SRDP FARM ADVISORY SERVICE

February 2017

News in brief

Brexit gathers pace?

Theresa May's recent announcement that the UK will not be seeking to retain access to the single market nor the customs union at last provides some clarity on the UK's likely direction. Exactly how long this process will take and where we will eventually end up remains rather less clear.

Theresa May has insisted the UK can negotiate a free trade deal with the EU before we leave in what could be just over two years time. Few believe such a tight timescale is possible.

UK farm unions and leading food processors have highlighted the necessity of securing tariff free access to the EU market given that over 72% of UK agricultural trade occurs with the EU.

There is also growing concern on the Continent at the risk to food exports given the €24Bn food trade surplus the EU27 runs with the UK. This may represent an opportunity for UK and third country producers able to fill this potential gap. The UK's withdrawal from the EU will also lower the funding available for CAP spending.

Concerns on both sides of the English Channel (and Irish Sea) highlight how important it will be for both parties to secure a free trade deal. This also supports the case for a transition deal to allow more time for negotiations to avoid the risk of facing a tariffs 'cliff-edge' under WTO terms.

Donald Trump's recent meeting with Theresa May indicated a desire for a quick UK-US trade deal once we leave the EU. How desirable such a deal might be for UK farmers remains to be seen given the scale and competitiveness of the US agricultural colossus.

One way or another it is becoming clear that UK agriculture will have to find ways to survive and prosper in a less protected market environment. The clock is ticking and farm businesses are urged to start working on their own survival strategy e.g. cost reduction, technical improvement, business restructuring, new enterprises and markets…….

Next month…

- Sheep meat trade flows and tariffs
- Farm woodlands update

Contents

Draft Climate Change Plan published

The Scottish Government has recently published their third draft report on climate change policies and proposals for 2017-2032. A summary of the proposed policies relating to agriculture are included below, the full document is available at: http://www.gov.scot/isbn/9781786527431

For agriculture, it is the Scottish Government's ambition for Scotland to be among the lowest carbon and most efficient food producers in the world! So, what policy outcomes and actions have they proposed to assist with this?

Outcome 1 - Raise awareness of the benefits and practicalities of cost effective mitigation measures

- Further dissemination of information and advice on climate change mitigation measures
- Establish an agri-tech group to share, disseminate and encourage adoption of new research and technology
- Recruit and train Climate Change Young Farmer champions to explain, promote and encourage low carbon farming among their peers
- Ensure maximum uptake of carbon audits
- Develop a low carbon package for tenant farmers and encourage their uptake of measures
- Introduce a low carbon farming marketing scheme

Outcome 2 - Reduce emissions from nitrogen fertiliser

- Communicate and demonstrate the benefits of precision farming and nitrogen use efficiency
- Develop a science-based target by establishing the amount of nitrogen fertiliser Scottish soils need to produce an economically optimal crop
- From 2018 test the pH of all improved land every five to six years
- Consider making it a requirement that arable land includes a leguminous crop in the rotation
- Establish new breeding goals to develop plant varieties with improved nitrogen use efficiency

Outcome 3 - Work with QMS and other bodies to reduce emissions from red meat and dairy

- In 2017 publish emission intensity figures for beef, lamb and milk
- Encourage improved emissions intensity through genotyping, improved fertility, reduced mortality and improved farm management practices
- Establish targets for reduction in the intensity of emissions for beef, sheep and dairy sectors
- Consult and determine the nature of livestock health measures the sectors will adopt
- Investigate further the use of livestock feed additives to reduce methane

Outcome 4 - Reduce emissions from the use and storage of manure and slurry

- Determine the political feasibility of self-financing large-scale AD plants
- Engage with farmers to explore the potential for co-operatively owned and managed AD plants
- Investigate further the inclusion of livestock grazing in rotation on arable land, the potential for manure/slurry exchange and methods for minimising emission loss at storage

Outcome 5 - Improved carbon content of soil and agricultural land through carbon sequestration

- Explore how best to increase planting of trees and hedgerows to optimise carbon sequestration
- Consider offering a payment for carbon sequestration
- Work with stakeholders to identify areas for woodland and forestry creation

The draft Plan also sets out the Scottish Government's ambitions on forestry and peatland. Their aim by 2032 is for Scotland's woodland cover to have increased from around 18% to 21% of the Scottish land area and by 2030, a total of 250,000 hectares of degraded peatland will have been restored.

The draft Climate Change Plan will be laid in the Scottish Parliament for a period of 60 days, where it will be scrutinised and debated. Feedback and analysis by the Parliament will be incorporated into the final Climate Change Plan.

Hard BREXIT…

Months of speculation whether Theresa May would opt for a hard or soft Brexit were put to bed at the end of January when she announced she would be pursuing a 'Hard Brexit'. By taking Britain out of the single market and the European customs unions, she aims to reclaim control of immigration and end the authority of the European Court of Justice.

Mrs May would like a trade agreement with the EU to be wrapped up within two years, what this will look like and the implications it will have on the industry - we will just have to wait and see!

Although Parliament will need to authorise triggering of Article 50, this is still expected to happen by the end of March, so further details should start to emerge shortly.

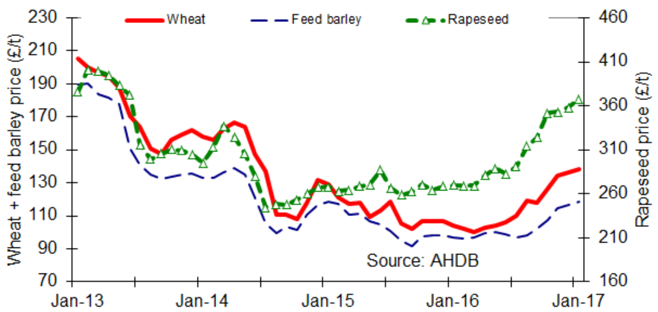
gillian.reid@sac.co.uk, 07803 222362

UK wheat most expensive in the world

UK wheat prices rose around £10/t in the last month and rapeseed prices are up £13/t. Around half of this rise is due to a further weakening of sterling against the euro on Theresa May's plans to leave the single market and just about everything else European! UK wheat prices have also benefitted from strong domestic demand including growing ethanol use from Ensus on Teeside. The result is that UK wheat is now the most expensive in the world, a sharp contrast to this time last year when it was amongst the cheapest. Expect a focus on domestic use, not exports for the rest of the season.

LIFFE wheat futures rose £10.65/t in the last month to £147.75/t for January 2017, new crop wheat futures rose £5.85/t to £138.15/t.

UK spot ex-farm grain and oilseed prices



World grain production, demand and stocks were little changed in the last month. Australian grain production estimates were revised higher on news of an excellent harvest with some crops yielding double average levels. Wheat output is expected up 8.2mt to 32.6mt since last year, barley up 2mt to 10.6mt and rapeseed up 1.2mt to 5.2mt.

Rapeseed prices continued to benefit from the small EU crop of 20mt; 4.2mt below estimated EU crush demand. The UK market is similarly deficit and a 60,000t Australian rapeseed vessel is due to arrive in Liverpool to help fill the shortfall.

- Domestic factors and a weak pound boost UK grain prices in a well supplied world grain market

First world wheat estimates for 2017

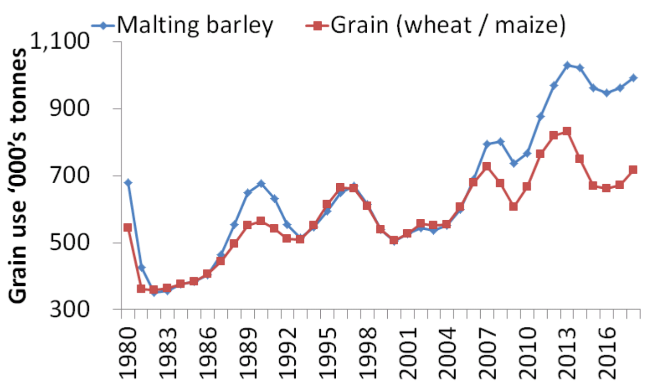
The International Grains Council released their first forecasts of world wheat production for 2017 harvest. Yield potential for winter wheat crops remains broadly favourable despite some areas of colder and drier weather in the US and eastern Europe. The IGC expect a small decline in wheat harvested area driven by low wheat prices and a switch in plantings to more profitable oilseed crops in several regions. The IGC expect yields dropping back closer to average leading to total production tentatively projected at 735mt, down 17mt (2%) on harvest 2016. With continued growth in world wheat demand likely to exceed output a small contraction in world wheat ending stocks is expected.

- Small drop in world wheat output in 2017 is unlikely to greatly boost world wheat prices
- A major crop problem would be required

Scotch whisky output to grow in 2017?

Between 2013 and 2016 it is estimated that Scotch whisky production declined by the equivalent of 250,000t of grain demand (malting barley, wheat & maize). This weaker demand contributed to lower malting premiums and prices. However in 2016, Scotch whisky exports started to show some growth with the weaker pound adding further momentum of late. This is expected to lead to higher whisky output in 2017 and 2018, potentially adding 100kt to grain demand by 2018. The release of better priced forward malting barley contract for harvest 2017 suggests the distillers are now keen to encourage increased spring barley sowings to help meet this rising demand.

Grain use in Scotch whisky production



Source: SAC Consulting, Scotch Whisky Industry Review

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

Indicative grain prices week ending 20 January 2017 (Source: SAC/AHDB/trade)
Ex-farm England spring max 1.85%N, '* Before oil bonus, ~ nominal

£ per tonne	Basis	Feb/Mar 2017	May 2017	Nov 2017	Nov 2018~
Wheat	Ex-farm Scotland	144.40	147.00	133.00	136.00
Feed barley	Ex-farm Scotland	119.80	122.00	113.00	116.00
Malting barley#	Ex-farm England	150.00	155.00	145.00	145.00
Oilseed rape*~	Delivered Scotland	362.00	-	332.00	322.00

Price under a bit of strain

Price has eased 2-4p in Scotland for week commencing 23 January, whereas, demand remains just ahead of supply south of the border and consequently holding price. This is eroding the Scotch premium but nobody is panicking yet.

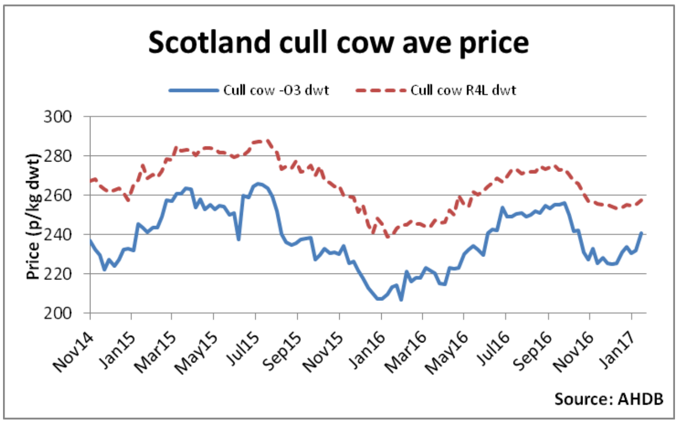
Greater demand for cheaper cuts, coupled with a few short waiting lists, devalues the whole carcase. However, finishers are also pushing cattle to finish more quickly, which may create a gap in supply later. Faster finishing times minimise exposure to rising grain and straw costs and clear the decks in time for calving. The market has also experienced two years of pronounced price seasonality. Selling quickly avoids the risk of hitting a spring slump.

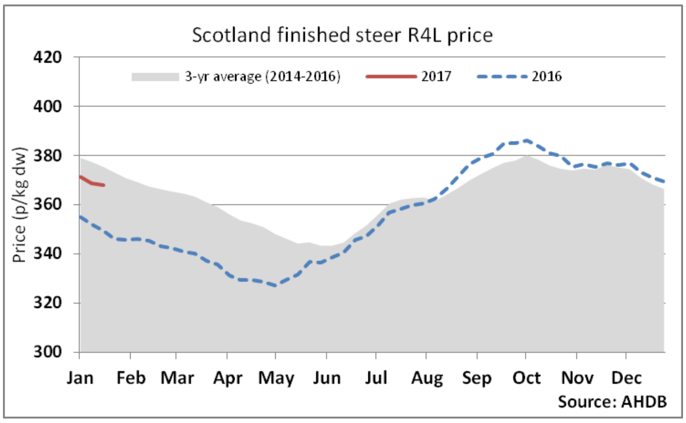
- Price of 362p/kg dwt at 380kg is £1,376/hd, up £60 on the same week last year
- The price fell £105/380kg dwt last year between the Christmas peak and spring market trough
- Watch for heavy and fat cattle as mild weather is helping put an edge on growth

Conversely, good festive demand has encouraged a keen store trade to refill cattle courts. The best trade remains for younger cattle that will finish into the rising market of over six months' time. Although some leading, prices still seem heady.

Strong cull cow trade

The cull cow market took its seasonal dip in the autumn but considering higher throughput, trade has been good and already seems to be recovering.





Dairy culls can gross between £700-800 and more beefy types at £850-1,000 per head. This is encouraging considering the continent is awash with (mainly dairy) cow beef just now. In 2016, German cow slaughtering's were up over 8% on the year. They rose by nearly 5% in Poland, 10% in Spain, and over 3.5% in France. The Phosphate Reduction Plan in the Netherlands could see an additional 170,000 cows permanently removed from the system this year.

Cows calved before cull

Despite higher cow culling's, GB calf registrations in 2016 were higher than 2015 - numbers in all age categories highlight greater overall cattle availability in 2017. The first instinct is to assume a tough year. However, it is never that simple and, all else being equal, it may be worth reflecting on 2016:

1. Higher exports - exports in 2016 increased in volume terms by over 10% on the year
2. Reduced imports - imports in 2016 reduced by 2% on the year
3. Lower carcase weights - a relatively small impact but the average GB steer carcase reduced by 3kg last year
4. Lower cull cow numbers - cull cow numbers were a massive 9% higher in 2016, but this should ease in 2017 as milk markets improve
5. The Scotch beef brand should experience a less direct impact since much of this increased volume is beef from the dairy herd, which is concentrated south of the border

robert.logan@sac.co.uk, 07909 840534

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

Week Ending	E&W			Scotland			E&W		Scotland
	South R4L Steers	North R4L Steers	North -U3L Y. Bull	R4L Steers	R4L Heifer	-U3L Y. Bull	South -U4L Steers	North -U4L Steers	All -U4L Steers
31-Dec	360.8	365.6	365.0	370.2	367.2	361.1	368.6	360.9	369.0
7-Jan	360.5	370.4	352.4	371.3	373.0	360.7	369.4	363.4	369.4
14-Jan	362.3	368.8	351.0	368.5	369.9	362.5	366.1	362.0	369.7

Market summary

- For the week ending 13 January the AHDB's Weekly Average GB price for all ware potatoes was £202.84/t up by £3.12 (1.5%) over the previous week. The Weekly Average Free-buy price which excludes all forward contract material was £241.10/t down £2.44 over the week. Markets have returned to normal following the holiday period with movement now similar to pre-Christmas levels

Storage update

Wide swings in temperatures across the country are keeping store managers busy. Stocks in store are reported to be keeping well. There is the odd report of breakdown in Markies being reported as a result of blackleg, but generally the recent cooler ambient temperatures have helped maintain quality in stored material.

Although some planting has taken place in Cornwall and Pembroke, in Ayrshire conditions are currently too wet to make a start.

Prices at highest level since 2012

The Scottish packing trade is reported to be quiet in keeping with a post holiday January with prices unchanged and firm.

Maris Peer salads are trading within the £360-£370/t range. Grade 1 Maris Piper is making £210-£240 with value pack material down at the lower end of the scale. Grade 1 whites are making £220-£240/t which includes some seed tops. General pack whites are £160-£200/t with value pack around the £120-£140/t. General pack and grade 1 reds including Desiree are trading within the £200-£210/t price range.

In the bag market demand for chipping material is reported to be quiet with poor weather and the holidays over. Interest is limited to the best samples with prices holding steady.

Many chipping samples are being sourced from England with firmer prices being paid for the best ware samples. Piper is generally around £200/t with Wilja within the £160-£180/t price range.

Ware exports

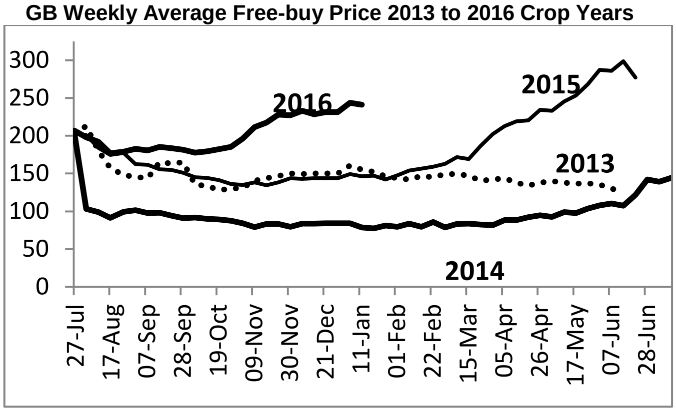
There is a light export trade currently taking place to a few select European markets. There is value pack Maris Piper and better quality Cabaret moving from Scotland to Ireland at £170-£210/t. Scottish Estima seed tops are moving to the Canaries at £220/t. Harmony and Hermes are moving to Scandinavia with the latter destined for Denmark as seed tops for processing at £115/t. Some Santana is being exported to the Faroe Islands in 5kg packs at £380-£390/t. All exporters are experiencing frustration with changing and less favourable exchange rates however.

GB Weekly Average Price 2016 and 2015 Crop (£/t)

Crop Year	13 Jan	6 Jan	23 Dec	16 Dec
All potatoes 2016	202.84	199.72	207.72	197.57
All potatoes 2015	153.91	154.69	146.53	146.53
Free-buy 2016	241.10	243.54	231.26	228.36
Free-buy 2015	146.29	149.29	143.66	143.66

Source: AHDB

GB Weekly Average Free-buy Price 2013 to 2016 Crop Years



Source: AHDB

Seed trade

There is availability but some very high prices (£500-£550/t plus) are being quoted for controlled varieties which have been held by growers and merchants hedging on further price increases in the pipeline. Salad varieties are almost impossible to obtain at any price. There are a number of quality issues around including Powdery Scab and clean samples of Estima are "unattainable". Maris Piper and Desiree seed is still available but King Edward seed is now becoming tight.

Stocks at four year low

The AHDB estimate that stocks at the end of November were 2.9mt, the lowest level at this stage in the season since 2012-13. This is in keeping with production being down 5% at 5.22mt also the lowest level in four years. The future impact on supply and prices remains to be seen.

Estimated GB stocks end of November (mt)

2016	2015	2014	2013	2012
2.9	3.2	3.5	3.3	2.7

Source: AHDB

iain.mcgregor@sruc.ac.uk, 01292 886190

Price of a slow spring

Supply has been running higher than normal since December but the absence of any festive demand means price is now struggling despite the exchange rate.

Reports from the trade suggest sheep markets are sticky, which reflects the downward price movement since the turn of the year. This was not helped by a strengthening of the pound from a low of 90p/€ in mid-October to 84p two months later.

- From an exporters viewpoint, the market has improved to 86p/€ as at 23 January
- A weakened pound influences lamb price but the supply:demand balance is even more important

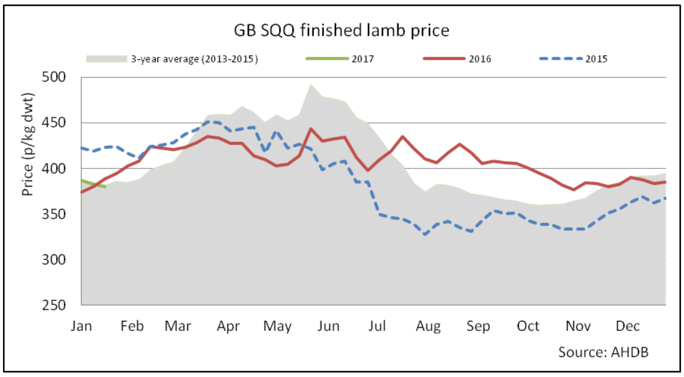
There are simply too many hoggets for the time of year – the ripple effect of another slow spring and slow lamb growth in 2016. This is combined with fewer retail promotions that would help consumption. This challenge is expected to remain for at least the next month.

The deadweight price was 365-370p/kg for week ending 21 January. That is at least 10p lower than the same point last year. A 19.5kg carcase will gross £71/hd or £2 lower on the year. While 2015 is not a great barometer that is only the second week price has fallen below year earlier levels since May.

There are also plenty of cull ewes available just now, which is suppressing price to within 2014 levels. The average is around £52/hd, which has slipped £5 in four weeks – numbers will tighten up post scanning.

Watch out for overly heavy lambs

Processors are stressing that hoggs must be in specification and clean. Firm pre-Christmas demand reduced the discount on all but the heaviest lambs. That helped short-keep store finishers who purchased lambs at relatively strong prices. The temptation is to eke out the last margin per head. It is worth noting, however, that an intention to push each lamb to its weight limit plus a kind winter (so far) will see some better than expected growth rates, which risks overly heavy hoggs being presented to market.



Food price inflation

Experts forecast greater market uncertainty but an equally pressing concern for lamb price is the rising cost of food. The effect of the exchange rate is not isolated to imported foodstuffs. The rising cost of a typical shopping basket is above salary inflation, and there is a feeling of reduced job security. This means more consumers are likely to grade down to cheaper cuts or proteins e.g. chicken and beef mince.

Another contributor to food price inflation is the reduced number of lamb price promotions on retail shelves. These risk perpetuating a trend of falling lamb consumption. It also proportionately increases the importance of the halal market and EU exports.

The lamb sector exports around 30% of UK production predominantly into the EU. Whether continental markets want to buy GB sheepmeat is unfortunately largely irrelevant. It is now a political game. The only footnote is the sheer significance of UK production to the EU. According to Eurostat figures, the UK produces around 40% of all EU sheep and goat meat by weight. The next largest producers are Spain 16%, France 11%, Germany 10% and Ireland 8%.

The GB levy boards continue to, explore new markets. Falling consumption in France, make this prudent, irrespective of EU trade negotiations. Fortunately, there are potential alternatives, including Saudi Arabia, Africa, USA and China.

- However, within what timescale, which cuts, how much, and at what price?

robert.logan@sac.co.uk, 07909 840534

Week ending	GB deadweight (p/kg) 16.5 – 21.5kg			Scottish auction (p/kg)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy	All	All
24-Dec	387.5	387.5	382.9	165.30	175.70	162.30	57.81	60.34
31-Dec	391.9	392.4	386.1	160.10	166.30	155.10	54.18	58.90
07-Jan	386.6	391.0	385.9	169.40	174.40	158.60	54.54	58.71
14-Jan	383.4	385.0	380.8	162.60	171.30	153.70	51.29	55.69

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

Milk reduction claims deadline

Dairy farmers who applied to the EU milk production reduction scheme have until 14th February 2017 to submit their claims relating to the first quarter of the scheme (1st October 2016 to 31st December 2016). Claims must be made by completing form MPRS2 and submitting it to the RPA along with evidence of the milk volume produced during the period. It is expected that payments from the scheme will be received by farmers at the beginning of April 2017.

February 2017 – price update

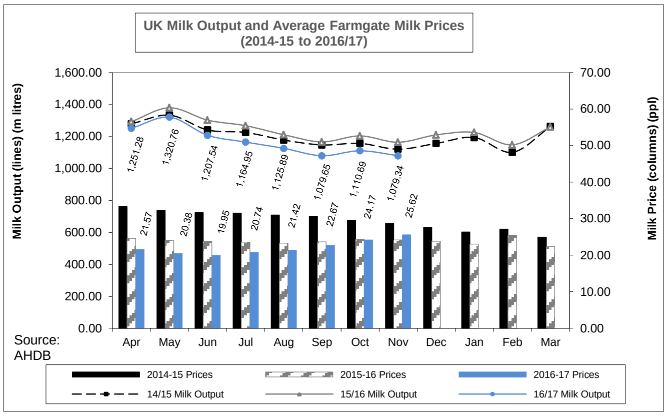
- Arla Foods amba – Member's on-account milk price is to increase by €1 cent per kg from 1st February 2017. In the UK, this equates to an increase of 0.76ppl which takes the standard litre price up to 27.07ppl.
- Müller – Non-aligned suppliers are to receive a price increase of 1.25ppl from 1st February 2017. The price increase takes the farmgate price level up to 26.69ppl. Müller's supplementary payment for December 2016 is confirmed at 1.163ppl.
- Müller/Co-op – Co-operative Dairy Group members will receive a price rise of 2.06ppl from 1st February 2017. This takes the standard litre price up from 25.53ppl to 27.59ppl.
- Yew Tree Dairy – Liquid suppliers will receive a price increase of 1.50ppl from 1st February 2017. This takes the standard litre price up from 26.00ppl to 27.50ppl.
- Tesco – Tesco Sustainable Dairy Group members will receive an increase of 0.14ppl from 1st February 2017. Müller suppliers will see prices rise from 28.61ppl to 28.75ppl, whilst Arla suppliers will move from 28.36ppl to 28.50ppl.

Annual Average milk price estimates for February 2017 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	27.50
First Milk Balancing- A price (90% of production). [1,2]	25.24
First Milk Manufacturing (Lake District)- 4.0% Butterfat & 3.3% Protein-A price (90% of production). [1, 2]	26.21
Müller Wiseman- M&I - Müller Milk Group [1, 3]	26.69
[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] *January 2017 prices stated. February 2017 prices awaiting release.*	
[3] *No monthly supplementary payment included in the price estimate.*	

Further drop to UK output in Nov '16

The latest UK milk production figures show that milk output for November 2016 is estimated at 1,079m litres (before butterfat adjustment). This is 84.67m litres lower than November 2015. UK cumulative production until the end of November 2016 is estimated at 9,340m litres, 646m litres lower than the cumulative total at the same time last year.

The average price level across the UK increased to 25.62ppl during November 2016 (an increase of 1.45ppl from the previous month).



Commodity prices levelling out

Fonterra's latest online GDT auction (17th January 2017) produced little change with the weighted average price across all products reaching US $3,517/tonne – an increase of only US $54/t or 0.60% from the previous auction on 3rd January. Since December 2016 there has been a noticeable levelling of GDT prices which has filtered through to UK commodity prices shown in the table below.

UK dairy commodity prices (£/ tonne)	Dec 2016	Nov 2016	Jul 2016
Butter	3,700	3,800	2,850
SMP	1,850	1,850	1,500
Bulk Cream	1,800	1,990	1,370
UK milk price equivalents (ppl)	**Dec 2016**	**Nov 2016**	**Jul 2016**
AMPE (2014)	30.97	31.46	23.35
MCVE (2014)	33.54	33.68	23.55

Source: DairyCo

Supply tightens among exporters

World milk supplies normally increase during October due to annual production trends within the EU, New Zealand, Australia, US and Argentina (the world's five major exporters). Recent analysis from AHDB Dairy has shown that when exports from these five regions are combined, the October 2016 peak was the lowest for three years. In NZ, the 2016 peak was the lowest for four years, whilst the Australian peak was the lowest for 9 years.

Scottish dairy farm numbers reduce

According to reports from the Scottish Dairy Cattle Association (SDCA), the number of dairy farms in Scotland fell to 957 during 2016 – a drop of 17 farms during the 2016 calendar year.

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

Sector Focus: Scottish Vegetable Sector

The Scottish vegetable sector

- The Scottish vegetable sector generally accounts for 4% of total farm output and 12% of total cropping output.
- Over the past ten years the value output of vegetables for human consumption has increased by £48m (72%) to £116 million in 2015.
- Field grown vegetables are Scotland's third most economically important crop largely based on carrots, swedes, peas and calabrese
- 2014 to 2016 has provided three good growing seasons with the latter characterised by a cold wet spring, and a warm, dry late summer/early autumn.

Vegetables v other cropping enterprises 2015

	Potatoes	Barley	Vegetables	Wheat
Area ('000ha)	25.8	307.7	16.7	109.6
Production ('000t)	1031.1	1926.9	355.1	902.3
Output (£m)	167.0	198.1	115.4	119.3

Source: RESAS

Key crops

- The total vegetable area grown in Scotland in 2016 is up by 9% - the fifth consecutive year to record an area increase.
- All of the four major crops are showing area increases. Peas 9%, calabrese 22%, carrots 13% and swedes 1%.

The area of vegetables grown for human consumption in Scotland in 2016 increased by 9%, following a 2.5% increase in 2015. The total area is up by 1,496 hectares from 16,672 ha in 2015 to 18,678 ha in 2016. Compared to ten years previous, the area of vegetables grown has seen significant growth up by 61% compared with 2006.

Of the other vegetable crops grown, broad beans at 1,789 ha and Brussels Sprouts at 936 ha are the largest enterprises. In 2016 the area of broad beans increased by 22% while the area of sprouts increased by 20%. Other significant area changes include cauliflower up 41% to 309ha, cabbage down 8% to 188ha and lettuce down 18% to 71ha.

Area of vegetables for human consumption (ha)

	2016	2015	2014	Change
Peas	7540	7029	6922	7.3
Swedes	1491	1479	1516	0.8
Carrots	3252	2877	3100	13.0
Calabrese	1575	1513	1304	4.1
Other	4310	3774	3420	14.2
TOTAL	**18168**	**16672**	**16262**	**9.0**

Source: RESAS Change - % change 2015 to 2016

An industry worth £116 million

- The total value output of vegetables in Scotland has fluctuated over the last five years reaching an all-time high of £131m in 2013 to £116m (prov.) in 2015
- In value terms, root crops carrots and swedes combined account for £40m, representing 34% of the total value output

Carrots and swedes contribute 25% and 9% respectively to total value output. In 2015 the value output from carrots increased by 8.6% from £26.6 to £28.9 million. The value output of swedes increased marginally by £0.7 million (7%) from £10.2 million in 2014 to £10.9 million in 2015.

Since the poor year of 2012, peas have enjoyed four good growing seasons as illustrated in the volume and value figures below. In 2015 average yields were on a par with those of 2014 at 4.4t/ha.

Value output 2013 to 2015 (£ million)

	2015	2014	2013	Change
Carrots	28.9	26.6	31.3	8.6
Swedes	10.9	10.2	20.3	6.9
Peas	12.2	11.6	11.1	5.2
Other	63.4	66.0	68.6	-3.9
TOTAL	**115.4**	**114.4**	**131.3**	**0.9**

Source: RESAS Change - % change 2014 to 2015

Volume output 2013 to 2015 ('000 tonnes)

	2015	2014	2013	Change
Carrots	186.0	199.8	184.1	-6.9
Swedes	54.5	55.7	60.9	-2.2
Peas	30.8	30.2	28.9	2.0
Other	83.8	85.2	86.5	-1.6
TOTAL	**355.1**	**370.9**	**360.4**	**-4.2**

Source: RESAS Change - % change 2013 to 2014

Future prospects & Brexit

A 9% increase in the total vegetable area grown in 2016 suggests a degree of optimism within the sector, supported by area increases across all of the key crops – peas, carrots, swedes and calabrese. In addition, less significant crops such as cauliflower, Brussels Sprouts and broad beans are all showing area increases of 41%, 21% and 22% respectively. Carrots remain Scotland's most valuable vegetable crop in terms of output contributing £29m (25%) to total vegetable output. The impact of Brexit and access to labour for the sector is undoubtedly a key concern. UK horticulture requires 85,000 seasonal workers annually with this figure expected to rise to 90,000 by 2020. This is clearly an issue for politicians, the SNFU/NFU and industry to resolve urgently.

iain.mcgregor@sruc.ac.uk 01292 886190

Management Matters: Spring crop margins

Spring cropping for 2017

Sowing conditions in autumn 2016 were favourable with warm, dry conditions prevailing late into December helping most farmers get their winter crops in as planned. The area of spring cropping in 2017 is expected similar in Scotland but higher in England due to CAP and blackgrass control.

Input costs

Fertiliser prices have mainly risen since a year ago; UK ammonium nitrate £242/t is £12/t (+5%) higher; phosphate £272/t is £22/t lower (-8%) and potash at £240/t is £12/t (+5%) higher. Seed availability of spring malting barley varieties is tight due to lower yields at harvest and increased demand particularly for brewing and distilling varieties. Farmers are advised to order as soon as possible to avoid disappointment.

Grain prices and margins for 2017

Spot grain prices have risen in the last year with feed wheat in Scotland at around £142/t in the Central belt around £38/t up on January 2016.

Grain prices for harvest 2017 are however £10-£15/t lower than spot values. Feed wheat is around £130/t ex-farm Central Scotland for September 2017. Spring malting barley prices have risen strongly with forward prices for harvest 2017 at between £150-£155/t. Rapeseed prices are up around £80/t at £320/t plus oil bonuses for harvest. Higher grain prices have boosted crop output estimates. This is expected to be partially offset by higher fuel, fertiliser, spray and seed costs. Overall however *potential* gross margins for 2017 are currently higher for several spring crops (malting barley, milling wheat, oilseed rape) and similar or slightly lower for others compared to 2016 levels. Actual gross margins will be determined by the weather and market factors.

CAP greening and market factors

Ecological Focus Areas – no changes this season. When growing pulses on EFA land two types must be grown with neither exceeding 75% of the total area. A field margin must also be established around EFA pulse crops.

CAP greening - no change to the requirement for farmers to grow either two or three crops. In 2016 crop diversification contributed to a 16kha fall in spring barley area to 239kha in Scotland, a 10 year low. In autumn 2016 AHDB early bird surveys suggest a 114kha rise in GB (mainly England) spring barley area to 799kha due to CAP greening and blackgrass control benefits.

2016 saw the smallest Scottish spring barley crop for 14 years and malting premiums rose to £28/t over feed at harvest, double 2015 levels. The good autumn sowings in 2016 raised concerns over how much area would be left for spring sowings. To help encourage spring barley sowings and reduce the risk of another tight supply situation maltsters and distillers have announced higher forward prices for harvest 2017. Malting premiums of £20/t over wheat futures or £40/t over feed are on offer for a share (typically 50%) of contracted tonnage with the rest priced at harvest.

- Better malting barley prices on offer help boost potential malting barley margins this season.

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

Estimated Spring Cropping Gross Margins - SAC Consulting *£ per ha*

	S. Barley - malting	S. Barley - feed	S. Oats - milling	S. Wheat - milling	S. Rape	S.Linseed	S.Beans
Grain price **(£/t)**	150	110	127	142	334	365	160
Yield **(t/ha)**	6.0	7.0	6.0	6.5	2.5	2.0	5.0
Straw	129	129	120	143	0	0	0
Output	**1029**	**899**	**882**	**1066**	**836**	**730**	**800**
Seed	76	76	80	90	60	109	109
Fertiliser	155	173	154	160	119	40	40
Sprays	69	69	65	42	43	65	135
Drying	0	25	22	35	7	27	27
Variable costs	**300**	**343**	**320**	**327**	**229**	**240**	**310**
Gross Margin 2017	**729**	**556**	**562**	**739**	**607**	**490**	**490**
Gross Margin 2016	*558*	*589*	*580*	*686*	*436*	*-*	*465*

Input Costs: Fertilisers

Commodity	Price for bag delivery (£/t)	Commodity	Price for bag delivery (£/t)
UK AN 34.5%	238	5:24:24	257
Urea 46%N	250	13:13:20	242
0:46:0 (TSP)	273	16:16:16	261
0:0:60 (potash)	238	20:5:15	233
0:24:24	244	20:8:12	239
0:18:36	253	20:10:10	245
0:20:30	245	25:0:14	225
0:30:15	245	25:5:5	237

Note: Prices are spot deals for payment within 28 days after month of delivery to farm for orders of 20 tonne plus full loads; the above prices are a guide only and may vary from region to region.

Ammonium nitrate (AN) and urea

At the start of last year prices of UK AN and urea were on the downturn and continued to decrease until June. Since then prices have crept up and are predicted to continue to increase, driven by current exchange and freight rates, as well as global supply and demand factors.

Compared to a year ago, prices of UK AN have risen by 4% to around £240/t and the price of Urea has increased by 9% to around £250/t.

Phosphate and potash

Throughout last year phosphate and potash prices followed a similar trend to N fertilisers, decreasing through until June before being pushed up by the post Brexit Sterling exchange rate fall.

Over the past couple of month's phosphate and potash prices have remained stable but are predicted to increase as we progress towards the spring.

- N fertiliser prices are higher than the same time last year, putting pressure on costs.
- Applying N, P and K according to the soil nutrient status and crop requirements, as well as ensuring optimum use of available organic manure is essential, to help keep production costs down.

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

Key economic data

General Indicators		Price indices for November 2016 (Defra 2010 = 100)			
		Output Prices		Input Prices	
Base interest rate	0.25% (0.50% Mar '09)	Wheat	106.4	Seeds (all)	100.4
ECB interest rate	0.00% (0.05% Mar '16)	Barley	112.7	Energy	109.8
		Oats	118.1	Fertiliser	84.4
UK (CPI) inflation rate	1.6% (target 2%)	Potatoes (Main Crop)	142.1	Agro-chemicals (all)	97.3
		Cattle and Calves	123.1	Feedstuffs	106.4
UK GDP growth rate	0.6% (Q3 '16)	Pigs	105.4	Machinery R&M	113.1
		Sheep and Lambs	97.9	Building R&M	110.3
FTSE 100	7,130 (30 Jan '17)	Milk	101.2	Veterinary services	108.5

© SAC Consulting 2017. SAC Consulting is a division of Scotland's Rural College (SRUC)
Funded by the Scottish Government as part of the Farm Advisory Service.
ISSN 1749 5741 (print) ISSN 1749 575X (online)

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

SAC CONSULTING

Scottish Government
Riaghaltas na h-Alba
gov.scot