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December 2018

News in brief

Food sector preps for no-deal

Now that the UK has finally agreed an exit deal from the EU, Theresa May is facing an uphill struggle to get it passed by UK Parliament. While there is no majority for a no-deal in the Houses of Parliament, it may happen by accident. Many large food processors and retailers have decided not to wait any longer to find out and are taking steps to maintain supply in the case of a no-deal outcome.

Storage is pretty well booked up as retailers secure space to hold stocks and cope with delays in crossing the Channel. This in turn is squeezing processors and pushing up costs. Alternatives to EU food supplies are being sought but with 70% of food imports sourced from the EU the scale of this challenge is formidable. More demand for UK grown produce is certainly one potential benefit for UK farmers but responding to this demand is not going to happen overnight.

Michael Gove has indicated the UK is willing to drop food safety checks at the ports to keep EU food flowing in during a no deal emergency. Aside from the obvious risks to food safety and disease control, this would put UK food exporters and their farmer suppliers at a major disadvantage as there is no sign the EU will reciprocate. *(For more details see this month's Brexit Focus on page 8).*

New opportunities in venison

The risk of a no-deal is particularly concerning for some livestock sectors, particularly lamb, given the over-riding importance of EU export markets. Venison is becoming increasingly popular with UK consumers but the UK deer sector meets only a fraction of demand, leaving huge scope to increase production. There has been a recent increase in new deer farmers entering the sector to meet this demand. One bonus from a Brexit point of view is that EU tariffs on venison are zero compared to 57% for sheep meat. *(For more details see this month's Sector Focus on page 9).*

Next month – Review of 2018 and Outlook for 2019

Contents

This month's editor:
Julian Bell

'Deal or No Deal?'

It has without doubt been an eventful month as far as Brexit is concerned. On 14th November, after months of negotiations, the UK and EU agreed the draft text of a withdrawal agreement. This 585 page document, available at: https://ec.europa.eu/commission/sites/beta-political/files/draft_withdrawal_agreement_0.pdf, covers:

- The UK's so-called "divorce bill" (an estimated £39bn).
- Citizens' rights after Brexit i.e. what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK. With it being agreed that people will be able to work and study where they currently live and to be joined by family members.
- A method of avoiding the return of a physical Northern Ireland border. This includes a "backstop" a system to ensure there is no hard border whatever the outcome of future trade talks between the UK and the EU. If there is no trade deal in place by the end of the transition period, the backstop will mean that Northern Ireland would stay aligned to some EU rules on things such as food products and goods standards. It would also involve a temporary single customs territory effectively keeping the whole of the UK in the EU customs union until they both agree it is no longer necessary.

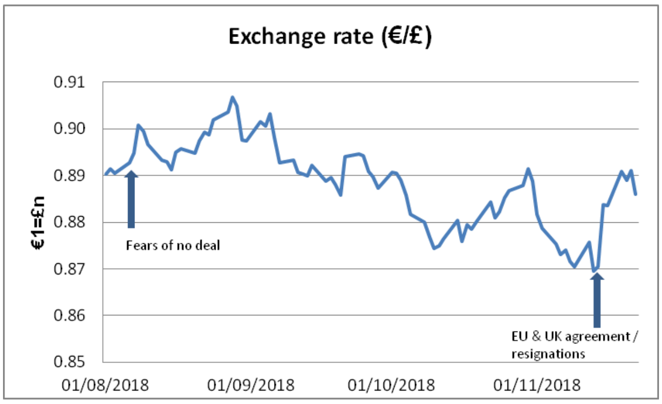
Also agreed was a draft statement on future relations between the EU and UK post Brexit, and to buy more time, they agreed on a 21-month "transition" period to smooth the way to post-Brexit relations.

Although the UK cabinet agreed the text, it was not favoured by all, leading to the swift resignation of cabinet ministers Dominic Raab and Esther McVey along with two other junior ministers. There was also a risk of Brexiteer MPs triggering a confidence vote on Theresa May, but this did not happen.

At the EU summit which was recently held (25th November), the 27 EU leaders approved the agreement on the UK's withdrawal and future relations. It is now over to Theresa May to persuade politicians in the UK Parliament to back the deal. A vote on this is expected to take place on 12th December, but with Labour, Lib Dems, SNP, the DUP and many Conservative MPs being thought to vote against it, approval is certainly not guaranteed. Deal or no deal? We will have to wait and see.

Exchange rate reacts to Brexit news

Since the referendum 17 months ago, the euro:pound exchange rate has been volatile and reactive to Brexit related announcements and uncertainties. The recent increase of the euro against the pound following agreement of the draft text and events that transpired after, therefore came as no surprise, see the chart below.



Source: European Central Bank

Since the outcome of the referendum the euro has been strong against the pound, which has benefitted farm businesses Single Farm Payments and made exports more competitive. On the down side it has made imports and European holidays more expensive!

What the pound and euro will do over the next few months or years is difficult to predict, but there is speculation that in the event of a no-deal Brexit the pound will weaken because markets don't like uncertainty. Even if there is a deal, it is expected that the pound:euro exchange rate will continue to fluctuate as the finer details of UK's future relationship with the EU are ironed out.

Plastic incineration ban - reminder

Although there has been a ban on burning waste plastic across the UK for many years, farmers in Scotland are allowed to burn items such as silage wrap, crop covers, fertiliser bags and containers if they have an exemption from SEPA. This exemption will cease to exist from 1st January 2019 and alternative means of disposal will need to be used.

The preferred option is for the waste plastic to be recycled but it can also be disposed of at an authorised landfill site. Further guidance is available at: www.sepa.org.uk/farmplastics.

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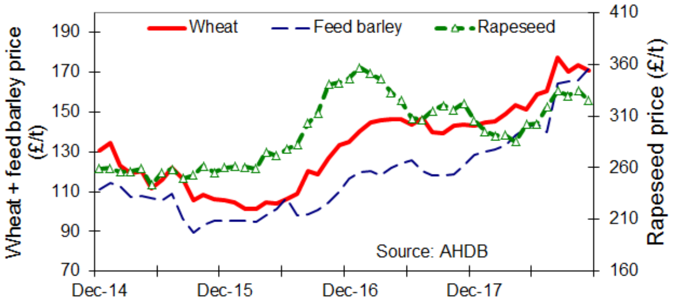
Global prices flat, UK prices lower

Global grain prices were little changed in the last month while UK prices fell driven largely by domestic issues and the need to close the gap with import prices. World grain supply and demand estimates were also little changed. Signs of an easing of trade tensions between the US and China boosted the soyabean and oilseeds markets.

In the last month, November 2018 Scottish ex-farm wheat prices fell -£7.00/t to £171/t and barley prices fell -£4.30 to £172.0/t. Rapeseed prices fell -£2/t to £323/t delivered November 2018.

Scottish spot ex-farm grain and oilseed prices



Winter cereal area rises

AHDB released provisional results from their Early Bird Survey of UK plantings, conducted by the Anderson Centre. The excellent warm and dry autumn conditions have encouraged an increase in winter cereal sowings while particularly strong barley prices have boosted winter barley sowings. OSR sowings have suffered a little in the south of England due to dryness and flea beetle issues. UK wheat area in 2019 is seen 4% (67k ha) higher which could add 0.5mt to the UK wheat crop in 2019 on average yields. Winter barley is seen 13% (50kha) higher and OSR 3% (19k ha) lower. The higher winter cereal area is expected to cut UK spring barley sowings 4% (27kha). These are provisional results and do not include results for Scotland though SAC has seen similar shifts to winter cereals in Scotland and a likely reduction in spring barley area. Final UK survey results and data for Scotland is expected pre-Christmas.

Table 1 –AHDB Early Bird Survey of UK crop areas – provisional results

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
UK	*Area ('000's ha)*						
2018	1,797	394	762	1,156	174	3,178	601
2019	1,864	444	735	1,179	190	3,271	582
Chng.	*67*	*50*	*-27*	*23*	*16*	*93*	*-19*
Chng.	*4%*	*13%*	*-4%*	*2%*	*9%*	*3%*	*-3%*

No deal arable planning

With Theresa May's EU Brexit deal on a sticky wicket, in Parliament, no-deal remains an option. The priority is to do what you can to keep the farm business running in the first 3-6 months of Brexit from March, come what "May".

Sales – Most UK grain export sales this season are being concluded before March to avoid the risk of tariffs. Holding grain past this point may not pose a major immediate risk given the relatively tight grain market in the UK this season. However, with a larger area of wheat in the ground, the UK's wheat and barley export surplus may be higher from August onwards. Holding produce for sale after March may be a valid strategy to offset any weakness in the pound. Most arable produce is destined for UK processing and use. This reduces the direct impact of any trade friction that may occur. For export focused sectors such as seed potatoes, some grains and processed products there may greater risks. For all sectors other issues may arise such as a shortage of haulage if there are delays at ports and restrictions on EU drivers into the UK.

Inputs – Where feasible there is merit in considering buying forward sufficient chemicals, fertiliser and spares before March to get crops through next season. Unfortunately many global supply chains operate on a just in time delivery system and it is not possible to buy mid and late season ag-chemicals before March. Distributors are working on contingency plans to airfreight products in if necessary.

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Indicative grain prices week ending 23 November 2018 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Nov 2018	Jan 2019	Mar 2019	May 2019	Nov 2019
Wheat	Ex-farm Scotland	171.00	172.50	174.00	175.50	160.00
Feed barley	Ex-farm Scotland	172.00	172.00	173.00	174.00	140.00
Malt. barley - distil	Ex-farm Scotland					
Malt. barley - brew	Ex-farm England#		200.00			175.00
Oilseed rape*~	Delivered Scotland	323.00	325.00			325.00

Supply masks Christmas cheer

The market has slipped a notch on the six-weeks to week ending 16th November, dropping near 10p/kg dwt. Another couple of pence is likely to be shaved off the base price across the country for week commencing 26th November, which will take the Scottish base price to between 369-372p/kg dwt. That would make the market 8p lower on the year or around £30/head. Particularly in Scotland, young bulls have softened proportionately further in view of good supply. Southern England regional average price is getting frustratingly close to 350p/kg dwt for commercial cattle.

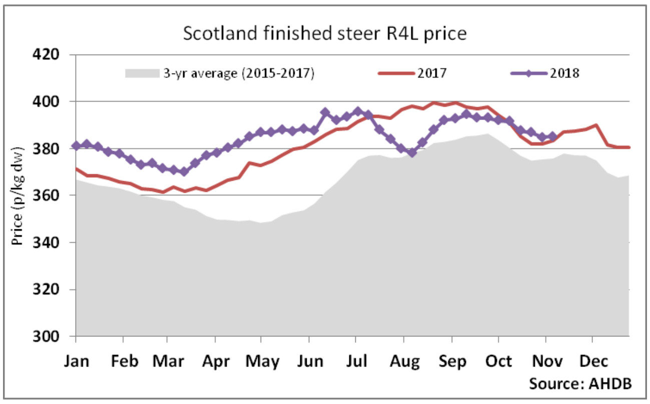
Any drop should be short lived, however, as nobody is talking about a sizeable break from trend. While the GB national kill has recorded 6% higher throughput for the last 11-weeks to the start of September, there is no new supply.

Producers around the country are wrestling with the notion whether to sell remaining cull cows into a softening market or hold them over winter. Assuming a liveweight gain of 0.5kg/day, they will cost around £45/month. Maybe more pressingly it is 5-7m^2 of loose-housing space or a monthly usage of around 1.2t grass silage and 150kg straw.

- *If delaying sale of cull spring calvers, make sure cows are confidently pregnancy diagnosed first.*

Headline after headline

Science should inform consumer-buying decisions. Unfortunately, that is where it falls down, creating a vacuum filled by reports offering ambiguous recommendations but eye-grabbing headlines. This, of course, reflects on the complexity of the subject and society's new rationalisation process i.e. 'play it out live on social media'. However, as noted in a recent article by *The Grocer* magazine, while there is mounting pressure on society to eat less meat to help prevent climate change or for [subjective] health benefit the ingredients and nutritional value of substitutes should bear equally scrutiny.



Rational consumer concerns, however, do need to be addressed. Robust assurance schemes play a big part in this process, despite any misgivings. Raising industry standards will pose little inconvenience for many farmers and as a recent UN special rapporteur visiting the UK (on an unrelated matter) noted that just because there are lower standards elsewhere doesn't make it okay, being one of the richest countries in the world.

Lack of profitability sticks in the craw but the GB beef price remains one of the highest because it is held in high regard and to a higher standard. Nothing stands still – not the Scotch Beef label, Red Tractor or any other scheme because neither does the competition, weather sourced from imported beef, chicken, pork, an alternative protein or vegetarian or vegan dish.

There is some solace for beef producers in knowing that current trends indicate total meat consumption is projected to nearly double by 2050. Most of this rise will be in low and middle-income countries but that still presents opportunities.

BES roadshow

The culmination of many small management factors touched on in the Cow and Calf Nutrition and Soil and Grassland Management talks at the Beef Efficiency Scheme meetings can contribute to a higher herd gross margin. On that note, the QMS costings booklet 2018 is now available.

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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
3 Nov 18	**384.8**	-1.9	4.4	**384.4**	-0.4	12.0	370.9	9.4	265.4	237.6
10 Nov 18	**385.1**	0.3	3.9	**383.9**	-0.5	7.2	368.6	12.5	265.2	237.1
17 Nov 18	**380.4**	-4.7	0.8	**379.9**	-4.0	6.9	372.0	18.9	260.5	232.8

The finished cattle base price quoted by a buyer may be significantly different once reflecting on the national average deadweight price presented above due to being an average of commercial and premium cattle, variation between processors and any bonus payment differences.

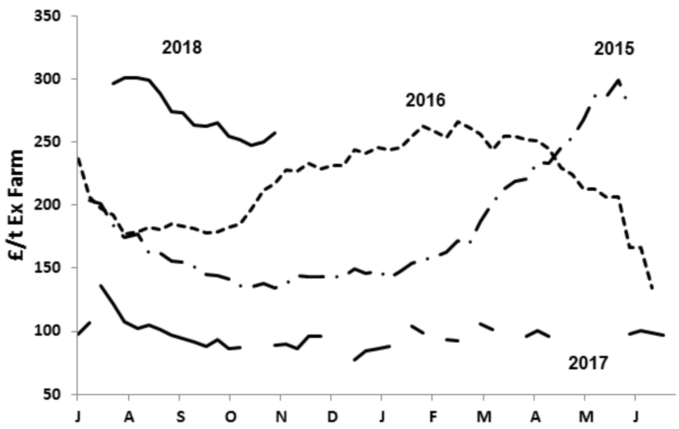
Market price update

- *The GB Weekly Average Prices for the week ending 17th November were £196.45/t for free-buy and contract purchases, and £257.59/t for free-buy purchases.*
- *Compared to the previous reported figures on 10th November, contract and free-buy purchases were up by £11.74/t and free-buy purchases were up £7.08/t.*

Crop Year 2018/19	17 Nov	10 Nov	3 Nov
Average Price (£/t)	196.45	184.71	179.90
AVP change on week (£/t)	11.74	4.81	1.90
Free-Buy Price (£/t)	257.59	250.51	247.59
FBP change on week(£/t)	7.08	2.92	-3.90

GB Weekly Average Free-Buy Price

(2015-2018 crop years)



Trading Season July - July Source: AHDB

This week's packing trade was described as being relatively "uneventful" as volumes and prices remain steady. In Scotland, free-buy Grade 1 Maris Piper ranged between £300-360/t with secondary quality stocks ranging between £200-240/t ex farm. Grade 1 Whites including; Harmony, Nectar, Cultra, Safari and Saxon are being purchased between £220-260/t ex farm. Secondary quality stocks of Whites are being purchased between £100-180/t ex farm.

The English packing trade remained fairly steady this week with only the best quality samples commanding a premium amongst a lot of fairly "average" stocks. Reports suggest that these better quality stocks are being forward-purchased ahead of the expected Christmas lift in sales. Grade 1 Maris Piper is being purchased between £320-360/t ex farm with poorer quality stocks with high common scab being purchased for around £220-250/t ex farm. Piper Mids are being purchased for. around £120/t ex farm. Grade 1 Whites including; Electra, Estima, Lanorma, Orchestra, Safari and Saphire, are being purchased for £240-280/t ex farm. Lower quality whites stocks are being purchased for £150-170/t ex farm. Salads including; Gemson, Piccolo Star and Maris Peer are being bought for around £300-380/t ex farm.

Prices in the English bagging trade remain relatively unchanged. Chipping Piper in the East is being purchased for £320-350/t, Agria £350-400/t, Sagitta and Markies around £350-370/t ex farm. In the West, chipping Piper has dropped by around £50/t on last week now being purchased between £280-330/t ex farm. In the South of England, chipping varieties; Daisy, Sagitta, Caesar, and Markies are being purchased for between £270-340/t ex farm.

Cold Store Monitoring Begins

As the 2018 harvest is now complete growers' attention now turns to monitoring stocks in cold storage. It is reported that the majority of stocks are holding up well, as would be expected this early in the storage season, but there have been a few isolated cases of breakdown. Packers are now in the process of sampling stores to identify potential Christmas stocks which could be used during the 2 week uplift over the festive season. This is in order to maintain high quality, pack-out and efficiency when packhouses are pushed to maximum capacity.

SACAPP Conference

The SAC Association of Potato Producers 20th Annual Conference 2019 will be held on **Wednesday 30th January** at **Perth Racecourse PH2 6BB**. The full-day conference focusing on "Resilience – the Key to Future Profitability" is open to SACAPP members and non-members. Key speakers will include; Innes Jessiman and Stuart Wale (SAC Consulting), Philip Benzie (Grower), Professor Jerry Knox (Cranfield University), Cathy Hawes (JHI), and Robin Walker (SRUC).

For further details and to book your place contact: **Janis Forrest, SAC Consulting on 0131 603 7525 or janis.forrest@sac.co.uk.**

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Trundling along

A price around 375p/kg dwt remains steady for the 6-weeks to week ending 23rd November. This means the GB average price has only moved £1-2/hd in recent weeks, if carcases remained in specification. A kind autumn has resulted in more heavy lambs. This is compounded by the concertina effect of upland and hill lambs becoming available at the same time. The type of year has accentuated the problem but recent slow springs and later lambing means it is one that is reoccurring more often.

With processors readily filling orders, trade around the live ring has been much more volatile. Lamb supply is now easing off and this will relieve market price over coming weeks.

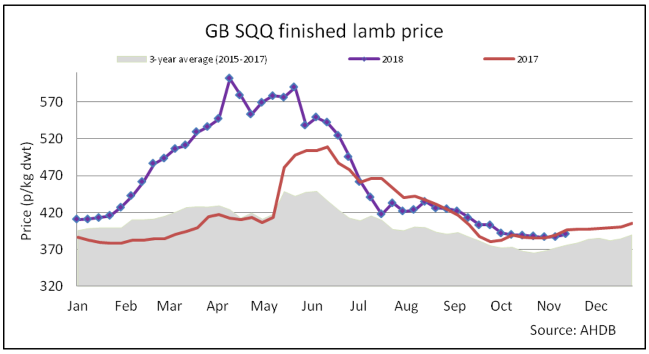
Meanwhile, June census figures quantify impact of this spring, which was particularly felt in Scotland's hills and uplands. Scottish lamb numbers are projected to be 8% lower on the year. At a UK level, the national flock is expected to contract 1% and females selected for first time breeding are 4.5% lower. Affecting the immediate months ahead, the UK lamb crop for 2018 is budgeted to be 2.3% (404,000) lower to 16,936,000hd. Considering slaughter numbers are only now approaching similar levels to 2017, these figures reaffirm that there will be a big void into New Year.

Then and now…..

The table below assumes fewer lamb sales in 2018 and different supply curves due to the season.

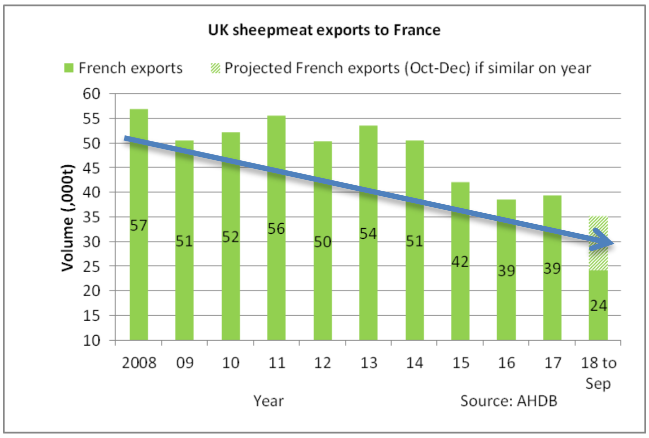
Ave £/mth	Scenario A, 2017		Scenario B, 2018	
	No. sold	Total (£)	No. sold	Total (£)
Aug	15	£1,278	5	£417
Sep	25	£1,970	20	£1,612
Oct	30	£2,274	25	£1,903
Nov	25	£1,923	25	£1,900
Dec	5	£393	15	£1,170
Total	**100**	**£7,838**	**90**	**£7,001**
				-£837

The example does not reflect the cost of keeping lambs longer or any higher proportion of overweight lambs, yet in itself illustrates a sizeable difference in gross return per c.100hd of sales.



The EU remains important but…..

As a recap, around 30% of UK sheepmeat is exported with only 6% currently heading to non-EU markets. While those destinations represent opportunities, sale price tends to be lower and cost of entry and transportation higher. The importance of the EU market is well documented. Although the French market still represents half of EU exports it is becoming increasingly sticky. So far, fortunately, supply has rerouted to other European neighbours.



- *Regardless of any future EU trade arrangement, work on cultivating new markets, products and sustaining a critical price point at production level are all things that can happen or be developed now. An unfavourable Brexit deal only hastens how quickly these factors increase in importance.*

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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
3 Nov 18	**388.4**	-0.9	1.3	7.2	**163.90**	2.2	2.9	5.6	47.85	49.46
10 Nov 18	**388.4**	0.0	-1.5	4.2	**167.30**	3.4	3.4	10.4	48.69	47.72
17 Nov 18	**391.9**	3.5	-1.3	5.2	**169.90**	2.6	2.6	14.4	45.53	49.00

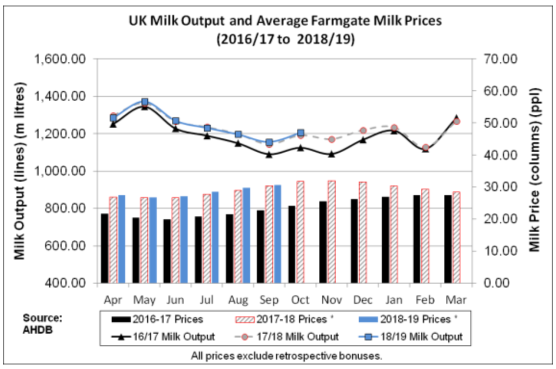
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB

UK production increase in Oct 2018

UK monthly milk output for October 2018 is estimated at 1,205.50 litres (before butterfat adjustment). This is 14.21m litres above output for October last year. Cumulative UK production from 1st April to 31st October 2018 is currently estimated at 8,713.10m litres. This is 19.28m litres ahead of last year, when the cumulative total was 8,693.82m litres. There has been a significant recovery to milk output during September and October, following a period of depressed volumes during the first five months (April – August).

The latest DEFRA statistics show that the UK average milk price increased by 0.96ppl between August and September 2018 taking the average price for September up to 30.63ppl. The UK average milk price figure for September 2018 is 0.19ppl above the average price for September 2017 (30.44ppl).

- *UK milk production for October 2018 has increased against October 2017 and is estimated at 1,205.50m litres.*
- *UK milk production has recovered during September and October. Cumulative milk output (April – October) is now 19.28m litres ahead of last year.*



UK price cuts announced for Dec' '18

The following prices are confirmed for December 2018:

- Graham's Dairies – 1.00ppl price reduction from 1st December 2018. This takes the standard litre price down to 28.50ppl.
- Müller – 1.00ppl price reduction from 1st December 2018 (see table below).
- Yew Tree Dairy – 1.00ppl reduction from 1st December 2018. This takes the standard litre price down to 28.50ppl.
- First Milk – hold on November milk price through December 2018 (see table below).
- Lactalis – hold on November milk price through December 2018 (see table below).
- Waitrose – 0.43ppl price rise for aligned suppliers (Müller suppliers) from 1st December 2018. This takes the standard liquid price to 31.85ppl.

Annual Average milk price estimates for Dec 2018 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	29.00
First Milk Liquid [1]	28.50
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)*	29.47
Müller - Müller Direct [1, 2]	28.50

[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.*

World market: prices dropping

- *World market prices dropped for butter, SMP, WMP, and cheddar cheese during October 2018.*
- *Several UK milk buyers have reacted and some price reductions are now confirmed for December 2018 (see section above).*

World market prices for dairy products have continued to fall during October '18. World prices for butter have fallen the fastest; butter prices for October '18 averaged US $4,192/t (down from the 2018 peak point of US $6,033/t during June). During the latest GDT (Fonterra) online auction on 20th November 2018 the weighted average price across all products reduced to US $2,727/t (the lowest weighted average since 2nd August 2016).

In the UK, cream prices have also shown a reduction recently. Given that cream prices normally reduce during December and January (following the Christmas peak to demand) these price signals do not bode well for UK milk prices at the beginning of 2018.

UK dairy commodity prices (£/ tonne)	Oct 2018	Sep 2018	May 2018
Butter	4,100	4,750	5,180
SMP	1,380	1,410	1,320
Bulk Cream	1,840	2,130	2,350
Mild Cheddar	3,000	3,050	2,970
UK milk price equivalents (ppl)	**Oct 2018**	**Sep 2018**	**May 2018**
AMPE (2014)	28.34	31.84	33.08
MCVE (2014)	32.66	33.63	32.33

Source: AHDB

Dates for the Diary

- **Semex Conference**
  13th – 15th January 2019 at the Radisson Blu Hotel, 301 Argyle Street, Glasgow G2 8DL. Speakers include:
  - Sue McCloskey – Fair Oaks Farms
  - Minette Batters – NFU
  - Ash Amirahmadi – Arla Foods UK
  - Jukka Likitalo – Eucolait

  To book a place please call Leanne Garden on 0800 868890.

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Brexit Focus: Food Sector No Deal Prep

No-deal planning

With Theresa May's EU Brexit deal currently looking unlikely to be passed by Parliament, no-deal remains an option. How likely this really is remains to be seen as there is no majority for a no-deal scenario either in the Houses of Parliament. But it may happen by accident. Many large food processors and retailers have decided not to take chances and do what they can to maintain supply in the case of a no-deal outcome. Even simply the costs of staff time in assessing likely scenarios and strategies can run into thousands of pounds. A range of tactics are being deployed, some of which may have a bearing on agricultural suppliers.

Stockpiling

According to reports in The Grocer, chilled and frozen warehouse space has all but run out as retailers have block booked or taken back available space. Ambient storage availability is also greatly reduced. This is particularly the case in the Midlands and the South where the most valuable sites are located. The port of Dover is the critical access point for so much of the UK's fresh food and any delays there will quickly feed through to delays and shortages across the country with more distant parts (i.e. Scotland, N Ireland) potentially being the last in line to receive supplies.

Much of the reserved storage is currently standing empty but is being kept by retailers for use in case of a no-deal Brexit. The retailers have been driven by the necessity to maintain supplies in a competitive retail market; those who can keep their shelves stocked will draw the customers. For fresh produce stockpiling may be the wrong word as shelf life is limited, more likely buffering to provide flexibility and continuity if delays occur in transporting goods from the Continent.

The knock-on effect is that food suppliers and processors are left without access to additional storage space if needed. Reports from the beef sector suggest the coolers are already full and may limit processors capacity to increase forward buying of cattle ahead of the 30th March Brexit date. Also the costs of storage have risen with weekly storage charges per pallet rising by 15% per week in recent weeks and 8% over the third quarter as a whole, according to Stowga a storage broker. This all heaps pressure on already thin margins in food processing and distribution and is likely to drive up food prices to consumers. Whether UK farmers benefit from potentially higher consumer prices or get squeezed by processors trying to claw back additional costs remains to be seen.

Shift in sourcing to what is available

A large part of processors, retailers and food service providers current planning is identifying alternatives to EU supplies. This may mean shifting to non-EU supplies or switching to more readily available ingredients within the UK. For example suppliers of pre-prepared meals for schools are considering increasing vegetarian options (e.g. baked potatoes and beans) at the expense of chicken and pork ready meals, typically sourced from the Netherlands or Poland. A short term shift to local/ambient products and away from chilled imported product takes the pressure off supply chains.

There are clearly opportunities for retailers and processors to increase consumption of UK produce. However, this will take time and there are limits to how much UK producers can do in the short time remaining to boost production. As Bidvest a food service provider put it; "we've got too many people for the food we produce". And of course farmers and processors are also dependent on imported inputs and EU labour and run the risk of constraints and delays in running their existing operations. So the shift to more UK sourcing in certain sectors may increase but this is likely to be a longer term opportunity.

DEFRA making plans too

It is not just the private sector making plans to protect food supplies in the event of a no-deal; the government is too. Michael Gove has admitted that in a no deal scenario food supplies may be permitted to enter from the EU without checks for an indefinite period to keep goods flowing. DEFRA has been holding emergency talks with the food and transport sectors to identify ways to secure food supplies. DEFRA is conducting an emergency review into how inspections and food safety could work effectively to minimise delays at ports. While this may provide a temporary relief for importers (all be it with significant food safety and fraud concerns), this would do nothing to help food exporters. There is no sign as yet that EU authorities would reciprocate which could leave UK food exporters at a serious disadvantage.

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Sector Focus: Deer Farming

Background

Venison is becoming increasingly popular with UK consumers but the UK deer sector is struggling to meet demand. The total UK market is estimated to be £100m with venison being found in all types of shops and restaurants in Scotland, the UK and in export markets. Scotland produces an estimated 3,600t of venison per annum, of which around 3,500t comes from the wild red deer cull. Only 100t of Scottish-produced venison currently comes from farmed deer. Consequently, imports from New Zealand, Poland, Ireland and Spain are filling the vacuum created by market demand.

For biodiversity reasons, the wild sector aims to secure and maintain their existing volumes so it will be down to farmed venison and deer farming to provide the additional volumes. Encouraging farmers to consider deer as an enterprise will not be easy. It is estimated there are currently over 90 agricultural holdings with deer in Scotland, but possibly only 40 of these have deer/venison as an important revenue stream. There are around another six in development at the moment.

Changing landscape

Historically deer farming did not attract support payments and subsidies putting it at a disadvantage to cattle and sheep farming. However, the reformed CAP (Common Agricultural Policy) regime now enables deer farmers to claim support payments under the Basic Payment Scheme.

One of the main barriers to entering deer farming (just like beef and sheep) are the start-up costs which are estimated at upwards of £50,000 for a 100 hind breeding herd. It is reckoned that the minimum herd size to be profitable is 150 hinds. Red deer breeding hinds will generally cost between £300 and £1,000 for pedigree stock with breeding stags costing from £500-£2,000. Then there are significant costs like deer fencing and specialist handling facilities. Other barriers include access to an abattoir and knowing where to obtain limited breeding stock.

The SRUC Farm Management Handbook using information from experienced deer farmers estimate approximately £6,500 gross margin per 100 hinds. The Starter Guide to Deer Farming and Park Deer Management published by the Venison Advisory Service in 2016 estimate £19,000 gross margin profit for 100 hinds but that included selling hinds for breeding stock.

Beyond the Glen

Scottish Government Cabinet Secretary Fergus Ewing is taking a keen interest in Scottish venison, including both wild and farmed. To help overcome some of the barriers to deer farming, a venison summit was called involving all areas of the sector in February this year. Following that meeting a strategic plan for Scottish venison, "Beyond the Glen", was launched in September to fit with the Scotland Food and Drink Strategy 2030.

"Beyond the Glen" envisages that increasing Scottish production through new farmed deer enterprises will help to meet market demand and support UK market growth with the aim to raise Scottish farmed venison production from 100 tonnes to 850 tonnes by 2030. This can be achieved by growing the annual kill from 1,700 to 15,000 deer and growing the value of the sector from £540,000 to £4.6m at farm gate

The strategy outlines a number of key recommendations that should be implemented to help realise the sector's ambitions. The key actions relevant to deer farming are:

- Establishing an Industry leadership group which will supply crucial market data and provide industry with valuable technical advice.
- Launch a New Entrant and Expansion Fund to offer funding support for new and expanding farms.
- Launch a Monitor Farm programme to provide peer to peer learning and a platform for best practice.
- Potential subsidised deer fencing to reduce start up costs.
- Develop consumer led communications and marketing campaign targeting consumers and key user groups.
- Build on world class husbandry expertise and R&D to improve productivity in Scotland:
    - This includes introduction of the Elisa test to overcome potential future TB issues for importing breeding stock.
- Build and strengthen skills for future growth.

Useful Information - The Scottish Venison Partnership: www.scottish-venison.info

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Farm Management Handbook

The 2018/19 Farm Management Handbook is available now – in printed copy (below) and free online at:

https://www.fas.scot/publication/

Key economic data

General Indicators		Price indices for September 2018 (Defra 2015 = 100)			
		Output Prices		Input Prices	
Base interest rate	0.75% (0.50% Aug '18)	Wheat	137.93	Seeds (all)	105.6
		Barley	154.07	Energy	124.7
ECB interest rate	0.00% (0.05% Mar '16)	Oats	147.14	Fertiliser	107.6
UK (CPI) inflation rate	2.4% (target 2%)	Potatoes	134.30	Agro-chemicals (all)	104.3
		Cattle and Calves	103.08	Feedstuffs	114.9
UK GDP growth rate	0.6% (Q3 '18)	Pigs	112.41	Machinery R&M	107.3
		Sheep and Lambs	104.84	Building R&M	110.8
FTSE 100	7,040 (26 Nov'18)	Milk	125.08	Veterinary services	114.8

SAC Consulting 2018. SAC Consulting is a division of Scotland's Rural College (SRUC)
This publication is funded by the Scottish Government and EU as part of the SRDP Farm Advisory Service

SAC Consulting, Rural Business Unit publication
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