Farm Advisory Service

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August 2018

News in brief

Weather woes

As this dry hot spell continues there are once again concerns over availability of forage. Last year there were low forage and straw supplies due to the prolonged wet weather, this year it's the opposite. Although good quality silage and hay has been made over the past couple of months, there has been very little regrowth which will impact on the yields of second cuts. In some cases first cut silage is being fed now to substitute for the lack of grass.

If the drought ceases then we should get some good late summer/autumn grass growth which could help take some pressure off forage supplies, but it would be too late to boost straw yields, hence supplies. This month there are a couple of *Management* articles that provide useful information on dealing with straw and forage shortages.

UK Government's Brexit plan

Publication of the long awaited white paper which is aimed at ensuring trade co-operation, with no hard border for Northern Ireland, and global trade deals for the UK was met with both scepticism and praise, which was probably not a surprise. Those backing Mrs May deem the paper to be a blueprint for a pragmatic and ambitious future partnership between the UK and the EU, while Brexiteers believe it will produce a bad deal for Britain. But, what does the EU think about the proposals? Following the first round of talks with Michel Barnier it is clear that the UK government's proposal to collect customs duties for the EU at the UK border was not going to be agreed by the EU. Although Barnier has expressed some positivity about some of the other proposals, there is still a lot of negotiating to be done over the next few months if a deal it to be struck in October! For more information about the content of the white paper see this month's *Policy* article.

Next month….

- Sector Focus – Alternative Protein
- Harvest and forage update

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Gillian Inman

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Brexit white paper

The government recently published its white paper which details its proposals for the UK's future relationship with the EU. A summary of some of the main elements are included below.

The full paper can be downloaded from: https://www.gov.uk/government/publications/the-future-relationship-between-the-united-kingdom-and-the-european-union

Economic partnership

The government wants to ensure that the UK and the EU have continued frictionless border access, and to achieve this are proposing the establishment of a free trade area for goods. Having a free trade area, they claim 'would avoid the need for customs and regulatory checks at the border, and mean that businesses would not need to complete customs declarations. It would also enable products to only undergo one set of approvals and authorisations in either market, before being sold and would avoid the need for a hard border between Northern Ireland and Ireland'.

A common rule book has been proposed to underpin the free trade area for goods. This would involve BSI standards not diverting from their EU equivalents and having a common test for goods, including food and agriculture.

Regarding services and digital, the government have proposed that there would be new arrangements, allowing the UK and EU to create their own paths in areas they deem will help their respective economies. Although in the white paper details of the new service arrangements remain vague they would be 'based on the principles of international trade and the precedents of existing EU trade agreements as well as potentially having continued mutual recognition of professional qualifications'.

Within the white paper it is also stated that free movement of people from the EU to the UK will end. While details of future migration policy will be decided in the months to come, the UK wants to continue to attract the 'brightest and best' from the EU and elsewhere and allow 'citizens to travel freely without a visa for tourism or temporary business trips'.

Security partnership

The government has proposed maintaining the existing operational capabilities that the UK and the EU deploy to protect their citizens' security, including the continued sharing of data and information and UK participation in agencies, including Europol and Eurojust. It would also involve co-ordination on foreign policy and defence issues. The UK will however no longer be part of the EU's common policies on foreign, defence, security, justice and home affairs.

Other co-operation

The government believes there is a number of areas where co-operation supports or complements their proposals for the economic or security partnerships. These include the continued exchange and protection of personal data, establishing co-operative accords in areas ranging from science and innovation to development and international action and an agreement on fishing that establishes a framework for reciprocal and fair access to waters while respecting the UK's position as an independent coastal state.

The UK is hoping the EU will back the proposals so an exit deal can be agreed by the autumn, ahead of the UK's departure from the EU on 29th March 2019.

Use of Ecological Focus Areas

Owing to the shortfalls in forage many farmers will be looking at ways to maximise use of potential fodder. Depending what Ecological Focus Area (EFA) greening options were selected there maybe scope for some farmers to utilise these areas more effectively. Below is a reminder of what can be done on EFA areas while remaining compliant. The EFA fallow period ended at midnight on the 15th July, which now frees up this land for grazing, making silage or hay or sowing another crop, for example Brassica fodder crops.

EFA margins can now be cut, including for silage or hay, and if the margin is not adjacent to a watercourse, it can be grazed.

Grass established as part of EFA catch crops can be grazed after the main crop has been harvested.

The aftermath of EFA nitrogen fixing crops can be grazed but livestock must be excluded from any EFA margins that are adjacent to watercourses.

Full details of the greening rules for the remainder of this year can be found at: https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/greening-guidance-2018/

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Cereals and Oilseeds

Europe drought intensifies, prices rise

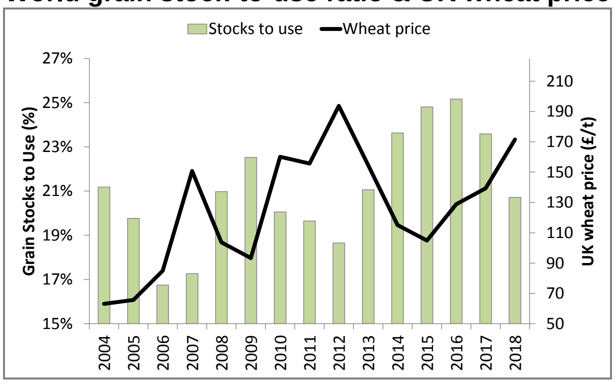
As combines roll across Europe, grain crop estimates have been cut further as the impact of the drought becomes evident. Germany is expecting its lowest cereal harvest for 11 years at 41mt, down 9% on 2017. Sweden, Denmark and the Baltics are suffering severe drought; threatening spring barley output with malting premiums rising. French cereal yields appear average but rain has affected quality.

Away from Europe the main counterweight keeping a lid on further price rises is that so far the massive US soya and maize crops remain in good condition. With hot weather forecast in the US however, this difference may narrow. Market conditions in the US are also distorted by the trade war with China which is artificially suppressing US soya and maize prices.

A look at the bigger picture indicates the recent rise in world grain prices is built on a significant underlying supply shortfall. In 2018 world grain stocks to use ratios are projected to fall to 76 days of use; (92 days in 2016); the lowest since 2012.

In 2012 world grain stocks fell to 68 days of use and UK wheat prices rose above £200/t in July, peaked at £225/t in November and remained close to £200/t until early June 2013 before dropping to £150/t. With UK wheat futures prices over £170/t for November 2018, current prices match historic trends at these stock levels. Where prices go from here will depend on world weather and final crop yields.

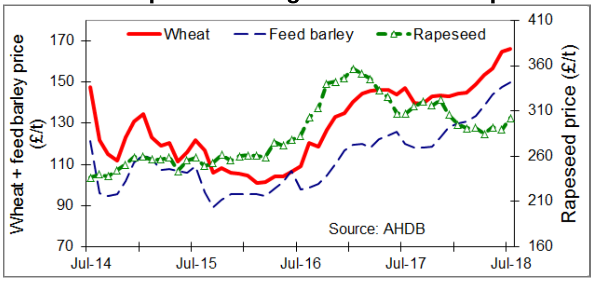
World grain stock-to-use ratio & UK wheat price



US maize prices are currently at a £70/t discount to UK wheat prices (typically £30/t) helping restrain UK prices. US July/August crop weather remains key.

If EU crop estimates deteriorate further then EU grain prices can afford to rise above world levels.

Scottish spot ex-farm grain and oilseed prices



In the last month, Scottish ex-farm wheat prices rose; +£4.50/t for spot (£169.50/t) while new crop rose +£13/t to £177/t for Nov.'18. New crop rapeseed rose +£14/t to £303/t delivered harvest.

- World prices rise further on drought in key producers. Only good US maize and soya crop conditions limit further price rises. Situation and prices could change quickly

UK crops and forage shortfall

AHDB's 2018 spring planting survey confirms lower winter cereal plantings, higher oilseed rape area and a shift to spring barley in GB. The swing to spring barley in Scotland is up just 12k ha to 256k ha compared to the 274k ha previously forecast. These are small changes and the impact of weather on crop yield and quality and feed demand will be the main drivers of market direction. The lack of forage is already driving UK feed and forage prices higher (see page 8). Early grain harvest results from Europe indicate lower yields and expectations for Scotland and the UK are muted. AHDB are currently working on UK wheat yields of 8t/ha and a 13.9mt crop which if achieved would be 0.9mt down on 2017. Actual yield estimates will be reported by ADAS from 23rd July at the AHDB market's page.

AHDB 2018 spring planting survey

000's ha		Wheat	Winter barley	Spring barley	OSR
GB	2017	1,783	416	740	562
	2018	1,744	385	768	612
	Change	***-39***	***-31***	***28***	***50***
Scot.	2017	109	48	244	34
	2018	106	39	256	35
	Change	***-3***	***-9***	***12***	***1***

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Indicative grain prices week ending 12 July 2018 (Source: SACC/AHDB/trade)
'* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Jul 18	Hvst 2018	Nov 2018	May 2019	Nov 2019
Wheat	Ex-farm Scotland	169.50	173.00	177.00	183.00	165.00
Feed barley	Ex-farm Scotland	149.80	160.00	164.00	170.00	
Malt. barley - distil	Ex-farm Scotland		191.00			
Malt. barley - brew#	Ex-farm England			185.00		175.00
Oilseed rape*~	Delivered Scotland		303.00			

Hot weather sales ease price

Prime cattle throughputs for June were very similar on the year but more cattle are now being sold and at lighter weights. This is very likely to continue as purchased feed costs increase and forage shortens – there will be a lag even after the rains. Unsurprisingly, the producer price has subsequently softened, while the end of the World Cup, overseas holidays and cooler summer weather take the edge off domestic demand.

Scottish commercial beef cattle price dropped, by around 2p/kg dwt for week commencing 16 July, to an average base price of 384-387p. Bonus payments could take the end price to over 390p/kg dwt. A slight softening in price is something being experienced across the UK. Angus and heritage scheme cattle remain in demand at around 435p/kg.

- The producer price is at or has now fallen below year earlier levels for the first time since August 2016

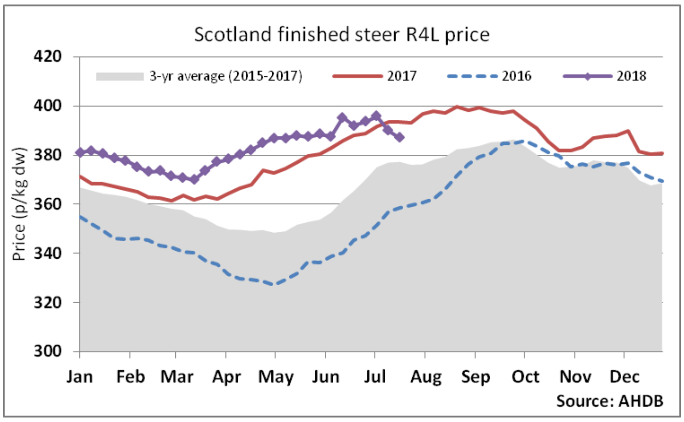
Breeder-finishers who need to buy a lot of feed this winter will need every penny but, in truth, it is not a producer's biggest concern right now at £30/hd – cash flow, forage reserves, sourcing feed at the right price weighs heavier on the mind right now …oh and harvest is starting.

More cattle of lighter weight reduce GB beef production and leave a supply gap behind them. That will create a pinch point in supply this autumn, which specialist finishers will hope to benefit from. The Irish will almost certainly meet some of that demand with their price falling – and that is before they reach their main autumn finishing period.

Nonetheless, strong demand for UK beef on the domestic market would mean that cattle currently around 500kg should meet a rising trade. Does this mean forward store cattle are a good buy right now?

Store cattle producers

Recent store cattle sales have seen larger entries than normal. Coupled with harvest restricting the number of buyers, it is putting pressure on price – discounting by as much as £100/hd.



Younger cattle have taken less of a hit. Presumably, the rationale is that they can be wintered more cheaply and sold store into a buoyant market next spring or finished into a rising market next summer/autumn.

It may well be that cattle sold now will reduce the number being sold in autumn as producers react to current grass availability rather than there being many genuine 'emergency sales'. Time will tell.

Whilst cash is king, for those selling untypically early instead of housing, the cost benefit of e.g. buying, albeit expensive, feeding straw as a forage substitute, and a cereal blend should be considered. Noting that a smaller margin (provide it remains firmly positive) may still be better than nothing if the alternative sees the shed and farm labour left underutilised. ***Do not hesitate to contact your local consultant to consider options.***

Cull cows ease but remain good

Demand may be softening slightly for burgers but the market fundamentals for processing beef has not changed. GB cull cow supply has been significantly higher since early June, seeing prices soften by 5 to 6p/kg lwt across grades. This still leaves a good market for suckler bred cows at +£1000/hd at 700kg lwt and remains marginally higher on the year.

Young thin cows should be a good buy for cow-finishers provided they have fodder.

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
30-Jun-18	**393.5**	1.6	10.0	**388.3**	-1.4	9.4	**382.3**	15.7	316.1	295
07-Jul-18	**395.7**	2.2	13.4	**391.9**	3.6	14.0	**383.4**	17.6	314.7	289.9
14-Jul-18	**394.3**	-1.4	12.7	**387.0**	-4.9	8.0	**382.0**	18.6	311.2	286

Market price update

- The GB Weekly Average Prices for the week ending 14th July were £171.56/t for free-buy and contract purchases, and £96.76/t for free-buy purchases
- Compared to the previous reported figures on 7th July, contract and free-buy purchases were up by £4.67/t and free-buy purchases were down £1.83/t

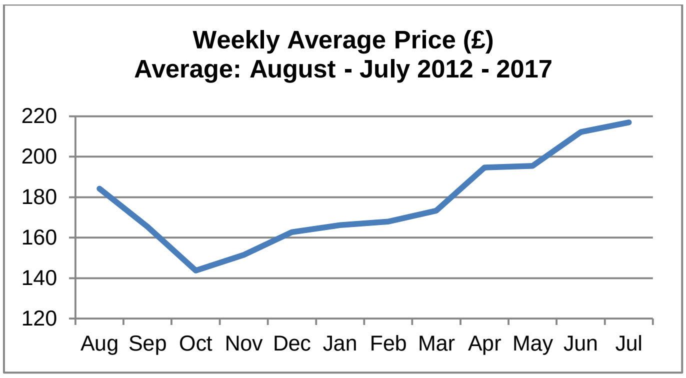
Crop Year 2017	14 Jul	7 Jul	30 Jun
Average Price (£/t)	171.56	166.89	166.00
AVP change on week (£/t)	4.67	0.89	16.14
Free-Buy Price (£/t)	96.76	98.60	100.14
FBP change on week(£/t)	-1.83	-1.54	1.95

The Scottish old crop packing market was described as being "slow" once again this week as packers and processors have enough contracted and owned stocks to fulfil orders. Where there is some free-buy movement, Grade 1 Maris Piper is trading between £140-260/t, Grade 1 Whites between £45-60/t, and King Edwards trading around £150/t. Similarly, the English packing trade has remained quiet partly due to the recent spell of warm weather. Old crop stocks; Grade 1 Maris Piper is trading between £185-275/t, Grade 1 Whites between £55-95/t, and King Edwards trading between £85-155/t. New crop Maris Peer is trading between £360-380/t, and chipping varieties Maris Bard and Daisy are both trading between £300-350/t.

Market Review and Storage Costs

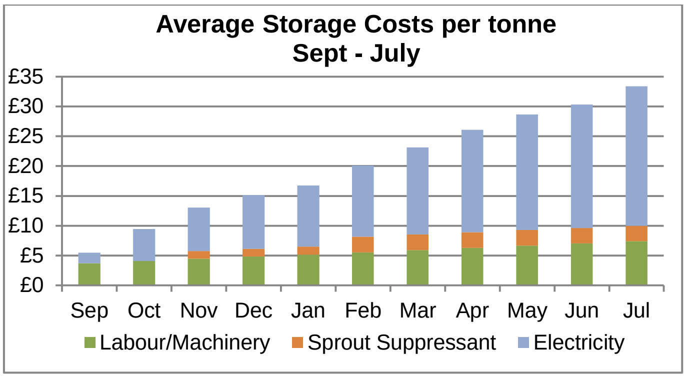
As the 2017 season comes to an end, now is a good time to reflect on the marketing season. The potato market is no stranger to price volatility. The weekly average free-buy price reported for 1st June 2018 was £99.16/t compared to £212.63/t reported the previous year. Analysing seasonal trends can enable you to identify the best supply periods to maximise return, or indeed minimise financial loss.

Do you fully understand your storage costs? Simply tracking a rising contract, or free-buy, price throughout the season may be masking an on farm loss if your accumulated storage costs are greater than the market rise. The line chart opposite illustrates the average market price trend from August to July using weekly average prices from 2012-2017.



The market price drops from August to October as the pressure of new crop availability eases for processors and packers. The market price then rises during November and December in the run up to Christmas before demand levels off in January and February. Following February, the market, on average, follows a near linear trend to the end of the season.

The chart below illustrates the average accumulated storage costs per tonne from September-July using the AHDB Sutton Bridge Storage Calculator.



Storage costs, on average, increase by £4-5/t per month during the season. When you choose to sell may have an effect on your profit margin. A climbing market may be a falling profit if the cost of storage outweighs the market rise. Fixed and variable costs do vary business to business.

Download the AHDB storage calculator to analyse your accumulated storage costs: https://potatoes.ahdb.org.uk/storecalculator

Potatoes in Practice

Potatoes in Practice will be held on **Thursday 9th August** at Balruddery Farm, Fowlis, Dundee DD2 5LJ. For more information and how to register, visit the PiP website http://pip.hutton.ac.uk/

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Seasonal price fall

Despite the commentary that follows, new season lamb trade remains above the three-year average. The trouble is that producers were understandably hoping for some divine intervention in the market to compensate for:

1. having fewer lambs to sell, or
2. having lighter lambs to sell, or
3. selling some/more store lambs, or
4. having to try and keep lambs longer, or
5. incurring expensive feed bills.

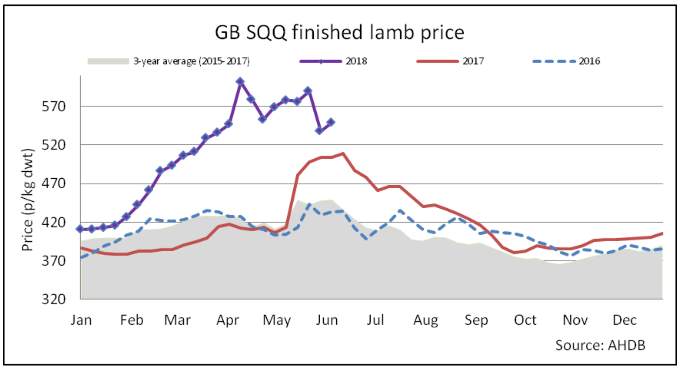
Indeed, the reality is many producers will be suffering all five scenarios.

Lamb price continues its seasonal trend, with prices dipping below the year previous at the beginning of July. Barring a temporary blip last September, it is the first time the market has fallen below year earlier prices in two years.

The liveweight market has dropped to 175-182p/kg at week ending 20 July, which is a staggering 30p/kg lwt less than the same time last year or around £12/hd. This will alarm producers of what might lie ahead for main season sales. It is a valid concern as, despite abattoir throughputs creeping up, slaughter numbers continue to run 10% below year earlier levels, according to Defra statistics.

There are fewer lambs and there will be a delay to sale. Despite being early days it remains a sizeable shortfall, considering producers are keen to offload as early as possible, and many have reported how surprisingly well lambs are doing. This does not seem to correlate with lamb growth, on average across the country.

Marts are seeing more lambs being drawn to lighter weights and reduced levels of finish, which is dragging down the reported average prices too – something that also happened last year. This is not of major concern just now but will rapidly become an issue as supply increases.



- Provided lambs have sufficient fat cover it is better to sell now, as the price will generally follow its seasonal downwards trend
- Unused grass may also sustain a few extra percentage points on the ewe scanning percentage and help get back on track

The deadweight market looks to be holding up slightly better at between 335-345p/kg dwt. Agents are currently getting enough direct off-farm. Note that retailer led 'sizzling' summer lamb promotions are next to non-existent just now. Retailers are hurting after paying high prices in 2017/18. While some will quip "it was about time" and show little sympathy, in reality, there are no winners when the price is too low or too high.

Store lambs and cull ewes

Light lambs are taking a hit at around £38-50/hd compared to nearer £48-60/hd in recent years and that is assuming the same weights!

As it stands, what should have been a good year for store lambs now looks unlikely. Currently, only specialist finishers or those with a miraculously forage crop could entertain some winter visitors. The market should recover in late season as autumn grass replenishes.

On the plus side, Eid al-Adha is on 21st August and will firm trade for cull ewes and hoggs not being retained as replacements. A price rise may not be as pronounced if more culls are sold, but it will help.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish	Ewes (£/hd) Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
30-Jun-18	**494.7**	-28.3	-1.2	6.1	**219.00**	-18.4	-2.3	-1.3	71.63	72.71
07-Jul-18	**461.5**	-33.2	0.7	6.4	**203.00**	-16.0	3.8	2.9	69.19	65.56
14-Jul-18	**439.8**	-21.7	0.7	7.7	**186.50**	-16.5	7.4	2.8	62.00	57.99

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

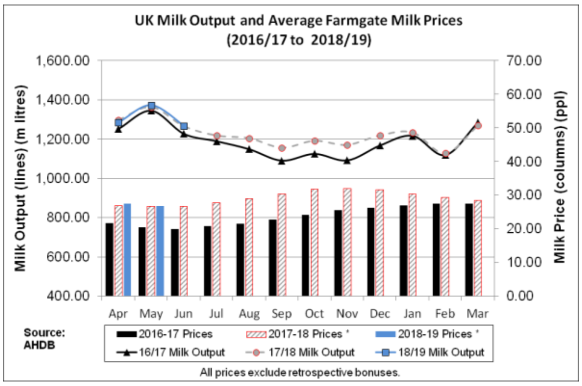
UK milk output mirrors 2017 level

The most recent DEFRA statistics show that the UK average milk price reduced by 0.64ppl between April and May 2018, leaving the average price for May standing at 26.76ppl. This leaves the UK average milk price figure for May 2018 exactly the same as that of May 2017.

UK monthly milk output for June 2018 is estimated at 1,267.92m litres (before butterfat adjustment). This is only 2.39m litres higher output compared against June last year.

Cumulative UK production between April and June 2018 is estimated at 3,925.56m litres; this is 0.58m litres down on last year's figure of 3,926.14m litres. As the chart below illustrates, to date, production for 2018-19 is running at very similar levels to 2017-18.

- *UK output for June '18 estimated at 1,267.92m litres – only 2.39m litres up on June last year*



UK heatwave impact

With milk production figures for June 2018 only just being an estimate at this stage, the full impact of the heatwave upon production remains to be seen.

What is already clear at this stage, however, is the likely impact of the heatwave upon forage, feed and straw supplies during the remainder of this year. With many dairy businesses having already consumed grass for grazing that was originally intended for third cut silage, the result is that forage stocks for the coming winter will be desperately low on many farms. Businesses are being urged to plan ahead and take action now to address potential shortfalls in winter feed stocks.

Milk prices during August '18

UK milk prices are edging upwards during August 2018, although both Arla and Müller are likely to hold their non-aligned July prices going into August.

- Lactalis (Fresh Milk Company) – 1.00ppl increase from 1st August 2018. The liquid standard litre increases to 28.00ppl.
- Müller – Hold on July 2018 price for Müller Direct members which maintains the liquid standard litre at 28.00ppl. See table below.
- Yew Tree Dairy – 0.50ppl increase from 1st August 2018. This takes the standard litre price up to 28.50ppl.
- Co-op – Co-operative Dairy Group members will see their standard litre price increase by 0.89ppl from 1st August 2018. This takes the standard litre price up to 28.88ppl.
- Tesco – Tesco Sustainable Dairy Group (TSDG) members will receive an increase of 0.33ppl from 1st August 2018. This takes Müller suppliers up to 30.17ppl whilst Arla suppliers will see the standard litre price increase to 29.92ppl.

Annual Average milk price estimates for Aug 2018 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	29.00
First Milk Liquid [1]	27.20
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)*	28.12
Müller - Müller Direct [1, 2]	28.00

[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] *No monthly supplementary payment included in the price estimate.*

EU milk production – on a high

EU milk production from January to April 2018 is running well ahead of last year, see table below:

EU-28 Milk Production (m litres) (January to April 2015 to 2018)				
	2015	**2016**	**2017**	**2018**
Jan	11,697	12,295	12,115	12,643
Feb	10,843	11,881	11,400	11,733
Mar	12,376	13,059	13,163	13,303
Apr	12,911	13,118	13,251	13,438
Total (to date)	**47,827**	**50,353**	**49,930**	**51,117**

Source: AHDB

The production figures for June 2018 are yet to be collated and although June production is likely to be lower as a result of the hot weather across Europe, the outlook for EU production for the remainder of the 2018 calendar year is positive.

AMPE & MCVE both move upwards

- *AMPE increased to 33.23ppl during June 2018*

UK dairy commodity prices (£/ tonne)	Jun 2018	May 2018	Jan 2018
Butter	5,130	5,180	3,660
SMP	1,360	1,320	1,160
Bulk Cream	2,320	2,350	1,550
Mild Cheddar	3,000	2,970	2,850
UK milk price equivalents (ppl)	**Jun 2018**	**May 2018**	**Jan 2018**
AMPE (2014)	33.23	33.08	24.02
MCVE (2014)	32.77	32.33	30.10

Source: AHDB

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Management Matters: Straw Sourcing

Straw and forage shortfalls

Given the lower grass and silage yields expected this year, livestock producers are looking to fill the gap, and straw is a key alternative. Possibly the biggest concern is that grass growth has ground to a halt in the dry conditions. As a result higher levels of supplementary feeding and an early start to winter feeding will eat into already depleted forage supplies.

Straw prices are currently higher than at the same period a year ago with straw currently reported in the £100/t to £130/t range ex-farm, depending on region. Those livestock farmers looking to buy straw forward are also facing a lack of sellers until a significant area is cut and a better picture of straw yields and availability emerges.

Livestock priorities

First - do a realistic feed budget to work out what you will need to buy this year – not for a normal season – gauging what's still to harvest/grass in the field.

Once you know the scale of any shortfall work on closing the gap, reducing feed requirement is the priority, and may involve selling stores or other surplus stock early where financially justified. There may also be potential for further home forage production such as stubble turnips after cereals. Once the remaining shortfall is known, the priority should be to buy forward now as much of your remaining winter feed requirement as your cash flow/storage allows. The less your business is able to withstand any further rise in feed prices, the more you need to buy now. Arrange extra borrowings to cover it if need be; it is likely to be cheaper in the long run. The sooner you go to your bank manager with a well worked out plan of what extra borrowings you may need and when, the more receptive they will be. The individual and national priority is agreeing to pay arable farmers in the East now so that they bale as much of their straw as possible; including rape straw for bedding. The drought is pan-northern European, so if we are short of anything; especially bulky forage, it could be costly to remedy.

Cost - benefits of baling more straw

Straw yields per hectare are expected to be lower this season given the general shortness of crops and the lack of tillering, so the main choice facing arable farmers is whether to increase the proportion of straw baled; weather permitting.

For the arable producer there is a growing recognition that selling straw off-farm brings with it significant but hard to quantify costs including; loss of nutrients – particularly P&K, risk of delay to autumn sowing, increased soil compaction and loss of organic matter and associated soil structure, nutrient recycling and water retention benefits.

Encouraging more straw to be baled

This is an exceptional year and encouraging arable farmers to bale more straw than normal will require:

- A price high enough to justify the costs of removal which may be significantly higher than widely understood and something each arable farmer needs to determine for themselves. Straw prices are higher than they were at the same point a year ago, so there is a much stronger price signal in place before harvest. For arable farmers an increase in straw income could make a big difference to maintaining cash flow in the face of smaller cereal crops.
- Getting the straw baled quickly – ensuring the balers go in behind the combine is essential to allay fears of delay, though this will be very dependent on the weather at harvest.
- Taking steps to protect soil structure – baling contractors to use lower pressure tyres, using smaller tractors to accumulate bales and keep trailers on the tramlines. Returning muck in exchange for straw where proximity allows will help organic matter to be retained.

Overall this is turning into a difficult year and arable and livestock farmers can work together for mutual benefit through straw trading, if done the right way. However, this is also the second consecutive year of a straw shortfall and there are signs this may be an increasing trend; rising bio-energy use of straw and crops for AD, arable farmer's desire to boost organic matter and protect soil structure. Therefore, it is vital lessons are learned on all sides to minimise the need for bought in straw on livestock only units and through good practice to minimise the impact on arable farms who do export straw both this year and in the years ahead.

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Sector Focus: Doing a Cashflow Budget

Farm bank balances are under pressure across Scotland thanks to the worse year of weather for a long time. Livestock, dairy and crop farmers have all suffered. Putting one's head in the sand is not an option especially with bill's to pay and a bank manager to see. Time for a bit of budgeting!

Yet few farmers actually use a budget to manage their farms. The reason often cited is that the future is so uncertain, budgeting is useless. Of course, the truth is quite the contrary. The process of budgeting reduces the unknown and, critically, allows you to have contingencies in place should weather, prices and so forth, turn out worse or better than expected.

To help Scottish farmers "do a cashflow" an easy to use template can be downloaded from www.fas.scot/cash-flow-budgeting/. Only a modest understanding of computers is required. So what is the process of doing a cashflow budget?

It involves detailing down all income coming into your business and all the expenditure going out, regardless of whether it's trading, personal or capital related. If you run the business through one bank account, you are simply trying to predict how the bank balance will change each month. The secret of producing a good budget is taking the time and effort to work up your income and costs step-by-step. Big tip! always note down your workings for reference. Try to get a complete draft done in one sitting. Even if the draft is "a bit rough", it's far easier to complete a cashflow by refining drafts, rather than trying to get it right first time.

First, establish your starting position. What 12 months are you covering? Don't worry if you are a few months into your financial year, simply complete those months with the help of your bank statements. Always remember to adjust the opening figure in your bank statement for unpresented cheques and receipts.

- Complete a livestock and crop reconciliation to calculate the physical numbers of livestock and crops you expect to trade in the year. Be realistic: if you think your spring barley will produce just two-thirds of its normal yield, use that tonnage.
- Calculating income then involves multiplying physical quantities by forecast prices. But remember cash both in and out must be allocated against the month it is banked. Hence, the milk income in the first month will relate to that produced in the previous month. The spreadsheet allows you to play around with the price per litre of milk, per calf, etc. Also detail down what other trading income (eg, Basic Payment Scheme, Feed-In Tarrifs) is due.
- Then set down what capital receipts are likely (eg, machinery sales, new loan).
- The trading costs are worked up net of VAT (the tool will add the VAT in). Take your time. More purchased feed will be required on many stock farms this winter, so doing a feed budget forms part of the process of doing a cashflow.
- Fixed costs often prove a stumbling block. If the farm hasn't changed much in the past year or so, use the fixed costs in the latest accounts as a starting point. Though deferring non-essential maintenance work will be a key option for cutting costs this year. Don't waste time trying to allocate fixed costs precisely between months. Some costs can simply be spread equally over the 12 months.
- Personal spending is also, typically, spread evenly through the year, though watch for tax bills. As for capital spending, monthly commitments to loans and HP are normally known (don't try and split out the interest element although it is strictly a trading expense). Importantly, replacement of machinery and other investments may well need deferring if cash is tight.

Having established a budget based on the prices, production and costs you think most likely to occur, the next step is to stress test it. How sensitive is it to changes in the suckled calf price? Under the worse-case scenario, will you breach your overdraft limit? If so, what contingencies do you need to put in place?

Critically, a cashflow budget is a working document. When the bank statement comes in, check how actual cashflow compares. If it differs, do you need to act or is it simply earlier payment of a big bill or a delay in, for instance, the Basic Payment being banked? To sum up: "doing a cashflow" is one of the most effective means of managing a farm in difficult times.

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Feeding Livestock in hot weather

As summer progresses the quantity and quality of grass declines and due to very low soil moisture levels grass growth has fallen considerably. Sward heights should therefore be checked regularly to ensure adequate feed. On a rotational grazing system, fields should be grazed at 10cm and higher residuals should be left (6cm in Aug/Sept) for better grass recovery.

Grazing stock should be given first priority, for example autumn calving cows and ewes in poor condition. For autumn calvers, this is vital for colostrum and milk production and regaining condition before returning to the bull. By prioritising the breeding stock on farm you're protecting next year's crop of calves/lambs.

Grass growth has been reported on some farms as less than half of that of 2017. Some practical steps which can be implemented to account for this are:

- Increasing the grazing area. This may require taking out fields destined to be cut for silage.
- Supplementary feeding. This will depend on the type of cattle and targets of growth rate, as well as how much grass is available but a simple rule of thumb for feeding concentrates alongside grass are:
  - Where grass is reasonably plentiful, concentrates can be fed at 0.5kg/100kg lwt.
  - Where grass supply is moderate/poor i.e. on dry fields burning up, feeding concentrates at 1kg/100kg lwt are more likely to be required.
  - The concentrate should be high in energy and moderate for protein (13-14% fw); do not feed more than 0.5kg/100kg lwt in a single feed.
- Reducing stock. Unproductive animals (i.e. barren, late calvers, poor performers) should be culled to reduce demand. Consider finishing heavy cattle before winter on an intensive diet.
- Forage crops offer a solution to fill the forage gap where grass growth is insufficient. It may be too dry to establish these crops now, but after soil has some moisture, forage crops could be a solution. These could be sown after harvest in a stubble field or a grass field that would benefit from a break crop. Various crops can be sown in August/September. Stubble turnips – utilise 8-12 weeks after sowing; forage rape and Hybrid Brassicas – utilise 10-12 weeks after sowing.
- Wean early. Calves/lambs will do better without competition for grass from mothers. A calf at 4 months of age will be getting half its nutritional requirements from forage/concentrates rather than milk. Creep feeding is extremely efficient owing to the animals' high potential growth rate.

Looking ahead to winter

Take action now and work out a realistic feed budget to establish the extent of the shortfall. Analyse conserved forage for its nutritional value. Grass silage will undoubtedly be drier this year but it's essential to know the energy and protein to feed budget accurately for different groups of livestock. Use of forage alternatives e.g. wholecrop silage can replace all or part of the grass silage in a diet and other substitutes to bulk out forage include potatoes, draff, root vegetables i.e. fodder beet, swedes and other vegetables. Remember to seek advice from a nutritionist to ensure the planned diet will meet livestock's nutritional requirements.

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Key economic data

General Indicators	
Base interest rate	0.50% (0.25% Nov '17)
ECB interest rate	0.00% (0.05% Mar '16)
UK (CPI) inflation rate	2.4% (target 2%)
UK GDP growth rate	0.2% (Q1 '18)
FTSE 100	7,716 (24 July'18)

Price indices for May 2018 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	120.93	Seeds (all)	104.3
Barley	124.26	Energy	116.6
Oats	119.42	Fertiliser	88.5
Potatoes	115.18	Agro-chemicals (all)	104.8
Cattle and Calves	108.94	Feedstuffs	108.8
Pigs	111.98	Machinery R&M	106.2
Sheep and Lambs	147.01	Building R&M	109.1
Milk	109.27	Veterinary services	101.3

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