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News in brief

February 2020

UK exits EU after 47 years

The UK formally left the EU on 31st January and is now in the withdrawal period until the end of 2020. Not much will change for most farm businesses during this period. The UK will remain within the EU customs union and Single Market and be subject to all EU regulations. However, in less than a year the UK could be in a much more distant trading relationship with the EU or even potentially in a no-deal WTO situation.

The UK government has already indicated it will open the UK up to food imports from around the world with reduced or nil import protection. Whatever agreement is finally reached with the EU, UK farmers should be expecting greater competition. They also face after a transition phase to 2024, potentially unprecedented changes in support in England and potentially in Scotland depending on the nature of the devolved settlement on agricultural support that is reached.

The unprecedented level of uncertainty facing agriculture, the food sector and the wider economy also creates opportunities for farmers and producer groups. To offer long terms supplies, to assured standard and on long term and stable pricing to processors and retailers. So while it is important for farm business to keep an eye on trade and support changes in the year ahead; they should be putting more of their energy into strengthening and deepening supply arrangements with willing supply chains.

Woodlands and timber markets

Given the uncertainties facing agriculture, landowners are considering alternative land uses; one of which is forestry. Timber prices have been supported by biomass and other demand growth, though recently prices have dipped. New woodland plantings rose sharply in 2019. Land values for forestry and for new planting are buoyant supported by timber, investor and carbon sequestration markets. For more details see Sector Focus on page 8.

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- Labour Planning

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Julian Bell

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

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Simplifying CAP

A Simplification Taskforce was set up to consider responses submitted to the Stability and Simplicity consultation from June 2018, build on the views of internal and external stakeholders and make recommendations. Their recommendations were recently published and are available at: https://www.gov.scot/publications/report-simplification-taskforce/.

Headline recommendations are included below:

Improved mapping

Introduce a new Land Parcel Identification System (LPIS) tool that will allow interaction with various layers of data providing the ability to amend mapping data online.

Mapping stability during SAF window

There should be a deadline for the submission of land mapping changes which should then be actioned by the Scottish Government prior to the opening of the SAF application window.

Penalties

Explore an extension of the provision of guidance and warning letters where errors are discovered for the first time at inspection, rather than imposing financial penalties immediately on discovery. The proportionality of penalties should also be reviewed.

Inspections charter

Explore the provision of a system that provides tools to self-assess whether farmers and crofters comply with regulatory and scheme requirements, thereby helping to mitigate errors and potential penalties identified during formal inspections.

Standardise capital grant rates

Grant rates and specifications for standard cost items across all currently available schemes should be reviewed and, where possible, amended to ensure consistency.

Improve EU appeals processing performance

Improve the performance of appeals processing and increase learning from EU appeal cases to improve transparency and ensure better outcomes. Work has already commenced on this with refresh training and the instigation of improved monitoring of appeal results.

Improve understanding

Improvements should be made to communications to raise understanding of requirements, both scheme specific and regulatory.

Forestry grants

The Taskforce, along with Scottish Forestry have also undertaken a more detailed analysis of forestry grants. Details of this work will be published shortly. Some of the recommendations include provision of application support for small schemes, improve FGS payment performance and wider promotion.

The Scottish Government have already started to implement, or will implement actions around improving mapping, improving EU appeals and improving understanding. Further analysis will be done on the other recommendations to establish if they will be implemented.

The Taskforce's recommendations will also feed into the Farming and Food Production Future Policy Group[1] and the 2021-2024 Group[2] to ensure they are taken into consideration in future policy development.

2019 CAP payments timetable

Pillar 1 payments will start this month and Pillar 2 payments are expected to commence in April, see table below.

Scheme	Payments commence	95.24% of total payments made by
Basic Payment Scheme (BPS), Greening, Young Farmer	February 2020	June 2020
Scottish Suckler Beef Support Scheme (SSBSS)	April 2020	June 2020
Scottish Upland Sheep Support Scheme (SUSSS)	May 2020	June 2020
Less Favoured Areas Support Scheme (LFASS)	April 2020	June 2020
Rural priorities	April 2020	June 2020
Agri-Environment Climate Scheme (AECS)	April 2020	June 2020
Forestry Grant Scheme (FGS)	April 2020	June 2020
Beef Efficiency Scheme (BES)	June 2020	June 2020

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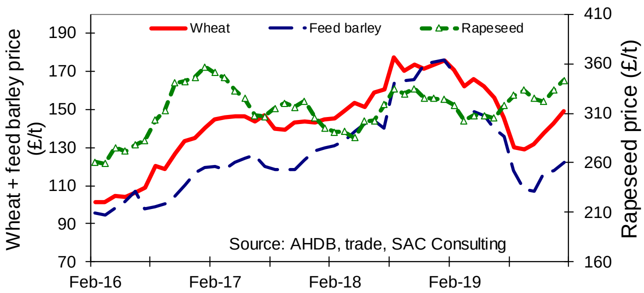
[1] https://www.gov.scot/groups/farming-and-food-production-group/
[2] https://www.gov.scot/groups/future-agricultural-funding-policy-delivery-group/

UK prices move to import parity

UK old crop wheat prices have risen £5/t in the last month and are at a premium to French wheat prices in the new crop position. The UK is expecting a greatly reduced wheat crop in 2020 (12.5mt to 13mt vs 16.3mt in 2019) so there may be little pressure to export. However, the UK still has a large wheat surplus in 2019/20 and is currently making little headway in shipping it due to uncompetitive pricing. The UK cannot afford to carry over too much wheat into next harvest, so export competitiveness needs to be regained for at least part of the remaining season. After some recent rallies, world wheat markets have softened on weak exports and good winter sowings in Russia.

Scottish cereal and oilseed prices



UK cereal crop sowings for 2020

AHDB have released further details of their agronomist's sowings survey for 2020 harvest including a regional/Scotland breakdown. For Scotland, lower winter crop sowings are not expected to result in a significant increase in spring barley sowings. The survey encompasses over 600,000ha of responses and is a good reflection of knowledge at the time. However, given the unprecedented rainfall the final results remain as uncertain. Therefore AHDB are undertaking follow up surveys of what has been sown, future intentions and crop conditions, with results due later in the spring. Given the poor prospects for feed barley markets; English growers are weighing their choices; more fallow, maize for AD and dairy herds and other spring cropping choices may be viable alternatives to more spring barley.

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
UK	*Area ('000's ha)*						
2019	1,816	453	710	1,163	182	3,213	530
2020	1,631	395	929	1,324	201	3,216	414
Chng.	*-185*	*-58*	*219*	*161*	*19*	*3*	*-116*
Chng.	*-10%*	*-13%*	*31%*	*14%*	*10%*	*0%*	*-22%*
Scot.	*Area ('000's ha)*						
2019	107	49	242	291	32	482	32
2020	98	45	244	289	29	476	29
Chng.	*-9*	*-4*	*2*	*-2*	*-3*	*-6*	*-3*
Chng.	*-8%*	*-8%*	*1%*	*-1%*	*-9%*	*-1%*	*-9%*

Source: AHDB

New crop malting barley pricing

The outlook for malting barley prices has to be split into two parts; that for brewing barley which is being driven by the likely large increase in sowings in England, France and Denmark and that for distilling barley which is riding almost exclusively on the prospects for the Scottish spring barley crop. In England, much of the spare land available for spring barley is heavy land incapable of delivering low nitrogen malting barley. While more distilling varieties are being grown outside of Scotland (Laureate), will they be low nitrogen? Given that spring barley sowings in Scotland maybe stable this spring; the pressure remains on for the distillers to ensure enough distilling barley is grown in Scotland. While new varieties such as Laureate may support yield potential the harvest remains subject to sown area and weather conditions.

Distillers are continuing to offer forward contracts for distilling barley under a range of terms. Typically growers are being offered 50% on a forward price and 50% at the spot price at harvest. For forward pricing premiums of £20/t over November 2020 LIFFE wheat futures are typical. This prices new crop distilling barley around £183/t ex-farm on half the tonnage. This represents a healthy £50/t premium over feed and £40/t over English brewing barley.

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Indicative grain prices week ending 24 January 2020 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Jan 2020	Mar 2020	May 2020	Hvst 2020	Nov 2020	May 2020	Nov 2021
Wheat	Ex-farm Scotland	151.80	154.00	156.00	160.00	163.00	170.00	152.00
Feed barley	Ex-farm Scotland	123.00	125.00	127.00	130.00	133.00		
Malt. barley- distil	Ex-farm Scotland				183.00			
Malt. barley- brew	Ex-farm England#		135.00	137.00	140.00	145.00		
Oilseed rape*~	Delivered Scotland		324.00			326.00	328.00	312.00

A quiet start to the New Year

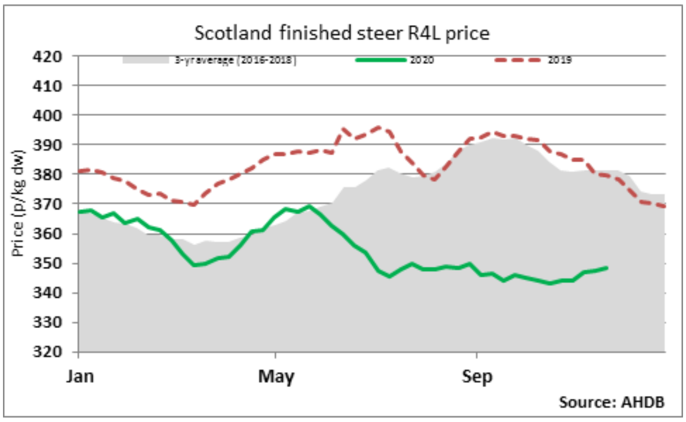
The new year has brought a calmness to the beef trade with prices remaining steady for the first few weeks of January, with some processors willing to pay more as prices of up to 350p/kg are available, movement of cattle has been quick with no waiting times reported. These two situations all point towards a reasonable Christmas trade period for the processors and retailers, where chills have been emptied, and are required to be restocked in the first few weeks of January.

Cattle are performing well in the sheds and there seems to be a plentiful supply of cattle coming forward for the numbers the processors are looking for, as once they have restocked post-Christmas they may reduce kills to match the subdued demand that occurs at this time of year. Domestic demand is not looking particularly strong at the moment whilst exports are reasonable, they are focussed more on the cheaper cuts.

With increased numbers available and possible reduced kills there is a risk of waiting lists appearing at some of the processors, bear this in mind if cattle are performing well to avoid any weight penalties. For the same reasons prices may face downward pressure in the coming weeks as is commonplace at this time of year.

Cull cow trade is reasonable, with prices increasing as numbers are in shorter supply than what is needed as processors are keen to get more manufacturing beef back into the system, combined with a strong number of cull cows killed in the autumn.

Store cattle sales in the new year have had good numbers and trade is stronger for them than was in the autumn, possibly due to finishers having space in sheds with the quick movement of fat cattle that has occurred in the last few weeks. A better show of store cattle also encourages buyers to stock up whilst those cattle are still available.



With Brexit occurring by the time you read this we have to be aware of changes and challenges ahead but there will always be opportunities too. As we will be in a transition period until December 2020 we should see no immediate change in trading patterns.

A bigger challenge in the post brexit era is the potential reduction and change in subsidies available. Now is the time for producers to look at their systems and see where there are opportunities to increase output and reduce costs. With that in mind and spring bull sales fast approaching, the calves produced from these bulls are destined for a post brexit market. I'm aware it's very difficult to predict what that market will look like exactly, but it's worth looking for a bull that suits your system, whilst minimising costly inputs. So a bull with a suitable calving ease for your cows, that will produce growthy calves, and will also lay down fat to allow for quick easy finishing in the desired weight spec, would be ideal. The main way to achieve this would be by selecting cattle with good feed conversion rates, but for most breeds this is still a work in progress!

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
11-Jan-20	**350.6**	0.2	9.1	**349.6**	0.6	15.5	338.4	9.8	253.0	235.4
18-Jan-20	**350.6**	0.0	6.1	**349.3**	-0.3	11.5	325.9	-5.4	257.0	238.2
25-Jan-20	**353.3**	2.7	9.6	**355.0**	5.7	14.1	338.3	12.6	261.7	240.7

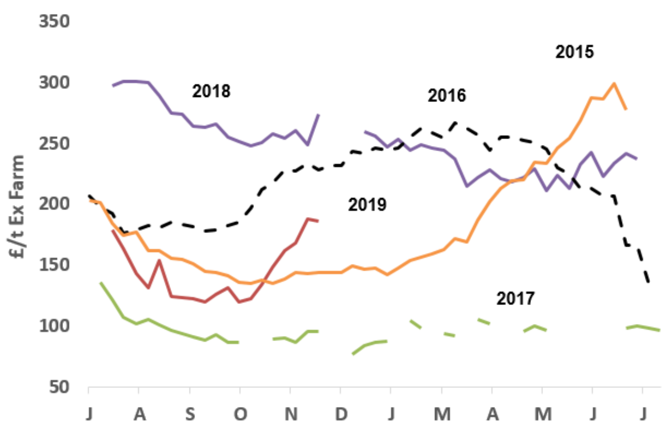
The finished cattle base price quoted by a buyer may be significantly different from the national average deadweight price presented above as these are averages of both commercial and premium cattle, reflect variation between processors and any bonus payment differences.

Market price update

- *The GB Weekly Average Prices for the week ending 11th January was £181.15/t for free-buy and contract purchases, and £200.23/t for free-buy purchases.*
- *Compared to the previous reported figures on 14th December, contract and free-buy purchases were up by £4.34/t and free-buy purchases were up by £14.23/t.*

Crop Year 2018/19	11 Jan	14 Dec	7 Dec
Average Price (£/t)	181.51	176.81	175.11
AVP change on week (£/t)	+4.34	+1.70	+0.64
Free-Buy Price (£/t)	200.23	186.00	187.63
FBP change on week(£/t)	+14.23	-1.63	+19.86

GB Weekly Average Free-Buy Price (2015-2019 crop years)



Trading Season July - July Source: AHDB

Market overview

Prices have remained strong over the Christmas period and into the New Year. There was a £19.86/t uplift in the free-buy price w/e 7th December but it remains unclear whether this was due to processors/packers paying more for higher quality material in the run up to Christmas, or to meet short-term unforeseen demand. A slight uplift in free-buy price like this is not uncommon during December due to the high volume of good quality material required to meet orders. There have been some reports of quality issues in recently harvested stocks in store. Potatoes lifted in adverse weather conditions are now starting to breakdown in store and having to be moved quickly to avoid further breakdown and loss of volume in processing/packing forecasts.

In Scotland, Grade 1 Maris Piper is trading around £180/t ex farm with a high of £200/t ex farm reported. Grade 1 Whites are trading around £180/t ex farm with a high of £205/t ex farm reported. There is still strong demand for whites stocks with a high baker content. Bakers graded 65mm+ are trading around £210/t ex farm with a high of £240/t ex farm reported.

In England, Grade 1 Maris Piper is trading around £240/t ex farm, with a high of £310/t ex farm reported for particularly good material. Grade 1 Whites are trading around £240/t ex farm with a high of £300/t ex farm. King Edwards are trading around £205/t ex farm with a high of £260/t ex farm this week. Reds are trading around £245/t ex farm with a high of £300/t ex farm reported.

Reports indicate that the bagging trade has remained quiet in recent weeks for free-buy movement as the majority of trade was contracted supply. Chip shops have seen seasonal declines in consumer demand. Despite this, prices continue to be high for top quality material with limited availability for some varieties and fry quality issues in some samples. In the East of England, Agria is trading around £275/t ex farm with a high of £300/t ex farm. Chipping Piper is trading around £200/t ex farm with a high of £240/t ex farm. Markies is trading around £230/t ex farm with a high of £260/t ex farm and a low of £170/t ex farm for stocks with poorer fry quality. In the West, Markies is trading around £180/t ex farm with a high of £200/t ex farm. Piper, Ramos, Rock, and Sagitta are all trading around £160/t ex farm with a high of £190/t ex farm reported. In the South of England, Cabaret, Caesar, Lady Anna, Markies, and Miranda are all trading around £175/t ex farm with a high of £220/t ex farm. Peeling Piper is trading around £130/t ex farm with a high of £170/t ex farm. Peeling whites are trading around £130/t ex farm with a high of £160/t ex farm.

GB production third lowest on record

Updated estimates released by AHDB indicate that total GB production for the 2019 crop is 5.10Mt. This is 182Kt increase from last season, but 7% below the five year average (2014-2018, 5.49Mt). This means that 2019 production is the third lowest on record and is based on an unharvested area of 6%. The 2019 estimated average net yield stands at 45.6t/ha, up 3.9t/ha from last season and 2% below average (2014-2018, 46.6t/ha). Going forward, it is predicted that quality will become of greater importance to packers and processors which may have an effect on free-buy prices. There have been reports of quality issues in stores for material harvested in wet conditions, increasing defect levels, and reducing useable crop.

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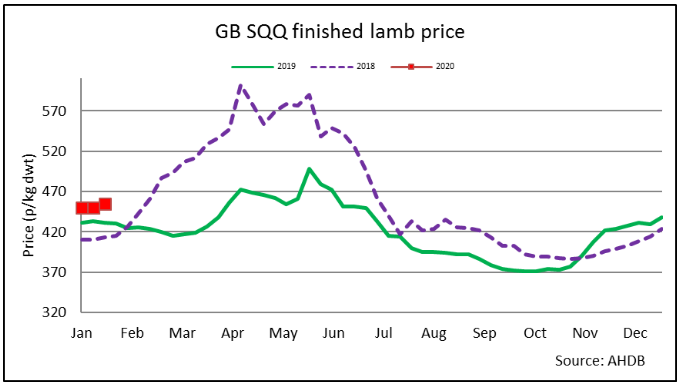
The roaring twenties

The 2020's have started with a bang for producers, or more specifically those with hoggs and culls to sell. As the price chart shows, the SQQ deadweight price is now over 450p/kg dwt, which is well above the same time in both 2019 and 2018, and 47p above the five-year average according to AHDB. The cull ewe trade is also strong at just under an average of £80/hd.



Striking the right market balance

The price chart shows the stark contrast between how the farm-gate hogget price played out in the past two years. Very hot in 2018 and very cool last year – both patterns harm the long-term prospects of the industry. Farmers, processors, supermarkets, butchers and restaurants simply can't plan for such farm-gate volatility. Well, they can: opt for another animal/meat/protein.

A recent report in *The Grocer* magazine highlighted the difficulties facing the red meat industry. In the 12 weeks to 29 December 2019, the volume of lamb sold was down 4% despite a 5% rise in the sale of shoulder roasting joints. Though partly offset by a 2% lift in the retail lamb price, there was a marked reduction in the amount of the most popular lamb cuts (legs and chops) bought.

Beef and pig-meat were affected similarly as consumers switched to cheaper cuts, though other factors besides cost lowered red meat sales:

- Poor summer weather (less BBQ's)
- Low convenience of fresh meat in meal preparation
- Health concerns (cf. chicken and fish)
- Environmental impact (cf. plant based products)t is unclear as to how the farm-gate price of hoggs will play out over the rest of the season. Certainly the low number of hoggs available, anticipated lower level of New Zealand imports and unhindered access to the EU export market point to hogg prices tracking more like early 2018. Yet demand for lamb could be further cooled by simply lifting the retail price and processors reducing throughputs to make better use of scarce migrant labour.

BREXIT done?

Perhaps a better way of co-ordinating lamb production with consumer demand will be found once the long-term trading arrangements between the UK and EU are agreed. The UK government thinks that clarity will be available by the end of 2020. Don't bet on it.

The UK government will make much noise about the significance of 11pm, Friday 31st January 2020. Yet we will notice almost no impact in our trading situation when we wake up the following morning. A German retailer calling a Scottish lamb processor in early February to buy a shipment of sheep-meat for Easter will not have to take tariffs, quotas or regulatory differences into account. The paperwork will be minimal. In the jargon, trade will be "frictionless".

(continued at the foot of page 10)

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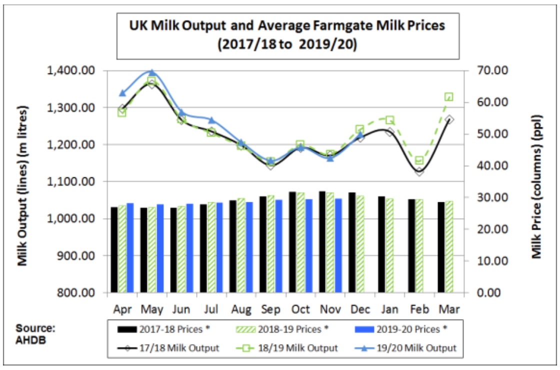
Week ending	GB deadweight 16.5-21.5kg			Scottish auction (p/kg LWT)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy		
4 Jan 20	456.8	451.5	448.0	206.5	205.3	199.9	79.0	80.2
11 Jan 20	455.4	452.4	449.8	205.0	207.0	199.7	79.2	79.6
18 Jan 20	460.3	456.6	453.5	207.8	210.9	202.8	77.6	79.8

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

UK milk output slows for a third month

- *UK monthly milk output reduced during December 2019; this being the third month running that UK output has reduced*

AHDB production data for December 2019 shows UK monthly milk output estimated at 1,228.54m litres (before butterfat adjustment). This is 12.63m litres below milk output for December 2018. This is the third month running that UK milk output has shown a year on year reduction. Cumulative UK production (April to end December 2019) is now estimated at 11,236.81m litres. This means that cumulative production for 2019/20 is 115.71m litres higher than cumulative milk output at the end of December 2018. The UK average milk price for November 2019 is estimated at 29.69ppl (up 0.30ppl from the October 2019 average, 29.39ppl). However, the average milk price for November 2019 is 1.90ppl lower than the average price received during November 2018.



Milk prices for February 2020

Price announcements for February 2020 include:

- First Milk – FM has confirmed a reduction of 0.50ppl from 1st February 2020 (see table below). This takes the price for the liquid standard litre down to 26.50ppl. The manufacturing standard litre reduces by 0.52ppl to 27.38ppl.
- Fresh Milk Company (Lactalis) – Lactalis has confirmed a hold on its milk price until 1st April 2020. This maintains its milk price at 26.50ppl for the liquid standard litre (see table below) and 27.61ppl for the manufacturing standard litre.
- Tesco – Members of the Tesco Sustainable Dairy Group (TSDG) will receive a reduction of 0.26ppl from 1st February 2020. This takes the liquid standard litre price to 30.93ppl for Arla suppliers and 31.18ppl for Müller suppliers during February – April 2020.
- Co-operative – Members of Co-operative Dairy Group (CDG) will receive a 0.01ppl price increase from 1st February 2020. This takes the liquid price for the standard litre to 29.39ppl.
- Müller – has confirmed a hold on conventional milk prices for February 2020. This means that the Müller Direct milk price is maintained at 26.25ppl (see table below).

Annual Average milk price estimates for February 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	26.50
First Milk Liquid [1, 2]	26.50
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	27.38
Müller - Müller Direct [1, 3]	26.25

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.*

Scotland's dairy cow numbers reduce

According to the Scottish Dairy Cattle Association (SDCA), the number of Scottish dairy herds and the number of dairy cows has reduced. The SDCA report a net reduction of 12 herds and a reduction of 1,048 cows in the year to 1st January 2020. This leaves 879 dairy herds comprising of 178,490 cows – with the average herd made up of 203 cows. Whilst the number of dairy herds in Scotland has been reducing for some time, the reduction to cow numbers is quite significant. This reflects a similar trend in UK cow numbers which have reduced from 1.897m in 2016 to 1.883m in 2018 according to AHDB statistics.

AHDB predict period of stability in 2020

UK cream prices reduced significantly during December 2019, reducing to an average of £1,320/t (7.36ppl), the lowest value for bulk cream since June 2016. Aside from the reduction to cream prices during December 2019, AHDB state that UK wholesale prices show no downward pressure on milk prices through to March 2020. UK production for 2020 is expected to be on a similar level as 2019. On a global level, milk production is expected to rise by just 1% (with most of the additional milk coming from the US and the EU). Global demand is forecast to rise by 2.1% for fresh product and 1.50% per annum for processed products according to FAO and OECD predictions. Given the modest growth compared against demand, global commodity prices are expected to remain firm during 2020.

UK dairy commodity prices (£/ tonne)	Dec 2019	Nov 2019	Jul 2019
Butter	3,070	3,180	3,150
SMP	2,190	2,130	1810
Bulk Cream	1,320	1,550	1,410
Mild Cheddar	2,830	2,830	2,830
UK milk price equivalents (ppl)	**Dec 2019**	**Nov 2019**	**Jul 2019**
AMPE (2014)	31.19	31.14	27.86
MCVE (2014)	30.16	30.20	30.03

Source: AHDB

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Woodlands and timber markets

This has been another strong year for the forest industry. However, sawlog prices have peaked and fallen slightly over the last few months. Spruce sawlogs are back by about £5/tonne. As always there are many reasons for this – exchange rates, Brexit uncertainties leading to lower sales by builders' merchants.

A major factor, possibly related to climate change, were the 2018 storms in Germany. This has been compounded by outbreaks of bark beetle, *Ips typographus*, in Poland, the Czech Republic, Slovakia, Austria and Sweden as well as Germany. The Federal Ministry of Food estimates 100 million m^3 of damaged wood, nearly double the normal annual cut of 54 million m^3. Sanitation fellings have led to an oversupply of timber throughout central Europe pushing down prices considerably. In 2018 UK imports from Germany increased by 18% to 500,000m^3.

The good news though is that the woodfuel market remains very buoyant and this is supporting the market considerably, especially for woods that are in the early thinning stage where 95% of the produce may be woodfuel. This has been a great boost for the owners of 'Challenge Fund' woods in north-east Scotland, where recent sales exceeded £20/tonne net return. The market for pallet wood remains suppressed; in many sales buyers do not even offer this category.

Softwood prices

The average price for standing conifer timber received by the 'Forestry Commission' was £30.87 per cubic metre overbark for the year to September 2019. This is almost identical to the previous year end value but masks a peak of £31.66 per cubic metre in the year-to-March figures. This covers all classes of timber, thinnings and fellings, from all over the UK and does not reflect the considerable local variations that can occur.

Coniferous Standing Sales price Index – GB

	Average Price per cubic metre overbark		Five yearly index
Year to	Nominal Terms £	Real Terms 2016 in £	Nominal Terms year to Sept 2016 = 100
Sep 2014	17.90	18.14	105.7
Sep 2015	18.24	18.37	108.2
Sep 2016	17.31	17.31	100.0
Sep 2017	20.74	20.23	118.4
Sep 2018	30.26	29.02	177.5
Sep 2019	30.87	29.09	177.7

Source: Forestry Commission Timber Price Indices to September 2018

In 2018 UK home production of roundwood was up substantially to11.35 million m^3.

The UK remains the world's second largest net importer of timber after China, at a net cost of £6.448 billion in 2018. (China does nothing by halves. Over the last 40 years, afforestation there has averaged 2,300,000 hectares annually, increasing the country's forest cover from 12% to 22%).

New planting

After a few years in the doldrums, new planting in Scotland increased dramatically in 2019, surpassing the 10,000ha target with 11,200ha planted. The current season may exceed this. This is 84% of the UK total. The proportion of the planting which is coniferous has risen too, and now accounts for about 65% of the total. This will help to reassure sawmillers as available timber is predicted to dip in the 2030s. The challenge is for the nurseries to supply enough trees for the coming years.

The Scottish Government strongly supports forestry because of trees' ability to sequester considerable quantities of CO_2, as well as the economic and environmental benefits. In December they announced an increase in the planting target, each year for ten years, to reach 18,000 hectares annually by 2030. We haven't seen new planting on this scale since the 1980s. This will have a significant impact on the landscape and land-use – especially on marginal arable land and permanent grassland areas. We are already seeing forestry investors buying land to plant.

New Planting in Scotland '000 ha

Year	Conif	B/leaf	Total
2016	1.9	2.7	4.6
2017	3.2	1.5	4.7
2018	4.7	2.5	7.2
2019	7.3	3.9	11.2

Source: Forestry Facts & Figures 2019

Woodland values

The IPD UK Annual Forestry Index has been discontinued so performance figures are no longer available.

John Clegg & Co/Tilhill Forestry's 2019 UK Forest Market Report records £126.5 million of forest properties traded, of which 69% exceeded the guide price.

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Sourcing Soya Sustainably What's the story?

Background

Soya is one of the world's most important agricultural commodities, and the largest source of global protein. In the last 50 years the area of land growing soya has increased tenfold and now covers over 1 m km^2. With this trend projected to continue, it requires a huge team effort of producers, suppliers, manufacturers, retailers, financial institutions and Governments to ensure the environmental and social impact of soya production is minimal. Ideally this would result in no deforestation or destruction of natural habitats, good working conditions and no negative impact on local communities. The Round Table on Responsible Soy Association (RTRS) sets the standard for responsible production of soy and soy products (further information at www.rtrsmodules.org).

In addition, almost all retailers and large organisations within the supply chain now have policies on sourcing soya sustainably.

In 2005/2006, all EU countries and trading companies signed up to the Amazon Biome Moratorium. This stipulated that they would not buy any soya that was sourced from within the Amazon Biome from that date. So the negative press we have seen lately concerning this particular subject cannot be traced back to Europe. Indeed, FEFAC, FEDIOL and COCERAL (who represent almost all of feed manufacturing in Europe) have recently reiterated this stance, and highlighted in a letter to the Brazilian Government how seriously they take this commitment, and that any further deforesting in Amazonia would lead to a revision of general soya procurement.

More recently in 2018, 140 global companies and investment organisations signed the Cerrado Manifesto Statement of Support to halt deforestation the Cerrado region of Brazil (further reading at www.cerradostatement@fairr.org). The EU has been pro-active in the pursuit of soya being grown sustainably and the UK has its own Round Table on Sustainable Soya, funded by the UK Government through the Partnerships for Forests Programme (www.efeca.com/the-uk-roundtable-on-sustainable-soya).

The main shippers of soybeans and soybean meal into the UK also have their own company schemes (e.g. Cefetra's CRS and Cargill's SSS scheme.) Some of these have been in place since 2009, building a portfolio of farms that are certified 'sustainable' and helping the farmers on the ground.

What can farmers in the UK using soya do?

There is perceived pressure in the media that using soya for animal feed is bad for the environment and thoughts turn to looking for alternatives. Soya is difficult to replace in many monogastric diets without the use of synthetic amino acids and it is beneficial in some ruminant situations, such as ewes in late pregnancy. The EU/UK industry initiatives for sourcing soya responsibly protect the farmers on the ground in South America and encourage sustainable farming practices, including halting deforestation, which is prevalent in the press today.

Buying certified soya

There are three main types of soya: Lopro, Any Origin Hipro and Brazilian/Paraguayan Hipro.

Lo Pro (also sometimes known as IMSA soya) is basically Any Origin Hipro, but with the hulls still present. As a result, protein levels are lower (around 46% in dry matter) compared with Hi Pro protein levels (around 52% in the dry matter). Fibre is also higher in Lo Pro soya, due to the hull still being present and hence energy is slightly lower too. Oil content tends to be reasonably constant around the 1.5% mark across the products. The Brazilian/Paraguayan Hipro soya is seen as the 'premium' product in the market, with protein levels around the 54% (in the dry matter) and similar 1.5% oil content. This attracts a premium price and is almost entirely used in the monogastric market.

For all soya products, sustainable certificates can be purchased from the various sources mentioned above, and the best first port of call would be to discuss with your feed supplier. The cost is approximately £2/t, although that can vary between schemes, and also on what kind of certification is being requested. Some of the schemes can offer country-specific certification and also ensure zero deforestation, if that is requested by the end-user.

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Little change in 2020 – risk of no-deal remains from January 2021

After 47 years, the UK left the European Union at 11pm on 31st January 2020 and has now entered an 11 month withdrawal period. During this period until 31st December 2020, little will change for supply chains that operate primarily in the EU. There remains some limited risk as non-EU countries are not automatically obliged to continue treating the UK as a full EU member though most are expected to continue current arrangements. The main purpose of the withdrawal period is to allow the UK to negotiate a comprehensive free trade deal with the EU. The timescale appears far short of what will most likely be required and yet the UK government is insisting there will be no extension. This may be enough time for a basic deal, an extension may be agreed or no deal could beckon from January 2021.

Frictionless trade will go

Even if the UK secures a 'no-tariff, no quota', free trade agreement with the EU in time it is likely that trade friction will increase significantly. This is because the UK has already elected to leave both the EU customs union and Single market and has declared it wishes to set its own regulatory standards. Customs checks and non-tariff barriers can readily add 3%-7% to the costs of goods shipments and time delays. For agricultural commodities and food products this is significant potential friction. This could be experienced as soon as the end of the withdrawal period on 1st January 2021 or later, if the withdrawal period is extended. While potentially making it harder to export to the EU, profitability also adds costs to imports and may offer opportunities for increasing home grown supplies; especially of fresh produce.

Brexit will never end

Assuming a basic free trade agreement can be secured in 11 months time, this will not be the end of the process. Perpetual negotiations with the EU are likely on a range of issues (as Switzerland knows full well) and the UK will also be engaged in complex trade negotiations with a range of global trading partners such as the US. The message for agriculture is that trading relationships will not stabilise at the end of 2020 and the industry should be prepared to adapt to a much less certain market environment. Consumers and processors will also be facing increased uncertainty of supply. This presents opportunities for Scottish and UK farmers to strengthen and develop producer groups and secure long-term supply contracts with end-users who should be keen to secure domestic supplies at least for a proportion of their requirements.

Brexit and the sheep sector (continuation from page 6)

The promising news is that the UK and EU could well agree a Free Trade Agreement by the end of the year. But given the incredibly short negotiation time available, it will be very basic and probably cover only minimising (hopefully to zero) tariffs on goods. The EU will benefit most as it sells far more goods to the UK (e.g. beef, cars). So, hopefully, access to the critically important EU sheepmeat market will not be subject to very high EU import tariffs that would make exporting UK sheepmeat to the EU uneconomic.

The bad news is that exporting could still be badly hit by paperwork and inspections, which can be broadly grouped together, and called non-tariff measures (NTMs). For those of you with good memories, remember how the French used to play games to limit UK lamb exports back in the 1980's before the single market (with its common rules and regulations) was introduced.

Key economic data

General Indicators		Price indices for November 2019 (Defra 2015 = 100)			
		Output Prices		Input Prices	
Base interest rate	0.75% (0.50% Aug '18)	Wheat	109.99	Seeds (all)	103.7
		Barley	107.87	Energy	121.8
ECB interest rate	0.00% (0.00% Sep '18)	Oats	106.79	Fertiliser	100.1
		Potatoes	106.67	Agro-chemicals (all)	114.5
UK (CPI) inflation rate	1.3% (target 2%)	Cattle and Calves	95.11	Feedstuffs	110.8
		Pigs	118.58	Machinery R&M	110.1
UK GDP growth rate	0.4% (Q3 '19)	Sheep and Lambs	97.65	Building R&M	112.2
FTSE 100	7,363 (30 Jan '20)	Milk	121.19	Veterinary services	115.3

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