Farm Advisory Service

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

News in brief

December 2020

Will they or won't they – do a deal?

While the UK has recently secured trade deals with Canada, Japan and Norway, Westminster and Brussels still struggle to reach a deal with very little time left to negotiate; an estimated 90% of UK trade is not yet covered by these free trade deals.

With a UK-US trade deal a top priority post-Brexit, Biden's presidential win throws up a new set of priorities on both sides. Any trade deal with the US will likely now take much longer to negotiate, and conditions be more dependent on the still uncertain practical and political implications of a customs union arrangement with Northern Ireland. This creates greater impetus for Westminster to reach some sort of deal with the EU; in the final countdown to January the next fortnight will be a crucial decider.

A Biden presidency may be good news for British agriculture in other terms, with Biden less likely to push through a quick trade deal that forces the UK to drop food standards. Outcry from the farming industry against a vote in the Commons to prevent British food standards being exposed post-Brexit, twice defeated in the House of Lords, may have raised attention to the issue, although experts warn there is still much room for interpretation of rules by ministers after we leave the EU.

A recently released Waitrose Food and Drink Report 2021 indicates that nearly three quarters of their consumers were concerned about the protection of UK food standards against lower welfare and quality products, echoing a call from major retailers this autumn to safeguard UK production standards.

Next month:

- Brexit update – trade and agricultural policy
- Global trends and outlooks

Contents

This month's editor:
Anna Sellars

The European Agricultural Fund for Rural Development
Europe investing in rural areas

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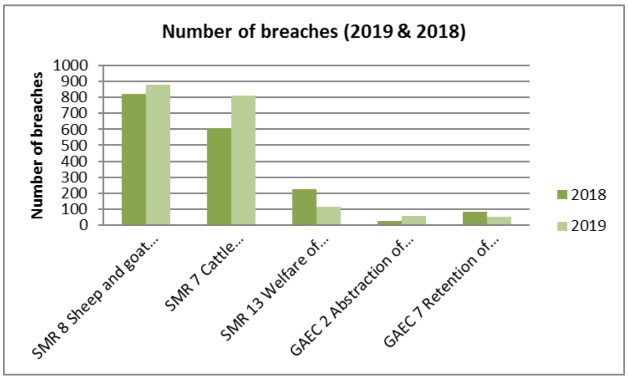
Cross compliance inspection statistics

Each year the Scottish Government publish cross compliance inspection statistics. The statistics for 2019 are available at: https://www.ruralpayments.org/topics/inspections/all-inspections/cross-compliance/inspection-outcomes/cross-compliance-inspection-statistics/, a summary of the main areas of non-compliance and breaches is presented below.

In 2019 the top five areas of non-compliance were:

- Sheep and goat identification (SMR 8)
- Cattle identification and registration (SMR 7)
- Welfare of farmed animals (SMR 13)
- Abstraction of water for irrigation (GAEC 2)
- Retention of landscape features (GAEC 7)

Compared to 2018, there was a reduction in the number of breaches relating to welfare of farmed animals and retention of landscape features but an increase in breaches relating to sheep and cattle identification and abstraction of water for irrigation, see chart below. Although the actual number of inspections carried out over the two years is not known, the increase in breaches relating to cattle and sheep is concerning.



The most common reasons for the breaches are as follows:

Sheep and goat identification (SMR 8)

- Animals that had lost one official identifier were discovered at inspection.
- The record of replacement identification had not been maintained.
- Failure to record complete movement details.
- A record of identification had not been maintained.
- Failure to record death details of an animal born or identified after 31/12/2009.
- Official identities of home bred animals found at the physical inspection, were not in the records indicating the record of identification or the record of replacement identification had not been maintained.
- The number of animals counted on the holding indicated the records were not accurate.
- Annual inventory as of 1st December not recorded by 30th December.

Cattle identification and registration (SMR 7)

- Animal had lost 1 tag but was still identifiable.
- Failure to notify deaths to database within legislative deadline.
- Animal had lost 2 tags but could still be identified by other means.
- Incorrect sex or breed notified to database.
- Failure to notify movement to database within legislative deadline.
- Animal details not found in farm records.
- Movement notification supplied but out with the legislative deadline.

Welfare of farmed animals (SMR 13)

- Sick animals not suitably cared for including, where necessary, getting veterinary advice.
- Stockperson does not have the knowledge and professional skills to look after the animals.
- Number of deaths found at inspection were not recorded and had not been kept for the previous 3 years.
- Animals (kept outside) were not protected, when necessary and possible, from adverse weather conditions, predators, and other risks to health.
- Medicine records were not complete and available for previous 3 years.

Abstraction of water for irrigation (GAEC 2)

- Failure to comply with conditions of the abstraction licence.

Retention of landscape features (GAEC 7)

- Land cultivated within 2m of the centre line of a hedge (where the exemptions do not apply).
- Landscape feature had been removed or destroyed without written consent of the Scottish ministers and/or other statutory body.

While not all the listed breaches resulted in financial penalties being applied, penalties of between 1% and 5% were not uncommon, and in some cases 100% penalties were applied for breaches of SMR 13.

To protect subsidy payments, knowing the rules is essential.

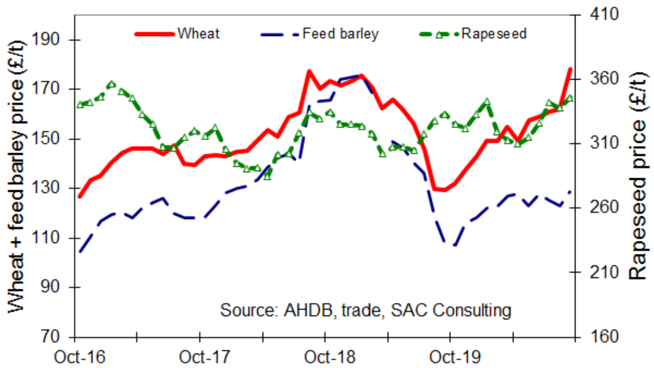
gillian.inman@sac.co.uk, 07803 222362

Further cuts in world maize output

UK grain prices have risen in the last month with barley rising the most due to stronger world feed barley prices. There was a 10mt cut in maize output forecasts across the EU, Ukraine and USA which helped boost world feed grain (and barley) values.

In their current report the IGC expect world 2020/21 grain stocks to fall 3mt to 616mt since last month. World 2020/21 grain output has fallen 7mt on last month to 2,219mt (+ 36mt on 2019) but use has also fallen 2mt to 2,221mt up 28mt on last season. World maize production has fallen 10mt since last month and stocks are down 6mt to 279mt and are now 23mt lower than in 2019. Stocks-to-use ratios for maize are expected at 24% in 2020/21 down from 30% in 2017/18. Wheat stocks are still rising on last year and remain at record levels of 292mt.

Scottish spot ex-farm grain and oilseed prices



UK autumn sowings rebound

In the recent Early Bird Survey of autumn sowing, the AHDB recorded a recovery in UK winter cereal areas for harvest 2021 back to the levels seen in autumn 2018. This was led by a 400k ha (+28%) rise in winter wheat area and a 76k ha (+24%) increase in winter barley area.

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
UK	*Area ('000's ha)*						
2020	1,415	318	1,096	1,414	211	3,093	388
2021	1,815	394	767	1,161	219	3,270	318
Chng.	*400*	*76*	*-329*	*-253*	*8*	*177*	*-70*
Chng.	*28%*	*24%*	*-30%*	*-18%*	*4%*	*6%*	*-18%*

The early autumn conditions across the UK were much drier than in 2019 plus farmers wasted no time and started sowing crops early. Together these two factors helped farmers increase their winter area. This was despite periods of very wet weather in early October across much of Eastern England and Scotland. Further wheat sowings continued in November in some areas. In response, UK farmers are expected to sow much less spring barley down 329k ha (-30%) and reduce fallowed land down 119kha (-30%) to 277k ha. Final regional results from the survey are still to be published.

Scottish sowings more stable – wither malting barley in the spring?

Scotland is also expected to see a rise in winter wheat and winter barley sowings but with a relatively stable area of spring barley. The attractiveness of sowing malting barley in the spring has been severely dented by the low to non-existent spring malting barley premium at harvest this year and the uncertain outlook for malting barley. This has encouraged greater sowings of wheat but some of the intended later wheat sowings were missed due to the very wet spell in early October which also delayed land being cleared of potatoes. While malting markets are uncertain, the high yield of newer malting varieties and the lack of suitable alternatives in many areas may see spring area maintained close to 2020 levels in Scotland. The removal of the three-crop rule in 2021 also means that many farms will have the option to increase spring barley sowings; whether this is attractive or not. There will clearly be a lot less spring barley sown in England, but unless Scotland itself becomes deficient in malting barley, the reduced availability of malting barley from England will have limited market impact. This may make the prospects for spring malting barley premiums in 2021 more dependent than ever on demand and the recovery in the whisky distilling sector rather than a significant fall in sowings.

julian.bell@sac.co.uk, 07795 302264

Indicative grain prices week ending 27 November 2020 (Source: SACC/AHDB/trade)
'* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal,

£ per tonne	Basis	Oct '20	Nov '20	Jan '21	Mar '21	Nov '21
Wheat	Ex-farm Scotland	183.00	184.00	185.00	187.00	150.00
Feed barley	Ex-farm Scotland	137.60	139.00	140.00	142.00	120.00
Malt. barley- distil	Ex-farm Scotland					170.00
Malt. barley- brew	Ex-farm England#			157.00		158.00
Oilseed rape*~	Delivered Scotland		363.00			350.00

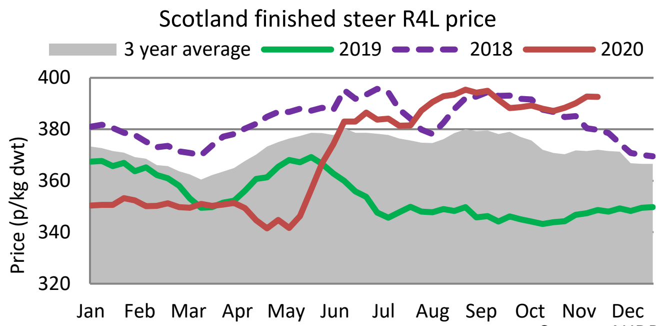
The mood around beef producers' Christmas tables this year will be far more up-beat than it was last year. Where last year, many were looking seriously at their business and deciding whether it was time to call it a day, now they are looking at a much more positive situation, with finished cattle trade being around 60p/kg DW or £200/head better off. This much needed turn around has resulted in a return to positive margins for most finishers.

With store cattle in relatively short supply, finishers are having to compete to buy good cattle which will finish in spec. The result is that those in the habit of selling store cattle or suckled calves in the back end have received significantly higher prices than they have in previous years. Many are up by £150/head. The trend of finishers buying younger cattle with a good weight for age, shows no sign of changing. With suckled calves a roaring trade and forward stores a little more subdued. With such a strong trade for suckled calves, many farmers have chosen to offload more calves in the autumn, it will be interesting to see what the trade for store cattle does in the spring of 2021.

With a positive outlook for finished cattle and less store cattle available, it is expected that store trade will remain strong in the coming months.

Challenging times for processors

In the last few weeks, there have been numerous reports of Covid-19 breakdowns in meat processing plants, notably in Scotland, Kepak's Portlethan plant and Scotbeef's Bridge of Allan site were both closed down due to positive tests. This was obviously a huge worry for the staff in the plants. However, the outbreaks also came in the middle of one of the busiest periods for slaughter houses, the Christmas kill. With limited processing capacity in Scotland and a backlog of inspec cattle to kill, the idea of losing 2 major abattoirs at this stage was a real concern. Happily, due to a swift response from the companies involved, some co-operation in the supply chain and a proactive approach from the authorities, processing resumed very quickly after the outbreaks were discovered. All involved are due our thanks for dealing with this so professionally and so rapidly to ensure a good supply of Scotch cattle is available to the consumer for this festive period.



Source: AHDB

Where will 2021 take us?

2020 has been a challenging year and we are not out the woods yet with regards to Covid- 19, but with the promise of a vaccination programme in early 2021, the prospects of returning to something nearer normal is looking more probable. So, what will 2021 hold for the beef sector?

We will start off the year with Brexit, although there are still no guarantees of what that may look like, a deal, a soft Brexit and something like the status quo looks probable. That status quo won't last forever as the UK goes out into the world to secure trade deals with other countries. What that brings is unclear but in the short-term, we can be sure that there will be plenty of Irish product still entering the UK.

The other thing that is likely to return to our collective door is media attention. Climate Change has not gone away and nor have government targets and the fact that agriculture, like all other industries, will have to play its part in meeting these targets hasn't gone away either. After a stay of media execution, the spotlight will once again be shone on our industry. However, this time, we are better placed to have a fuller debate, and sell all that is good about Scottish red meat to a consumer that is more aware of provenance and more concerned about food security than they were 12 months ago.

There is plenty in front of us in 2021 and there are lots of reasons to be positive going forward. So, relax, enjoy the festivities with a select group of friends and family and remember, where possible, eat steak!

robert.ramsay@sac.co.uk, 01292 525171

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

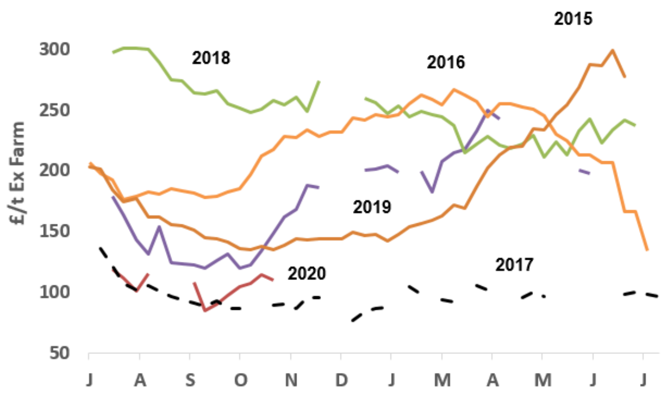
Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
7 Nov 20	390.1	1.7	7.8	387.1	1.3	13.6	378.7	8.3	272.8	254.8
14 Nov 20	392.7	2.6	7.3	392.1	5.0	13.0	379.4	5.5	267.7	247.0
21 Nov 20	392.6	-0.1	6.8	390.1	-2.0	6.5	378.5	6.2	268.3	243.1

Market price update

- *The latest GB Weekly Average Prices for the week ending 14th November was £145.86/t for free-buy and contract purchases.*
- *The latest GB Weekly Average Free-Buy price week ending 14th November was £110.00/t.*

Crop Year 2018/19	14 Nov	7 Nov	31 Oct
Average Price (£/t)	145.86	159.65	132.36
AVP change on week (£/t)	-13.79	+27.29	+0.83
Free-Buy Price (£/t)	110.00	114.70	107.37
FBP change on week(£/t)	-4.70	+7.33	+2.75

GB Weekly Average Free-Buy Price (2015-2020 crop years)



Trading Season July - July Source: AHDB

Potato Market Overview

Free-buy markets have been relatively subdued due to the majority of orders being met by contracted material. Packing for retail markets has continued to be strong throughout the pandemic due to a reduction in foodservice and 'sit-down' out of home experiences. The foodservice sector will also see a drop in demand this festive season due to Government restrictions having an impact on Christmas parties. Demand for Piper remains strong week-on-week with this variety continuing to receive a premium above other varieties. Maris Piper is a household name and has a very good reputation with consumers. Packers are now gearing up for a busy Christmas spell, with crop quality being a top priority to ensure factory efficiencies and customer satisfaction.

Chipping markets have experienced a drop in demand now we are in late November. This is normal for this time of year as the wetter, darker days set in, although demand has also been dampened slightly this season due to competition from other takeaway outlets, and generally lower customer footfall due to lockdown restrictions.

The processing sector has experienced quieter levels of demand, with the majority of orders being met by contracted material. There have been reports of freshly lifted supplies moving off the field straight to peeling markets to avoid any deterioration in quality when stored.

Prices by sector

In the Scottish packing market, Grade 1 Maris Piper is trading around £140/t ex farm, with highs of £170/t ex farm reported. Grade 1 Whites are trading around £70/t ex farm with a high of £80/t ex farm.

In the English packing market, Grade 1 Piper is trading around £180/t ex farm with highs of £240/t ex farm reported. Prices for Piper vary depending on quality, with top-end prices being paid for excellent quality material. Grade 1 Whites are trading around £90/t ex farm with highs of £205/t ex farm reported. Top-end prices are being paid for material moving to premium packing jobs. Reds are trading around £170/t ex farm with a high of £190/t ex farm. Prices for reds are up by around £10-15/t ex farm on the previous week.

In the East of England bagging market, chipping Piper is trading between £100-120/t ex farm, Agria is trading between £130-140/t ex farm, and Sagitta is trading between £110-140/t ex farm. In the West of England and Wales, chipping Whites are trading between £80-100/t ex farm. Sagitta is the only variety reported in the South of England, and is trading around £90/t ex farm. There are no prices reported in Scotland. In the peeling market, Maris Piper is trading between £55-75/t ex farm, with Whites trading between £50-75/t ex farm.

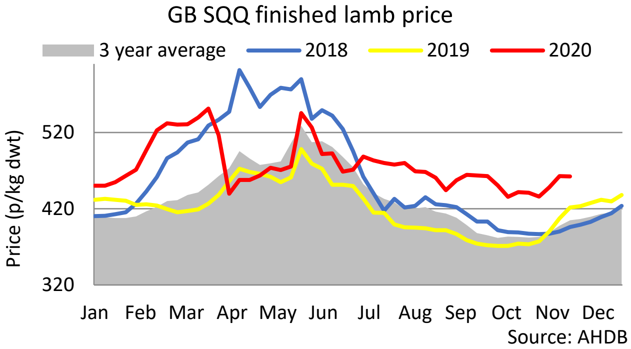
First GB production estimates released

The first official GB production estimates released by AHDB is 5.3Mt. This figure is based on 75% of the sample and will be updated once the publishing threshold is met. Based on the current sample, the average net yield is estimated at 46.2t/ha. Yields have been variable this year but remain within farm expectations and are on par with the five-year national average. As of 10th November, it was estimated that only 2% of the planted area in GB was still to be lifted. This time last year 11% of crop was still sitting in the field to be harvested with some growers abandoning it all together. It is expected that growers will return to finish their remaining acreage when the weather allows before the year is out.

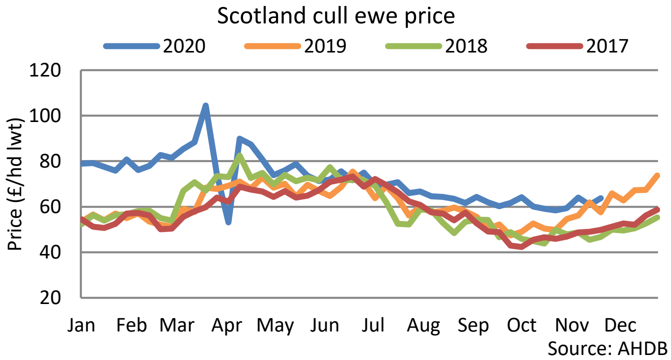
calum.johnston@sac.co.uk, 07917 263256

Confidence continues

Sheep trade has continued to be phenomenal throughout November, in all classes of stock, showing a premium to past years.



While there are many factors that determine the price (supply, demand, international trade), the currency exchange is definitely on our side with a depressed pound (1 euro: £0.89 – 25/11/20) aiding trade with Europe.



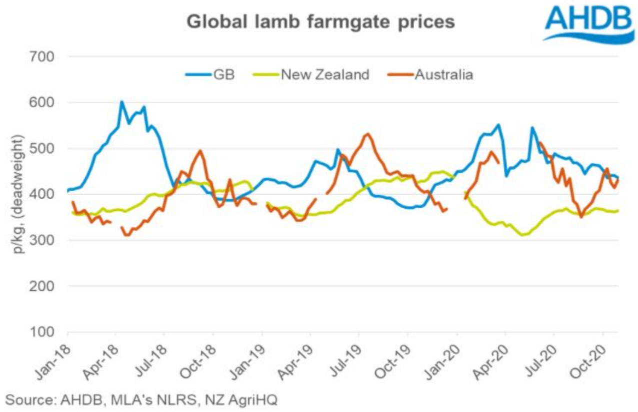
Cull ewes have held well, with fleshy strong ewes continuing to dominate the sale ring, showing very little depreciation over their lifetime. The graph below shows more stability in liveweight price since summer 2020 than previous years, showing a stronger year for lamb than has been experiences in a long time.

With the planned end of England's second lockdown on the 2nd December and Scotland's tier 4 areas on the 11th December, we may see a slight price rise as restaurants open again.

Reduced NZ Lamb Crop

New Zealand sheep farmers have experienced a hard year, with drought in the summer affecting forage stocks, welfare and productivity of their sheep. It has been estimated by Beef and Lamb NZ that the lamb crop will have decreased by 1 million head in 2020.

There are still a very small number of 2019 lambs on farms, that have been slow to finish, due to the lack of forage from the drought. The finished lamb price is back on the year, showing $2/kg below November 2019.



Early store sales have started and the first of the early lambs are reaching prime, these sales have started slow, but with an expected 1 million head reduction of lamb, I imagine sales will become buoyant, especially when forage recovers from the drought.

Between June 2019 and June 2020, the national hogget flock fell by 8.10% (9.14 million to 8.40 million). Largely due to destocking in response to drought conditions. But this has meant less hoggs were tupped and the national flock has fallen by 2%. This reduction in the flock and the lamb crop, will have an impact on the quantity of lamb that can be exported from New Zealand in 2020.

This may offer the UK an opportunity while our currency is also depressed, to continue if not increasing our supply to European markets in the months to come.

kirsten.williams@sac.co.uk, 07798 617293

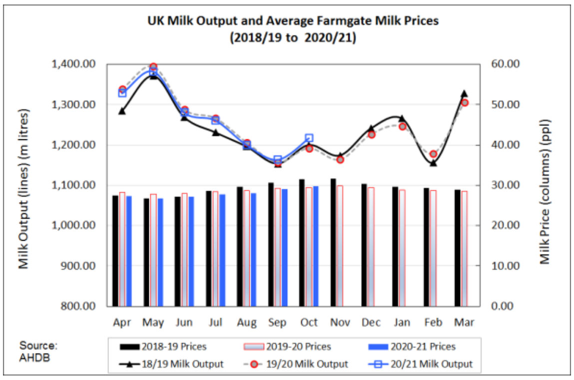
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish	Ewes (£/hd) Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
7-Nov-20	**448.7**	11.4	-3.8	-0.3	**211.30**	9.7	4.6	11.7	64.05	67.79
14-Nov-20	**464.0**	15.3	-4.1	-0.3	**204.50**	-6.8	0.3	13.1	60.76	63.41
21-Nov-20	**463.5**	-0.5	-3.0	0.1	**210.70**	6.2	1.4	12.7	63.75	66.35

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

Prices hold up as Oct '20 output rises

- *UK milk output for October 2020 increased over last year. As a result, the cumulative deficit has reduced to 10.86m litres compared with the same time last year.*

UK monthly milk output for October 2020 is estimated at 1,216.82m litres (before butterfat adjustment). This is 25.02m litres higher than October 2019 output when UK production for the month stood at 1,191.80m litres. Cumulative UK milk production for 2020/21 now stands at 8,832.60m litres (before butterfat adjustment). This is 10.86m litres lower than at the end of October 2019.



The UK average milk price for October 2020 is estimated at 29.78ppl. This is up 0.38ppl on the average price received during October 2019.

Farmgate prices - December 2020

Price announcements for December 2020 include:

- Arla Foods amba – Arla is to maintain its member milk prices from November into December. The manufacturing standard litre price remains at 30.66ppl whilst the liquid standard litre price remains at 29.52ppl.
- Arla's organic milk prices also hold going into December. The organic manufacturing price holds at 39.02ppl and the organic liquid standard litre holds at 37.56ppl.
- First Milk – No announcements yet for December. The expectation is that prices will hold from November 2020.
- Müller – Müller has confirmed a hold on November prices into December. Suppliers in Scotland receive 27.00ppl for the liquid standard litre.
- Graham's Dairies – Graham's have confirmed a hold on November prices into December meaning that the liquid standard litre price is maintained at 27.00ppl.
- Yew Tree Dairy – Yew Tree have confirmed a hold on November prices into December, meaning that the liquid standard litre is maintained at 27.10ppl on all A litres.
- Lactalis – In November we reported that members of the Milk Supply Association would receive a 0.50ppl increase taking the liquid standard litre up to 27.50ppl. This was subsequently increased by a further 0.25ppl, taking the liquid standard litre to 27.75ppl. It is understood that this latest increase will hold during December.
- M&S – reduced the October 2020 milk price by 0.21ppl. This takes the liquid standard litre down to 32.50ppl.

Annual Average milk price estimates for December 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	27.75
First Milk Liquid [1, 2]	27.75
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	28.67
Müller - Müller Direct - Scotland [1, 3]	27.00

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 FM prices include 0.25ppl Member Premium. The member premium increases to 0.50ppl from April 2020.

3 No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium and additional 0.25ppl haulage charge for Scottish suppliers.

RABDF Dairy Tech 2021

RABDF's Dairy Tech event has been cancelled and is being replaced with an online event which will run between 3 – 17th February 2021.

Cream prices take a hit in November

- *UK cream prices reduce significantly during November 2020, following the 4-week lockdown in England.*

As the figures in the table below show, cream prices reduced by an average of £170/t between October and November 2020. Much of the decrease being blamed on the second government lockdown south of the border. Butter prices also reduced during the same period as demand has remained weak.

UK dairy commodity prices (£/tonne)	Nov 2020	Oct 2020	May 2020
Butter	3,050	3,140	2,600
SMP	1,960	1,980	1,750
Bulk Cream	1,370	1,540	1,170
Mild Cheddar	2,920	2,920	2,900
UK milk price equivalents (ppl)	**Nov 2020**	**Oct 2020**	**May 2020**
AMPE (2020) *	29.15	29.75	24.86
MCVE (2020) *	31.55	31.64	30.09

** AHDB have recently launched AMPE (2020) and MCVE (2020) which contain revised weightings. From October 2020 ABN will publish AMPE (2020) and MCVE (2020).*

Source: AHDB

Update on world milk production

- *World milk output is rising across the EU, US and in New Zealand. This contrasts with the trend seen in the UK.*

World Milk Production to Sep (2020 Vs 2019) (m litres)			
	Sep 2019	Sep 2020	% change
EU (excl UK)	71,623	72,151	+0.7
New Zealand	4,426	4,557	+2.9
US	48,435	49,040	+1.2
UK	7,652	7,620	-0.4

alastair.beattie@sac.co.uk, 07771 797491

Drivers for low carbon malting barley

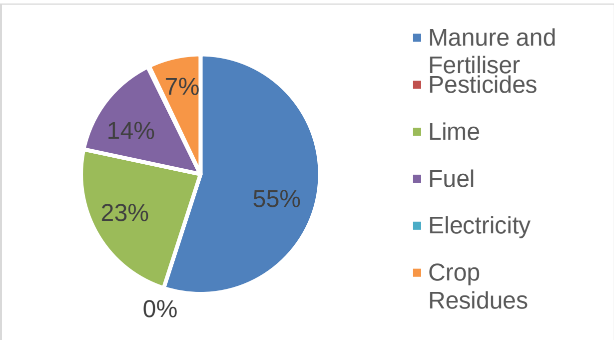
Scotch whisky distillers have been reducing the carbon emissions from their own production facilities for many years and now have plans to reduce these further[1]. In addition, distillers are now investigating how their suppliers might reduce carbon emissions and that includes barley growers and maltsters.

Carbon emissions from barley production

The production of spring malting barley results in carbon emissions from a range of source including; fertiliser manufacture and application, lime use, fuel and electricity use and crop residues. Depending on the management of the crop and soils there may also be impacts from soil carbon sequestration.

SRUC Agrecalc is a farm carbon calculator used on a range of farms across Scotland and the rest of the UK. Aggregated benchmark data from the Agrecalc database reveals the main sources of carbon emissions from spring malting barley as follows:

Spring malting barley - carbon sources, 2019.

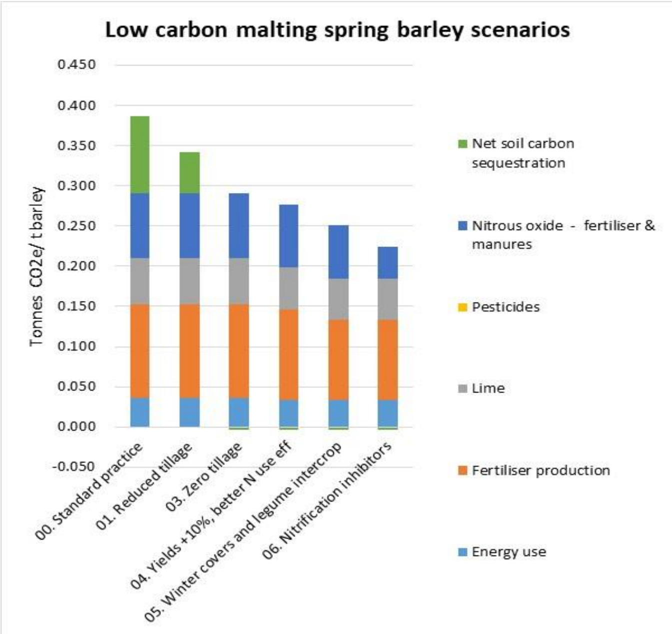


Source: SRUC Agrecalc - All emissions are expressed as carbon dioxide equivalent where 1kg CO_2 = 1kg CO_2e, 1kg Methane = 25 kg CO_2e and 1kg Nitrous oxide = 298 kg CO_2e.

On a per tonne of grain basis carbon emission for spring malting barley from the database were as follows: Top 25% performers 270kg CO_2e/t barley, Average 380kg CO_2e/t barley, Lower 25% 530kg CO_2e/t barley. The Top 25% achieved a 31% reduction in per tonne carbon emissions compared to the average. This was achieved through higher yields 6.8t/ha (6.4t/ha av.), lower fertiliser use 0.42t/ha (0.62t/ha) and lower diesel use 88l/ha (110l/ha).

Steps to cut carbon emissions

Starting with average values, SAC Consultancy calculated the impact on carbon emissions from changes in farm practice. In total, a 42% reduction in carbon emissions per tonne was estimated based on adopting a range of practices to bring emissions down to 222 kgCO_2e/t barley.



Local versus imported barley

SAC Consulting also assessed the carbon impacts of importing barley into Scotland to meet distilling demand. SAC estimates indicate additional carbon emissions of 119kg CO_2e/t barley using road transport from the south of England and 115kg CO_2e/t barley using maritime shipping from Denmark. Importing barley into Scotland could therefore add between 30% (at current standard Scottish barley crop carbon emissions) to as much as 50% extra where the carbon mitigation measures detailed above were implemented on Scottish farms.

In conclusion, the demand for low carbon malting barley is set to grow as distillers strive to reach low carbon targets. Scottish farmers should be well placed to benefit if they adopt suitable mitigation practices. The big question as ever, is what market reward will be offered for those who take these steps?

julian.bell@sac.co.uk, 07795 302264

[1] https://www.scotch-whisky.org.uk/media/1733/net-zero-pathways-report-june-2020.pdf

Replacement for the European Structural Funds

Given the fact that the Brexit transition period ends on the 31st December 2020 and EU Structural Funds have been key to Scotland's economic development over the past 40 years, investing more than £5.6 billion into a wide range of projects; the Scottish Government has developed the new Scottish Shared Prosperity Fund (SSPF) to ensure that going forward, Scotland's distinctive needs and priorities are met.

Key focus areas will be addressing and reducing economic and social disparity; enhancing wellbeing, and responding to the climate change emergency.

To ensure that decisions are made as closely as possible to the people, businesses and communities who will be impacted, the regional partners will play a key role in the Scheme by leading on allocation of funding and programme development which supports the achievement of national aims and objectives. Funding will be allocated to each regional partnership for a 5 year programme. The main themes for the Scottish programme will be:

- Business and Job Growth
- Skilled People
- Improving Places
- Tackling Poverty

The SSP Fund will replace the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Territorial Cooperation Programmes (ETC). The policy areas currently supported by LEADER will be considered as part of the Scottish programme if they are not covered in the replacement for CAP, but this will be subject to funds for this being made available by the UK Government.

While the Scottish Government would like the funding to match the £183 million per annum needed to replace the existing EU Structural Funds, the exact funding for new SSPF will be determined under the UK Government's Annual Spending Review. For 2021-22, an additional £11 million will be made available for Scottish Regional growth deals already agreed with the Scottish government and local councils for the Borderlands, Tayside, Moray and the Islands. These 15-year programmes will now have the same money spent in 10 years.

The Rural and Islands Housing Fund

With the aims of retaining a young, vibrant workforce and to support the older community in the Highlands and Islands; the Scottish Government has announced that with the aim of providing attractive and affordable housing, the Rural and Island Housing Fund has been extended beyond March 2021. The funds are part of the wider Affordable Housing Supply Programme, which has delivered about 4,800 affordable homes in the rural and island communities.

The funds help groups such as community organisations, development trusts and private landowners to build new affordable housing or refurbish existing properties. While only organisations can apply for this grant, eligible individuals can still apply for individual; housing grants through the Croft House Grant Scheme.

New Ways of Working

To provide the foundation for a strong economic recovery from the coronavirus pandemic, eligible employers across Scotland can apply for funding to provide upskilling and reskilling opportunities for their existing staff through the Flexible Workforce Development Fund (FWDF). The fund is available for all of Scotland's employers who are subject to the UK Government's Apprenticeship Levy. Levy-paying employers can access up to £15,000 with wider access through colleges or Skills Development Scotland (SDS) in 2020/21.

For the first time, the fund is now available for both levy payers and SMEs, across the private, public and third sectors. In 2020/21 SMEs will be able to access up to £5,000 through College and Open University training.

The fund is flexible and allows employers to choose the training that will bring the greatest benefits whether it be providing training for new entrants into the industry and/or providing training opportunities to upskill existing staff. The fund can be used to completely cover training or to partially cover training at a higher cost.

christine.beaton@sac.co.uk

Key Economic Data

General Indicators	
Base interest rate	0.1% (0.75% Mar '20)
ECB interest rate	0.00% (0.00% Sep '18)
UK (CPI) inflation rate	0.7% (target 2%)
UK GDP growth rate	15.5% (Q3 '20)
FTSE 100	6,358 (26 Nov '20)

Price indices for September 2020 (Defra 2015 = 100)			
Output Prices		**Input Prices**	
Wheat	145.15	Seeds (all)	114.1
Barley	120.78	Energy	109.1
Oats	122.01	Fertiliser	90.6
Potatoes	105.99	Agro-chemicals (all)	146.7
Cattle and Calves	109.18	Feedstuffs	118.0
Pigs	121.56	Machinery R&M	113.6
Sheep and Lambs	119.08	Building R&M	112.6
Milk	117.76	Veterinary services	115.3

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Contact: janis.forrest@sac.co.uk or 0131 603 7525