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News in brief

December 2021

The ghost of Christmas yet to come?

As the flurry of activity around COP has passed, it leaves a welcome space to breathe and take stock of the year that has gone before we all wind down for the festive period.

While COP may not have provided the set of strong, solid outcomes that were originally hoped, the opportunity for Scotland to host an environmental summit of global importance has certainly driven forward a wealth of events, webinars and discussions for our small country. This has showcased the good work already happening, the opportunities for farming to be part of the solution, and the fundamental role of actively managing carbon in the economic sustainability of Scottish agriculture going forward.

With the new National Test Programme due to be launched in the spring, powering forward further pilots and schemes around environmental management in farming, as well as a new round of AECS and increasing discussions around the role of carbon finance, the momentum seems to be picking up as we head into 2022. If not already done, baselining your carbon footprint is likely to become the norm, and Scotland is in a good position to benefit from its existing historic data from several years of BES and FAS carbon assessments, helping to inform decisions to ensure the economic and environmental sustainability of farming businesses throughout and beyond transition.

Next month:

Global trends: Annual update

Country focus: China & the world market

Contents

This month's editor:
Anna Sellars

COP26 round up: "Important step, but not enough"

It feels like COP has passed over Glasgow like a tsunami, but now the storm has died down, what have been the key outcomes and what does this mean going forward?

There feels a general sense of disappointment overall, even acknowledged by core negotiators, that what was hoped to become the most momentous COP since Paris(?) has resulted in watered down targets and no more clarity on big issues like climate finance mechanisms and many caveats. However, with such complex negotiations involving hundreds of stakeholders with competing priorities, some progress in the right direction is arguably better than none. Highlighted outcomes include:

- **National determined contributions** (NDCs) – targets for countries' GHG mitigation – are now required to be reviewed and resubmitted every year, rather than every 5 years, in an effort to keep reductions (more) on track;
- A **'phase down' of coal** (rather than 'phase out') by 2030, largely pushed by India so not to disadvantage developing countries – 'pulling up the ladder' argument;
- Pledges for **$100+bn a year of climate finance** for mitigation & adaptation for developing countries, though so far this target not yet met. Still yet to turn this ambition into solid mechanisms;
- Still strong **push for a 1.5 degree** (or 'well below 2 degree) warming limit, but acknowledged that under current trajectory this will be unlikely; we are on trend of existing commitments, carbon emissions are set to rise 13.7% by 2030;
- An agreement to **halt and reverse deforestation** by 2030;
- Inclusion of the term **agroecology** in the full Glasgow Climate Pact text – written in to improve soil health & sequestration;
- **Global Methane Pledge** to reduce methane emissions at least 30% by 2030 (from 2020 levels) (not signed by all countries including some of the top emitters, so applicable to around 50% of emissions);
- Agreement to **avoid double-counting of emissions reduction,** in which more than one country could claim the same emissions reductions as counting toward their own climate commitments.

In summary, Antonio Gueterres described COP26 outcomes as "building blocks for progress". The summit may have kept the concept of a 1.5 degree warming limit alive, if not yet paved the route for its reality (see https://www.carbonbrief.org/analysis-do-cop26-promises-keep-global-warming-below-2c).

New year sees AECS season arrive

Scottish Government have recently announced a new round of funding for the Agri-Environment Climate Scheme (AECS) with commitments to keep the scheme through 2023 and 2024, a move broadly welcomed by farmers, crofters and landowners across Scotland.

AECS offers businesses five-year contracts with annual recurring management payments for environmental outcomes. It allocates management options to land and claiming payments over and above your Basic Payment Scheme (BPS), with options differing based on location and priorities within a given area, be that protected nature sites, national priority species, the water environment, organic farming or public access to name a few.

For those who have never participated in the AECS, new landowners, or those looking to build their natural capital reserves the scheme offers the opportunity to diversify their income streams.

Annual recurring management payments are available for a wide range of different land types, with options supporting measures such as:

- Retention of winter stubble;
- Wild bird seed crops;
- Options to encourage ground nesting wading birds;
- Predator and deer control;
- Moorland management;
- Water margin management;
- Hedgerow management;
- Grass margins;
- Dyke restoration;
- Slurry stores and lagoons;
- Organic conversion;
- Creation and management of public access routes on farm.

Businesses that are interested in exploring their options are encouraged to get in touch with you relevant advisors and seek consultation with Nature Scot where appropriate, as funding will be competitive. A deadline has not yet be announced, so it is recommended to begin the process of applying sooner rather than later. To check eligible options and keep up to date with key dates, visit http://targeting.ruralpayments.org/.

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UK Wheat Futures starting to see resistance to further contract highs.

Following a protracted climb over recent months, UK feed wheat futures contracts showed signs of easing with May '22 at £240/t and Nov '22 to £210/t (as of November 26th). It may only be a temporary pause in market direction, due in part to the US Thanksgiving holiday, but while the overall forward sentiment remains bullish, consider the exposure to the downside on old crop wheat if holding crop beyond May forward price offers. Similarly, a commitment now on new crop wheat at current Nov '22 futures prices wouldn't look out of place as part of a season-long strategy.

Despite northern hemisphere plantings looking favourable for the 2022 harvest, the markets still reflect the deficit in carryover stocks from the summer and the impact it is continuing to have on supplies available going forward. It is not only the UK where supply and demand remains tight; once again and for the third year in succession, global carryover stocks are set to diminish further (2021/22 forecast stock-to-use ratio is now 28.5%; down from 31.9% 5 years ago) and yet this comes despite record global production and trade for a third successive year. (NB. Corn and soya demand globally has increased 100% over the last 20 years and demand for wheat, increased 30%).

Over the next couple of months, the southern hemisphere will start working through their seasonal plantings and traders will form opinion as to how global end stocks may be affected. A successful campaign will ease future supply pressures (especially given good crop conditions already established in the Northern Hemisphere) and market values may weaken as a result. Against this however, China remains the known unknown once again, having yet to procure the import volume it secured last year. Russia's export tariffs, high import demand in the middle east and the adverse weather events recently in Australia and Canada are all compounding volatility in the markets.

Strong local demand for home-grown grains in Scotland

The ex-farm basis for wheat and barley is rising in Scotland. In the last two years ex-farm values have typically remained between £2/t and £8/t below futures prices. This year, Scotland's grain is trading at £5/t above basis. Logistical difficulties with haulage encourage local sourcing so increasing demand. Higher demand from the ethanol sector following the introduction of E10, is also increasing wheat usage, particularly in the North of England.

Barley continues to find demand and favour with feed compounders, with a reluctance to change, having aligned to the crop through covid-19 and in response to the lower availability from the 2020 wheat harvest. Imported maize, as the main alternative, also remains uncompetitive; Ukrainian maize to Liverpool is currently £250/t dockside.

In Scotland, the malting barleys were low nitrogen and had good retention, but yields were average at best. Scottish maltsters are covered to March 2022, but with a smaller crop this year estimated at 6.0-6.1t/ha (circa 1.5 MT), compared to 6.85t/ha (circa 1.77 MT) in 2020, indications are there will be strength in demand continuing beyond this date as barley follows in the wake of wheat corn and soya markets. Selling spot this season has so far often provided greater value than pre-harvest contractual agreements.

UK Oilseeds trading below season highs

Early surveys indicate an increase in 2021 autumn plantings in Scotland as growers review rotational profitability in response to high crop prices. Longer term support for the current values is likely to be negatively impacted by increased production of palm oil out of Indonesia and Malaysia, the world's major exporters. However, such is the extent of import demand now, both in Europe and the UK (8MT joint) and given the high oil-sector prices in general, it is unlikely we'll see significant price movement soon.

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Indicative grain prices week ending 26 November 2021 (Source: SACC/AHDB/trade)

£ per tonne	**Basis**	Dec '21	Mar '22	May '22	Nov '22	Nov '23
Wheat	Ex-farm Scotland	230	238	240	210	185
Feed barley	Ex-farm Scotland	214	220			
Malt. barley- distil	Ex-farm Scotland		255			
Malt. barley- brew	Ex-farm England#		250			
Oilseed rape*~	Delivered Scotland	567	574		456	

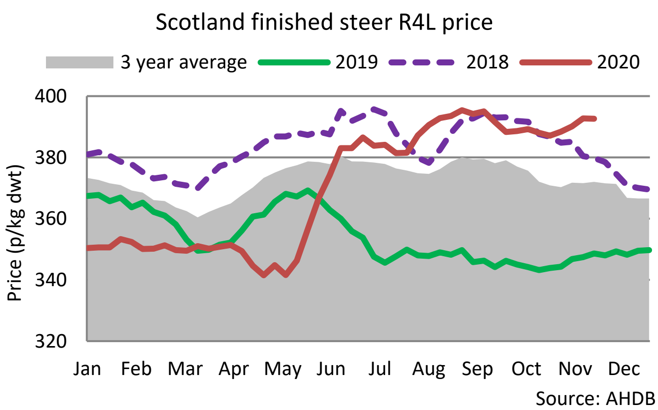
Beef

Prime cattle prices have remained fairly constant over the last few weeks as processors look to fill orders in the run up to Christmas with beef cattle values sitting around 418-420p per kg deadweight for R4L steers. However, even with Christmas orders nearing completion, it still looks as though beef price will continue to rally in the coming weeks. Beef prices for R4L grades continue to be higher in the north of England (+4p) compared with Scotch price with reports suggesting many cattle are going south to processors or through the live ring with English markets reporting a strong trade for prime stock in the ring.

The strong English price is partly due to Asda's 100% British commitment.

Processors are reporting that some cattle are killing out on the lean side, this most likely due to higher feed costs and producers trying to get stock away quicker. Despite much improved finished values for cattle throughout the year, the soaring production costs are no doubt hitting farmers where it hurts and the stark reality is that the market needs to settle well above £4p/kg to ensure that going forward the industry remains viable.

Cow prices have continued to decline, which falls in line with the time of year when cow availability is high due to housing and hardly surprising given the prospect of increased feed costs during the winter housing period. Processor demand for cows is to likely remain lower until Christmas prime kill is finished. After Christmas, as consumers turn to cheaper cuts (mince etc.) the demand for cull cows should increase and may bring the price up for cows. Indications are that this will be the case this year. There are some producers with good stocks of feed and forage who are looking to hold onto cows for a few more weeks to try and take advantage of the price lift in the New Year.



Store cattle remains firm for cattle that will make the grade as finished cattle. Suckled calves and year old stores have sold fantastically well as throughputs have rocketed through the live rings this year. Lighter, younger stores and weaned calves have taken a drop in price in the last few weeks due to the uncertainty in the costs of keeping these longer keep cattle.

There may have to be some tough decisions made in 2022, with fertiliser prices looking to remain high there is no room for passengers. Finishers buying habits may have to change to allow their cattle demands to meet their feed and forage availability. Whether this means buying heavier cattle and keeping them in the house to finish on available cereals instead of grazing cattle or sacrificing silage production to allow plenty area for cattle to graze, careful consideration to your own business needs will be required in the coming months.

Beef producers will sit down to their Christmas dinner this year alongside with mixed emotions, Covid has obviously brought some major challenges to our social and personal lives but it has to be said the beef sector has performed well throughout the crisis. The beef sector has ploughed on fulfilling its vital role in feeding the country. However increasing input costs rising faster than the price of finished beef is bound to be praying on producer minds.

On a positive note it looks like we will celebrate Christmas very differently (hopefully) to last year with the roll out of the vaccine and booster programme allowing family gatherings and socialising over the festive period, consumers will hopefully spend time and money on home cooked festive meals. All good news for beef producers!

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
6 Nov 21	423.2	0.1	-3.5	420.8	-1.5	-5.2	414.2	6.6	305.6	282.5
13 Nov 21	421.1	-2.1	-4.0	419.7	-1.1	-6.8	409.0	10.7	303.7	276.7
20 Nov 21	423.4	2.3	-4.1	420.5	0.8	-3.3	417.0	3.5	299.0	280.1

No Change – All Change

Science & Advice for Scottish Agriculture (SASA), the authority responsible for safeguarding the health of Scottish Seed potatoes via growing crop inspections have released data for the 2021 growing season.

Although, at 10,298 ha grown there has been little change in the total hectarage of Scottish Seed potatoes from previous seasons; as can be seen from the table below, there has been some significant movement with regards the hectarages of the varieties grown in 2021 compared to 2020.

While Maris Piper was the most widely grown variety at around 12% area share; there were large % increases in the area grown of the varieties Cara, VR808, Daisy, Kingsman, and La Strada.

Comparison of 2020 and 2021 Varieties Grown

Variety	Area Entered 2021	Change from 2020 area (%)	
Maris Piper	1,224	+6	Maris
Hermes	1,060	−13	Hermes
Cara	801	+23	Cara
Desiree	438	−15	Desiree
Innovator	375	−1	Innovator
Royal	372	+12	Royal
Atlantic	361	−10	Atlantic
Markies	301	−1	Markies
Maris Peer	251	−7	Maris
Lady Rosetta	198	no	Lady
Brooke	197	−5	Brooke
VR 808	155	+37	VR 808
Burren	141	−14	Burren
Daisy	126	+56	Daisy
Kingsman	123	+41	Kingsman

Good Grades

Due to its northern climate, Scotland has very few problems with virus diseases and the virus health of Scottish seed potatoes is, therefore, superior to that of seed from most other exporting countries. This reputation for high seed health has been borne out in this season's data, with the vast majority of crops attaining the grade they were entered for.

Crop Areas by Grade:

Entered Grade	Area (ha)	% Change	
PB	852	↑	+ 12
S	6,181	↑	+ 7
SE	2,874	↓	– 13
E	492	↓	– 8

The Crop Area by Grade table highlights another change round in the sector, with areas grown of PB (Pre- Basic – up to 4th field generation) and S (Basic – up to 5th field generation have increased by 12% and 7% respectively: while up to 6 and 7 field generation crops (SE & E) have declined by 13% and 8% respectively.

Crop Health

SASA test plants displaying viral symptoms to get a picture of which viral species and strains are most prevalent.

This year, the most common fault seen during inspections was blackleg, with at least one blackleg plant observed in one third of seed crops – this is down on previous seasons. At least one mosaic virus was found in about 12% of crops (down from 14%), and rogues in at roughly 8%.

Encouragingly, crops downgraded or failed have also decreased year-on-year, showing that the efforts of seed potato growers to get on top of disease and pest issues are paying off. Just 7.5% of the seed crop area entered for inspection did not hold its grade in 2021 (this value was 9.0% in 2020).

Mosaic virus was the main reason for fails and downgrades. This growing season, 91% of crops that were downgraded or failed due to mosaic virus were infected with PVYN, with the rest due to PVYO, PVA, and PVX. A small number of crops were infected with more than one mosaic virus species.

The one fault which was noticeably up this season was potato leafroll virus (PLRV) – its highest since 2009. 5% of the inspected seed area contained at least one plant infected with PLRV. About a third of crops downgraded or failed for leafroll also harboured PYVN.

Of the inspected area in 2021, rouges were found in about 7.9% of inspected seed area (a shade down on the 8.2% in 2020) and 'Off-types' (AKA variations) were recorded in 2% of the inspected seed area. Very few crops were downgraded or failed for these faults.

The inspection statistics also remind us why certification and limiting field generations is so important for a vegetatively propagated crop such as potato: blackleg and mosaic virus increase with every field generation. Safeguarding the health of the early PB generations is critical for the Scottish Potato Industry Global reputation.

All data in this article are sourced from SASA's review of growing potato crop inspections.

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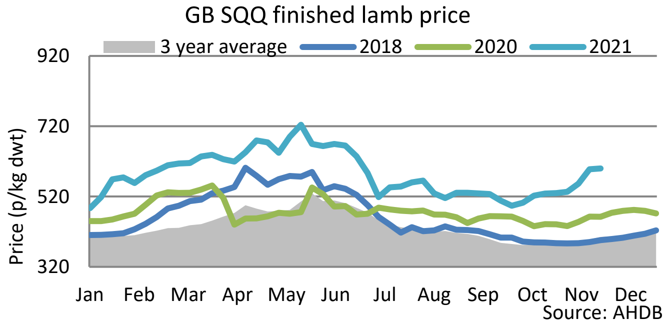
The trade for both store and finished lambs have shown a firm strengthening over November. Using AHDB figures as of the week ending 17/11/21 the lamb kill in the UK was 11% back on 2020, demonstrating that supply is low. This decrease in number may be due to abattoirs capacity being restrained through labour shortages, covid breakouts, availability of cold storage, etc., or it may be due to the effects from the slow cold spring and the poor start that many lambs had. A number of producers are reporting a high parasite risk in lambs and those with associated ill thrift, which is certainly slowing the finishing period.

New Zealand are witnessing a similar trend, with a wet cold spring, meaning ewes are not performing to their potential, slowing down the finishing period of the early born lambs. This could result in both early born lambs and spring lambs being marketed at the same time, causing delays at abattoirs which are already faced with labour shortages, disrupted shipping and supply issues with containers. To counteract this, meat plants are opening earlier than normal.



Source: AHDB

International Trade and Export

It has been well publicised that sheep meat exported to the continent is at lower levels than normal, due to numerous factors (exchange rate, Brexit, etc.). Interestingly the volume of Spanish lamb has increased to France over the last year, while our product has decreased, but recently the Spanish end price has risen. This now makes the UK lamb look more attractive to our French customers. For the week ending 13th November GB lamb was valued at €6.99/kg, while French lamb was €7.77/kg and Spanish was €7.64, compared to Australian lamb at €5.08/kg.

Producers who wish to export sheep to Northern Ireland have got until the end of the year to apply for Scrapie Qualifying Status. This is a limited temporary scheme and those who have been unable to export live sheep to Northern Ireland due to not being Scrapie monitored will now be able to providing scheme requirements are met for a three-year period. In 2020 there were ~9,000 sheep exported to Northern Ireland, and with the EU trade regulations this has been extremely limited this year, as many flocks are not scrapie monitored. This has had a knock on effect for many sheep sales, especially that of the Scottish Blackface and other pedigree sales, as the derogation has the potential to increase revenue to live sales.

Scottish Flock Expansion

The Scottish flock has increased by 1% on the year to 2.57 million ewes. However, the total sheep has grown by 2% since 2020 to 6.83 million head. Looking at June Agricultural Census data the increase is noted in sheep over one year old not used for breeding, which has increased by a huge 39.2%, rising from 167,720 to 233,491 head. This could potentially be due to various reasons including abattoir backlog, flocks retaining a higher level of replacements to restock or sell as breeding gimmers. This number of sheep in the over 1 year old (not for breeding) category has risen considerably from 85,544 in 2011.

4 per 1000

A pledge has been made by Scottish Government to work towards an annual growth rate of 0.4% of soil carbon or 4% per year in the first 30-40cm of soil, to aid in reducing the CO2 in the atmosphere. This has opportunity to show that agriculture can be part of the solution of climate change and emphasise the role of soil management in farming.

This can be achieved in sheep systems through practices such as using organic manures, sowing nitrogen fixing crops, restoring pastures, planting shelter belts, etc. for the sheep sector this shows an opportunity to prove we are absolutely part of the solution.

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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
6-Nov-21	**557.7**	24.2	-5.9	2.8	**242.30**	4.7	11.7	3.4	70.97	72.96
13-Nov-21	**598.8**	41.1	-4.3	2.9	**240.30**	-2.0	-2.8	-14.0	78.88	79.46
20-Nov-21	**610.2**	11.4	-4.4	5.9	**275.50**	35.2	18.2	10.1	75.91	77.12

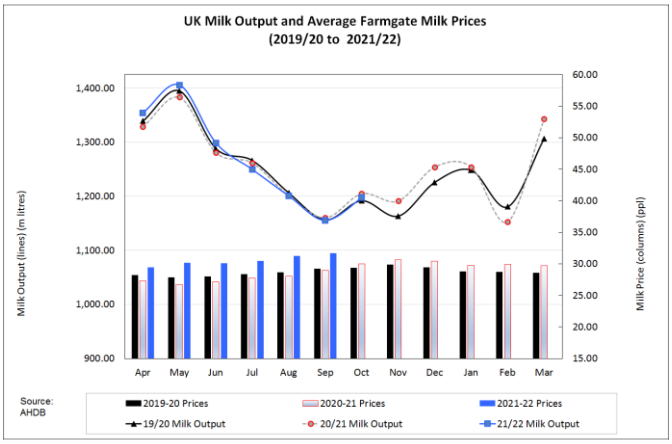
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

Will milk price increases be sufficient?

- *Despite some record increases to milk prices recently, there are still concerns that rising production costs will erode margins this winter.*
- *UK production is tight – see below. With product demand rising as we approach Christmas, upward pressure on prices is continuing to build.*

UK monthly milk output reduced during October 2021 on a year-on-year basis. Output for October 2021 has been estimated at 1,197.55m litres (before butterfat adjustment) – this is 7.05m litres lower than October last year. These latest production figures mean that UK cumulative production to the end of October is estimated at 8,861.51m litres (42.15m litres up on the same period last year).

The UK average milk price increased by 0.46ppl between August and September 2021. The UK average milk price for September is estimated at 31.72ppl (up 2.71ppl on a year-on-year basis). Looking forward, the trend for milk prices is positive and several milk buyers have already announced further price increases for the New Year. Milk price is just part of the profitability equation. For most dairy farmers, huge concerns remain in relation to whether the price increases confirmed so far will be sufficient to cover the inflationary costs associated with the recent hike to energy prices.



Farmgate prices move up for Dec '21

Price announcements confirmed by UK milk buyers for December 2021 are listed below:

- Arla Foods amba – Arla has confirmed a 3.00-euro cent per kg price increase from 1st December 2021. Taking into account a further increase to the supplementary payment, the overall increase for the month amounts to 3.5 eurocents per kg (3.16ppl). The manufacturing standard litre price increases by 3.16ppl to 36.68ppl, whilst the liquid standard litre price increases by 3.03ppl to 35.29ppl.
- Arla organic supplies – Arla's organic milk prices also increase by the same margins from 1st December 2021. The manufacturing price increases by 3.15ppl to 44.13ppl whilst the organic liquid standard litre increases by 3.03ppl to 42.46 ppl.
- Arla Foods: Direct suppliers – Arla's non-aligned suppliers will receive an increase of 3.89ppl from 1st December. This takes the manufacturing standard litre up 3.89ppl to 32.26ppl. The liquid standard litre increases by 3.75ppl to 31.00ppl.
- Graham's Dairies – Suppliers will receive an increase of 1.00ppl from 1st December. This takes the liquid standard litre up to 30.00ppl.
- First Milk – FM will increase prices by 1.00ppl from 1st December 2021 (see table below).
- Müller - Müller Direct suppliers will receive a 2.00ppl increase from 1st January 2022. This takes the liquid standard litre up to 31.75ppl for Scottish suppliers (see table below for December milk price).
- Müller organic – Müller will increase its organic milk price by 1.00ppl from 1st January 2022. This takes the organic liquid standard litre up to 42.50ppl.

Annual Average milk price estimates for December 2021 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	30.50
First Milk Liquid [1, 2]	30.96
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	32.00
Müller - Müller Direct - Scotland [1, 3]	29.75
1 *Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.*	
2 *The FM member premium is set to remain at 0.50ppl from April 2021.*	
3 *No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium and additional 0.25ppl haulage charge for Scottish suppliers.*	

UK wholesale prices

Tightening supplies (both UK and EU) and rising demand in the lead up to Christmas has produced further increases to UK wholesale prices between October and November, with product prices rising across the board.

UK dairy commodity prices (£/ tonne)	Nov 2021	Oct 2021	May 2021
Butter	4,380	3,780	3,350
SMP	2,600	2,330	2,210
Bulk Cream	2,139	1,855	1,348
Mild Cheddar	3,440	3,240	2,980
UK milk price equivalents (ppl)	**Nov 2021**	**Oct 2021**	**May 2021**
AMPE (2020) *	42.28	36.57	33.20
MCVE (2020) *	39.22	36.56	33.61

Source: AHDB

Global milk supplies

Across the EU, milk supplies are tight. Up to the end of August 2021, cumulative milk supplies (April to August) were up by a very marginal 0.90% on a year-on-year basis at 61.41 billion litres. Cumulative output in New Zealand (June to August) is estimated at 1.88 billion litres (down 2.4% on a year-on-year basis). It's a similar picture in Australia where cumulative output (July & August) is estimated at 1.29 billion litres (down 3.60% on a year-on-year basis). Cumulative output in the US is up 2.8% (year on year), estimated at 42.33 billion litres for the period April to August 2021.

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Why are energy prices rising?

Record-breaking energy prices in the UK in recent months are the result of a squeeze on the global energy supply, which has multiple sources. After Covid-19 lockdowns caused fuel demand to plunge and saw prices drop to their lowest levels in decades, the supply side failed to meet the resumed demand of rapid economic rebound.

Last year's cold winter in Europe depleted the continent's underground gas storage, with levels 15% lower than the 5-year average as of September. This pre-existing shortage was compounded by unplanned outages and maintenance issues caused by Covid-19, notably in the North Sea Continental Shelf. Short supply has seen European gas prices reach an all-time high, ten times their level at this time last year.

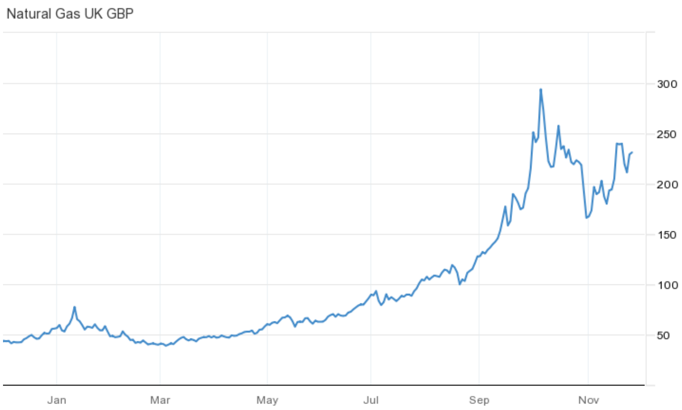

Figure: UK national benchmark price of natural gas, Jan-Nov 2021. Units are pence per therm, where 1 therm = ~100 cubic feet of gas = ~100k BTUs. Source: Trading Economics.

The outlook for 2022

Natural gas hovers around 55% of the UK electricity generation and higher wholesale fuel costs are being passed along to households and businesses via higher electricity bills. These prices are set to remain high over the next eighteen months at least, however they will fluctuate based on the intensity of Northern hemisphere winter, strength of economic growth, frequency of supply outages, and wind energy output over the coming months.

Some households and businesses are being protected from this price spike by the energy price cap afforded them by Ofgem. While this price cap is currently updated every six months, Ofgem plans to review it more frequently, and it is projected to rise when it is updated in April 2022.

Energy audits & support available

If farmers have not already undertaken an energy audit to understand which farm activities are consuming the most electricity, this is a crucial first step to mitigating the detriment of these changes. By taking meter readings to measure current levels of electricity consumption, monitoring this over time, and cross-checking levels against those of similar enterprises, energy inefficiencies can be identified and addressed via technical solutions and/or management changes. Examples include more effective use of thermostats, time clocks, motions sensors, and insulation; training for staff; equipment renewal; and paying close attention to energy-intensive activities such as grain drying and milk cooling. More information can be found on the Farming for a Better Climate website.

Support is being offered by the UK Government to households and businesses affected by these price increases. After making efforts to cut consumption, those continuing to struggle should investigate schemes such as the Warm Home Discount, Winter Fuel Payments and Cold Weather Payments, as well as speaking to their energy supplier.

Be aware

The peaking wholesale energy prices will have several other important effects: This price rise will have a silver lining for farms which have invested in renewable energy production. Those producing electricity for use on farm will enjoy the benefit of being shielded in part from expensive bills, while any surplus power they sell back to the grid will further offset costs (although a fixed export tariff precludes any windfall returns).

Beyond electricity, increased natural gas and costs are having knock-on effects for several other agricultural inputs, most notably fertiliser, which is produced by burning natural gas to produce ammonia from atmospheric nitrogen.

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Farm Management Handbook

New Carbon section in the Farm Management Handbook

This year's Farm Management Handbook features a new section on Carbon, providing a comprehensive introduction to sources of greenhouse gases (GHGs), principles of farm carbon accounting and soil carbon sequestration. The chapter includes:

- Types and sources of greenhouse gases (GHGs) on farm
- A guide to assessing your farm GHG emissions and identifying relevant mitigation options
- Choosing the right farm carbon calculator
- Carbon benchmarks, key emissions sources and top mitigation options for main farm enterprises in Scotland
- The role of soil carbon sequestration and peatlands in farm carbon footprinting

This can be found at pages 350-361, accessed for free on the FAS website, or available as a printed copy.

Inflation and the Bank Base Rate

The Bank of England is under mounting pressure to increase interest rates this month after inflation rose from 3.1% in September to 4.2% in October; the highest level since November 2011, and twice the 2% target set by the Government for the Bank of England.

The steep rise in inflation is linked to significant increases in electricity and gas prices, restoration of standard VAT rates in the hospitality sector, significant rises in the cost of raw materials, wages, and transportation costs plus more specific reasons such as the buoyant second car market linked to long waiting lists for new cars. While the majority of these aspects are linked primarily to the Covid pandemic, Brexit is a factor in rising labour and transportation costs due to the changes in UK employment law for EU nationals.

With the UK unemployment falling to 4.5%, job vacancies soaring to record levels putting further pressure on rates of pay, there is speculations that the Bank of England base rate could rise from 0.1% to 0.25% on the 16th of December. However, with Covid cases rising in Europe and parts of Asia, the decision to raise interest rates may be delayed until into the New Year.

Trailer Regulations

Due to delays in planned legislation changes, drivers who passed their test after 1 January 1997, and didn't pass their B (car) & E (trailer) test before the 20th of September 2021 cannot tow a trailer over 750 kg MAM (Maximum Authorised Mass) if the combined trailer and towing vehicle weight exceeds 3,500 kg MAM - unless they display L plates and are being supervised by someone over the age of 21 who has held a B & E or a +E category licence for three years. Drivers can be fined up to £1,000, be banned from driving and can be given up to 6 penalty points if they break the law. For more information as to the current legislation, click here

Risk Management

Following on from last month's Managing Change and Risk article, with the Covid-19 pandemic continuing, the FAS website gives comprehensive guidance and information on Emergency Contingency Planning for each agricultural sector including plans for crofters and small holders.

Red Tractor Standards & Tethering Cattle

Following recommendations from the Farm Animal Welfare Council (FAWC) and European Food Safety Authority (EFSA) Version 5 of Red Tractor standards came into force on the 1st of November 2021. For Red Tractor Assured Farms, Version 5 standards signal an end to allowing tethered housing systems for cattle of any age as tethering restricts normal animal behaviour such as self-grooming and exercise, unless used for very short periods whilst husbandry procedures are being undertaken. Tie stalls also limit the amount of physical contact between animals which can cause distress and epidemiologic research which has found a high prevalence of both lesions and lameness in cattle housed in tethered systems.

Farms and crofts with tethered systems who have applied for a derogation before the 1st of November will have an on-farm assessment before Spring 2022, at which point Red Tractor will decide the timescale for removing the derogation.

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Key Economic Data

General Indicators		Price indices for September 2020 (Defra 2015 = 100)			
		Output Prices		Input Prices	
Base interest rate	0.1% (0.75% Mar '20)	Wheat	155.5	Seeds (all)	112.6
		Barley	158.6	Energy	1301
ECB interest rate	0.00% (0.00% Sep '18)	Oats	133.1	Fertiliser	140.8
UK (CPI) inflation rate	4.2% Oct 21 (target 2%)	Potatoes	138.2	Agro-chemicals (all)	147.6
		Cattle and Calves	123.5	Feedstuffs	133.1
UK GDP growth rate	1.3% (Q3 '21)	Pigs	117.0	Machinery R&M	107.6
		Sheep and Lambs	133.2	Building R&M	137.9
FTSE 100	7,039.02 (30 Nov 21)	Milk	129.5	Veterinary services	116.2

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