar-24	**506.7**	-2.5	-4.3	**506.0**	-1.2	-3.2	479.5	-21.8	387.1	367.1

Continental flock continues to decline

Drought in the Mediterranean countries, coupled with low forage availability and disease pressures from midge born viruses – Bluetongue and Schmallenberg are all attributes contributing to the decline of the European sheep flock. This fall in the flock has shown a reduction in meat production by 6% between 2022 and 2023 (26,000 tonnes less) with Spain and France showing the largest decreases at 13,000 tonnes and 6,500 tonnes, followed by Greece at 4,000 tonnes and Italy at 3,000 tonnes less sheep meat produced in 2023 compared to 2022.

It has been predicted that the European flock will fall again in 2024 by a further 1%.

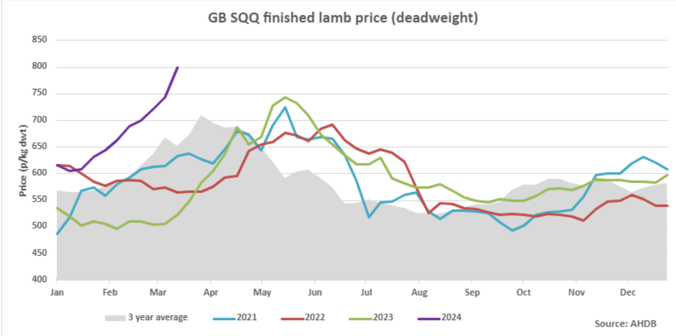
While French and Spanish lamb are typically at a premium compared to the world market, the current price of UK lamb is competing hard with these superior prices, with the demand high for current religious festivals – Ramadan, Easter and Eid-al-Fitr. The week prior to Ramadan, saw the following prices,

	Week ending		Change on Year
	11/03/23	**09/03/24**	
France	€7.93/kg	€8.83/kg	+€0.90/kg
UK	€5.71/kg	€8.71/kg	+€3.00/kg
Spain	€7.12/kg	€8.05/kg	+€0.93/kg

*note: all prices shown as Euro to aid comparison

The current UK price exceeds the highest level of price/kg for prime lamb in 2023 which was SQQ 740.80p/kg for the week ending 20th May 2023.

Latest available figures show an SQQ of 798.8p/kg for the week ending 16/03/24. This shows a rise compared to the same week last year of 276.3p/kg or ~£58 over a 21kg lamb.



Conflict and Capacity Restraints

Due to attacks on commercial shipping in the Red Sea, many shipping companies are avoiding the Suez Canal. Transport logistics are also being further complicated as an alternative route, via the Panama Canal is facing capacity constraints due to low water following summer droughts.

For New Zealand and Australian lamb to come to Europe and the UK, shipping containers now need to be rerouted via the African continent, which adds ~40% more distance, costing time and money. This is creating a great challenge to these exporting countries, who's largest exporting time is between February – July. New Zealand also have a free trade agreement with Europe about to come in to force in mid-2024, which will leave the perishable foods in question for exporting in the current condition.

While the lamb price in these countries is currently low, due to the complexities with supply due to transport challenges, the European customer is favouring UK and Irish lamb to ensure supply through the key religious festivals.

	Week ending		Change on Year
	11/03/23	**09/03/24**	
NZ	€4.15/kg	€3.44/kg	-€0.71/kg
Australia	€4.62kg	€3.81/kg	-€0.81/kg

*note: all prices shown as Euro to aid comparison

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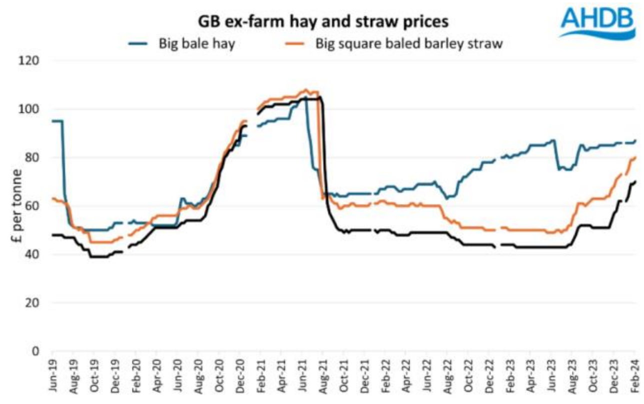
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All
02-Mar-24	**725.2**	21.6	-3.3	-1.1	**344.10**	21.9	18.6	16.4	95.45
09-Mar-24	**746.9**	69.7	-4.6	-2.5	**355.30**	11.2	19.8	12.0	92.81
16-Mar-24	**794.4**	.47.5	-1.6	1.4	**383.50**	28.2	26.4	6.9	88.39

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

Straw Market Update

Unlike most other farm inputs, straw did not suffer the same inflationary price rises in 2022/23. However, with the wet summer, autumn last year and the continuing wet weather over the winter, straw prices have increased significantly, with reports now suggesting that straw prices in 2024 could be higher than those witnessed in 2020/21. Which for those farmers who buy in a lot of straw, is a real concern.



Source: British Hay and Straw

Wet Weather is Taking its Toll

A dry harvest with favourable weather in 2022 created an incentive for arable farmers to bale straw resulting in the availability of plenty good quality straw for livestock farmers. However, with last year's wet weather and wet ground conditions delaying the establishment of the next crop, coupled with increased fertiliser costs led to large amounts of straw being chopped and returned to the soil.

The continued wet weather, especially in the south of England, is also affecting spring field work, which is likely to result in a reduced straw harvest for 2024. However, it is not only the arable sector that is affected as the wet weather and wet ground conditions are hindering stock turnout to grass. This extended need for bedding has led to farmers in some areas opting to use hay for bedding.

Fodder Sales

Markets holding fodder sales across the country are reporting high demand for straw with demand outstripping supply. Aberdeen & Northern Marts fodder sale in mid-March (15.03.24) saw 4ft inside spring barley straw bales sold for £24 per bale - an increase of £7 per bale from their January sale. Merchants south of the border are reportedly paying approx. £20/t more on average compared to this time last year.

With carrot growers already actively looking to source straw ahead of the growing season, livestock farmers are advised to source straw ahead of winter housing 2024, to avoid challenges faced by higher straw prices and the reduced availability predicted.

High straw prices may lead to farmers looking to straw alternatives for bedding. However, the nutrient value of FYM should not be overlooked.

FYM is often an undervalued resource

While the nutrient values of artificial fertilisers are readily obvious by how they are named e.g. 20.10.10, the nutrient value of organic fertilisers is often overlooked. Organic manures are a valuable source of N, P & K, trace elements and organic matter. The table below highlights the nutrient and monetary value of cattle, sheep, and pig FYM, with the cattle slurry data highlighting the value of the straw in FYM.

Manure Type	DM%	Nutrient	Kg/t or kg/m^3	£/kg	Value £/t or £/m^3
Cattle FYM (Fresh)	25	N $P_2 0_5$ K_2O	6.0 3.2 8.0	1.04 0.97 0.73	6.26 3.10 5.87 15.22
Sheep FYM (Fresh)	25	N $P_2 0_5$ K_2O	7.0 3.2 8.0	1.04 0.97 0.73	7.30 3.10 5.87 16.27
Pig FYM (Fresh)	25	N $P_2 0_5$ K_2O	7.0 6.0 8.0	1.04 0.97 0.73	7.30 5.80 5.87 18.98
Cattle Slurry	6	N $P_2 0_5$ K_2O	2.6 1.2] 3.2	1.04 0.97 0.73	2.71 1.16 2.35 6.22

Source: SAC Farm Management Handbook 2023/24

A further benefit of using organic manures is that approximately 1/5th of the nutritional value of the Nitrogen in both FYM and slurry will be available in the next growing season, dropping to 1/10th of the value in the third growing season after application. Although these residual values will be relatively small, every little helps both technically and financially.

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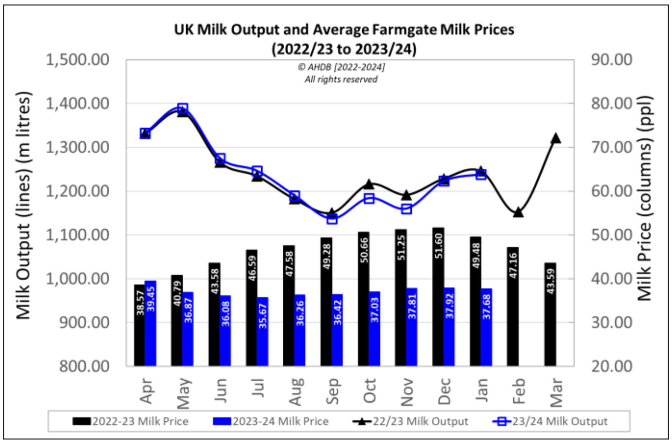
Poor start to the spring flush…….

- *Milk volumes are increasing as we head into the spring.*
- *The two latest GDT auctions showed negative results for dairy commodities sold.*
- *Milk prices have been increasing but how far they go will depend on grass growth, grazing conditions, and the extent of the spring flush.*

Milk production data

The latest milk production data from AHDB shows that GB milk output for February was 975m litres (provisional), 4.8% less than the January volume. Daily deliveries were 34.91m litres for the w/e 16th March, 1.2% above the previous week and 0.3% more than the same week in 2023. Unfortunately, UK data from Defra on February's volume and the average farm-gate milk price was not available at the time of writing.



Farm-gate prices: April 2024

The most up to date milk prices from the main Scottish milk buyers available at the time of writing are shown below. Both First Milk and Müller have increased their April price by 0.75ppl and 1.0ppl respectively.

Milk Prices for Dec 2023/Jan 2024 Scotland	Standard Ltr ppl	
First Milk[3]	Apr	38.75
Müller - Müller Direct - Scotland [1, 2]	Apr	37.50
Grahams[1]	Feb	35.00
Arla Farmers[3]	Apr	40.06
Lactalis / Fresh Milk Co.[3]	Mar	37.72

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 *Manufacturing standard litre - annual av. milk price based on supplying 1m litres at 4.2% butterfat, 3.4% protein, bactoscan = 30, SCC = 200 unless stated otherwise.*

3 *Includes 1.00ppl Müller Direct Premium. Haulage deducted depending on band for 2023 vs 2021 litres, ranging from -0.25 to -0.85ppl.*

Dairy commodities & market indicators

The latest UK wholesale dairy commodity prices for the week beginning 19th of February to the 11th of March only showed a positive price movement for cream (+2%), which firmed on the back of higher butter prices at the end of February. The 5% fall in SMP compared to the previous month reflects the downward price movement seen in recent GDT auctions. Buyers short-term needs are covered and are not looking to purchase too far ahead as they anticipate prices falling as milk volumes continue their seasonal increase. As a result, the market indicator AMPE fell 1ppl on the back of the lower SMP price and MCVE fell by just 0.53ppl due to weaker mild cheddar.

The latest GDT auction (19th of March) returned a 2nd drop in a row in the average price, across all products sold, down 2.8% to $3,4974/t. These last two negative auctions follow six consecutive price rises since early December. At the latest auction, skim milk powder and whole milk powder dropped 4.8% and 4.2% respectively from the previous auction. Butter and cheddar showed more modest declines.

UK dairy commodity prices (£/tonne)	Mar 2024	Feb 2024	Sep 2023
Butter	4,850	4,850	3,710
SMP	2,040	2,140	1,860
Bulk Cream	2,045	1,996	1,648
Mild Cheddar	3,490	3,530	3,260
UK milk price equivalents (ppl)	**Mar 2024**	**Feb 2024**	**Sep 2023**
AMPE	36.62	37.62	28.82
MCVE	36.28	36.81	33.39

Dairy farm business income

While results just published by the Scottish Farm Business Survey showed that dairy farms had an average Farm Business Income (total output minus total costs) of £248,700 in 2022/23, up 42% from the previous year; in contrast, in mid-March Defra published their dairy Farm Business Income forecast for 2023/24 of just £50,000, down a staggering 78% from £248,300 in 2022/23. This drop was almost solely attributed to the lower farm-gate milk price as opposed to less dairy cows or a drop in milk output.

Recent monthly costings data published by Promar for December 2023, indicated that while feed costs have fallen 13% compared to 12 months, ago, milk price was back 26% and therefore the margin over purchased feed (in ppl) was down by 31.3%.

Global outlook for 2024

Rabobank predicts that during 2024 gradual, small positive price movements will be seen in the dairy commodity markets. It is expected that, while milk volumes will be back in the first half of the year, volume growth will be seen in the second half of 2024 on the back of lower feed prices and better margins, aiding a return to profitability.

Global demand for dairy products has been sluggish so far this year, but economic growth is looking up as the fear of recession in some countries has now passed.

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Opportunities to extend the Scottish Lamb Market

Lamb is currently seeing record price levels, due to a perfect storm of a shortage of supply and high demand from religious festivals. We have witnessed through Brexit, Covid and issues in the Suez Canal how quickly pressure can be made on supply chains, and the impact this has on agricultural produce. For this reason, as an industry, we should be looking to embrace opportunities to extend the market for Scotch lamb.

Learn from others experience - Learning from the large, lamb producing countries is always beneficial, and inspirational to how they create opportunities for their product.

First off is **New Zealand**, where Beef and Lamb NZ have partnered with the New Zealand Olympic committee. With this, they will support the NZ athletes in the Paris 2024 Olympic games. Allowing them to show the nutritional benefits of lamb (and beef) and how it fuels their national team. With this they will showcase their national pride and show support to their producers, at the same time as building trust with their European customer who they happen to have a trade deal coming into force mid-2024. With their competitive price point, in France (our largest importer) and their strong marketing campaign, this could potentially be harmful to Scotch lamb.

Next is **Australia**, Meat and Livestock Australia have some fantastic marketing campaigns and ideas to push their produce. Including an excellent TV ad "The Generation Gap"

Australian lamb has recently partnered with Dominos in Australia to offer lamb on pizza, with two lamb pizzas on the menus. This is a great example of diversifying this highly nutritious and versatile product. By showing the relevance of lamb in quick service restaurants while targeting a different demographic, in the younger generation.

Lamb in the fast-food sector According to Just Eat, fast food is the 3rd most popular food choice in the UK, with the most popular item being the burger. It is estimated that fast food outlet MacDonalds serves over 3.8 million customers per day in the UK alone, but there is no lamb on the menu! Is this a lost opportunity?

Italian food is shown as the most popular UK fast food; the Australians are not silly targeting the pizza!

Aviko surveys have shown that one fifth of 16-34 year olds are attracted to fast food establishments with environmentally friendly initiatives. Which gives an opportunity to attract new lamb customers showing the highly sustainable, protein rich, high in B3, B12, iron and zinc produce that lamb is.

Tasty, Easy Cook Meals - Figures released by AHDB have shown a 5.7% increase in lamb sales during Valentine's week this year, compared to last year. Possibly due to valentines being mid-week in 2024, and the convenience of ready-made, added value products such as pre marinated dishes, ready for a low and slow cook.

This uplift in sales highlights that we should be marketing home grown sheep meat for all occasions and not the traditional Easter! Equally, taking on board the fact that consumers are lacking in either time or skills to cook lamb from scratch; there is opportunity to boost sales further by creating easier to cook, ready-made air fryer lamb meals for the supermarket shelves for easy mid- week meals for families as well as premium dishes for special events.

Credentials to scream about - In an era when environmental and sustainable choices are key themes, there should be no better time to promote lamb as the sustainable protein source. Boasting the high protein, low in salt, high B3, B12, zinc and easily absorbed iron. But also, the high welfare, traceable product with exceptional food safety standards that Scottish lamb boasts. Not to mention the high level of environmental stewardship that our sheep farmers carry out through diverse grassland management, growth of forage crops, and the bird cover this brings in the winter plus protection of water courses to name a few.

As the country's economy recovers, with inflation falling and wages rising; this is the perfect time to diversify or embrace new opportunities for marketing lamb, both at home and abroad.

Halal - QMS's Scottish Red Meat Profile shows per capita consumption for lamb is sitting at 2.2 kg per year compared to beef at 19.2 kg per year. Showing we are a country with very low lamb consumption. However, there is a huge market opportunity in halal (through three methods Non-Stun, WASK-stun and All-Stun). AHDB figures show a Muslim household spends on average £30/week on sheep meat, while a general population household spends only £12/week on all meats.

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Suckler Herds - Vet Spend and Risk Management

Vet spend can vary significantly between different suckler herd units. In the 2022 QMS Cattle and Sheep Enterprise Profitability in Scotland report, the reported range was £2.50 - £7.80 per calf reared, with an average spend of £5.48 per calf. In general, there is a notable trend that the more profitable herds tend to have a lower vet spend in total but have a higher output of weaned calves on a per cow basis.

Treatment: Low Value Vet Spend

We have a duty of care to safeguard the welfare of livestock, so when animals are ill, veterinary 'spend' on advice and treatments are an obligatory and unavoidable cost to the business.

Although, the most significant cost of a disease outbreak is rarely (or never) in the vet spend itself, but in the lost productivity due to reduced fertility, growth rate or mortality that comes with the problem.

Taking pneumonia as an example, it is well understood that only around 40% of the cost to the business comes from veterinary spend. The bigger losses come from a combination of reduced growth rates (40%), higher mortality (14%) and increased labour requirement on farm (5%).

Prevention: High Value Vet Spend

Where efficient businesses win out is that a higher proportion of their vet spent (i.e. 80-90%) is in relation to prevention rather than cure.

In a low margin enterprise, the temptation is to look at all vet spend as a pure cost and try to eliminate it. However, investing time and money in seeking preventative advice, will pay more dividends in the long run due to healthier, more productive stock. .

Assessing Health Risk Value

By getting it wrong, what do you stand to lose? One quick and easy way to do this is to estimate the total herd value at weaning for both best case and worst case scenarios. The difference between these two figures is the financial value of the health risk that the business faces. The bigger the figure, the greater the importance of investing in preventative advice..

Herd Values

Two key figures to focus on are the estimated value of your calves at weaning time and the cost of replacing a dead cow or one you need to cull early due to health or fertility issues.

Fertility

With the Scottish Government introducing a maximum 410 day calving interval for Suckler cows under the Suckler Beef Support Scheme in 2025, herd fertility issues will no longer just be about losing potential calf income but support payments too.

In our work with farmers groups, the calving % for a 10-12 week bulling period often ranges from 70-95%. If you value a replacement heifer at £1,500 and a cull cow at £750, the net replacement cost for an unproductive cow equates to £750 per head. For a 100 cow herd, his translate to an annual replacement cost ranging £3,750 to replace 5 barren cows up to £22,500 to replace 30 barren cows. However, if you decide to give these barren cows another chance, from 2025, you risk losing the calf payment.

Mortality

Typically, we find that farmers estimate annual cow survival rates from 99% down to around 92% (which in reality may be even lower). For a 100 cow herd, this range equates to a loss of one cow up to 8 cows or £1,500 to £12,000 based on a replacement heifer value of £1,500 per head.

With regards calf mortality, losses can be broken down into abortion (0.5–5%), stillbirth (1-10%), losses in the first week (1-8%) and older losses (0.5-5%). Using these approximate figures would give a cumulative best case scenario of 3% for calf losses, rising to a scary (and thankfully unlikely) worst case scenario of 28%.

Growth rates

While calf growth rates will vary on feeding regimes, if pneumonia can reduce growth rates by 40%, a potential 1.25 kg/hd per day gain drops to 0.75 kg/hd/day.

If valued at £3/kg liveweight for a weaned calf, the difference in value gain per day drops from £3.75/hd/day to £2.25/hd/day. It doesn't sound much but over 200 days to point of weaning, this differential leaps up to £300 per head in potential calf value.

Risk value

Based on the figures above, if you have a problem with herd fertility and/or have higher mortality rates, what you stand to lose could be very significant.

Investing some time and money now to minimise health issues will not only help to safeguard the welfare of your stock; it will also help to reduce the carbon footprint of your business – another win-win.

With the Scottish Government offering funding of up to £750 on Animal Health and Welfare Interventions, now is the time to talk to your local vet practice about health risk management

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Management Matters: Retirement Planning

Thinking about your future

Many farmers quite rightly concentrate on the 'here and now' of their businesses, but how often is there thought given to life after the farm?

There's a lot of conversation at the moment about succession planning, and part of that is where you will live in retirement.

If the farm is tenanted, and you have no successor and find yourself in the relinquishment scenario, there can be the added pressure of finding somewhere to move to. In many cases, farmers have lived most of their lives in the same place, so the emotional impact on you as a person must not be underestimated.

In a similar scenario, if a farm is owned and you're faced with either moving out for the next generation or in the case of a sale, planning ahead to have somewhere to go can reduce some of the pressure at a stressful time.

Finding a property

If there is no obvious solution to this retirement housing issue, such as a farm cottage, then consideration may want to be given to buying a property and then letting it out until such time that you are wanting to move.

In doing this, you can take the time to choose a location you prefer and a style of property best suited to you.

There is obviously a cost in undertaking such a purchase, however consideration should be given to the revenue that can be raised from a rental income. The earlier a property is purchased, the more chance you may have of paying off any mortgage prior to retirement, but advice on this should always be taken before undertaking such a project.

Becoming a landlord

To rent out a property for either residential or holiday let use has a degree of responsibility, but it is all quite achievable. When looking for a property, consider if you are wanting a renovation project, or something more 'hassle free' and opt for a 'turn-key' property.

You may also want to consider engaging the services of a letting agent if you do not feel you have the time or capacity to be a hands-on landlord.

All properties rented out need to meet the minimum Tolerable and Repairing Standards as set out by Scottish legislation. This covers the fundamentals of a property, such as ensuring it is wind and watertight, but also that it has the required certificates in place. Properties require an Energy Performance Certificate, and the better renovated and insulated a property is, the better for all parties.

Electrics, gas, and water also need to be checked and confirmed safe within the property, as well as having the required alarms in place for smoke and heat detection.

Once a property meets the legislation for rental, a landlord is required to be registered with their local authority. Then the property can be advertised and rented out.

Current residential tenancies are governed by Private Residential Tenancies which have a much shorter minimum term that historic Short Assured Tenancies. Holiday lets (aka Short Term Lets) require additional paperwork, as would a House of Multiple Occupancy (HMO).

Current market rents have risen steeply in recent years; however, this needs to be balanced with finding a tenant who will look after your property and provide a stable rental income.

For further information or to have a chat about your options, please do get in touch with me.

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Key Economic Data

General Indicators		Price indices for January 2024 (Defra 2020 = 100)			
		Output Prices		Input Prices	
Base interest rate	5.25% (5.0% 22 June 23)	Wheat	120.9	Seeds (all)	106.2
ECB interest rate	4.0% (3.75% Aug 23)	Barley	147.0	Energy	153.9
UK (CPI) inflation rate	3.4% (target 2%)	Oats	172.6	Fertiliser	163.2
UK GDP growth rate	-0.3% (Q4 2023)	Potatoes	206.8	Agro chemicals (all)	127.1
FTSE 100	7,953.58 (89/03/2024)	Cattle and Calves	141.2	Feedstuffs	131.7
		Pigs	132.4	Machinery R&M	127.5
		Sheep and Lambs	130.0	Building R&M	136.2
		Milk	131.8	Veterinary services	106.0

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