Farm Advisory Service

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February 2021

News in brief

Winners and losers

While a Brexit deal was finally concluded at the 11th hour; there are definite 'winners' and' losers' within the Agricultural industry. On a positive note, as the EU has granted third country equivalent status to the UK, thereby approving tariff free exports of meat, dairy and almost all food and plant exports including ware potatoes, beef and sheepmeat prices have continued to stay strong despite the ongoing problems of border delays and paperwork confusion. On a negative note, Scottish seed potato producers have been dealt a significant blow, with seed potatoes being excluded from the Brexit deal on the grounds that "there is no agreement for GB to be dynamically aligned with EU rules".

With the Covid pandemic continuing and Scottish lockdown restrictions extended until 'at least' the end of February; the food service sector will continue to be adversely affected if they are unable to offer a takeaway or delivery service. However, retail demand continues to remain strong especially for local and British products and given that some food processors have been significantly affected by Covid outbreaks in recent weeks; the Scottish Government has just announced that it will extend asymptomatic testing to workers in food production and distribution sectors.

With Joe Biden finally in residence in the White House and overturning most of the laws introduced by the Trump administration, it remains to be seen whether targeted Scottish exports will continue to face high tariffs…

Next month:

- Forestry and woodlands update
- Options for alternative crops

Contents

This month's editor:

Christine Beaton

FAS grants extended to December 2021

The deadline for Farm Advisory Service grant applications and one-to-one support has been extended to the end of 2021. The same quota of support per business remains in place (i.e. one Integrated Land Management Plan (ILMP), two specialist advice plans, four days of mentoring (2016-2021) and carbon audits available every 12 months).
For further information visit: https://www.fas.scot/advice-grants/

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

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2021 AECS

The Scottish Government recently announced details of the 2021 Agri-Environment Climate Scheme (AECS). Funding is available for organic conversion and maintenance, slurry storage, improving public access, designated sites, and priority bird species (corncrakes, corn bunting, waders) out with designated sites.

Applications for all the AECS options except improving public access opened on 25th January and will close on 30th June; improving public access will be open for applications from 1st March until 30th June. Full details of the schemes are available on Rural Payments and Services at: https://www.ruralpayments.org/topics/all-schemes/agri-environment-climate-scheme/agri-environment-climate-scheme-full-guidance-menu/, a summary of some of the options and changes is included below.

Note: The application and scoring process for organic conversion and maintenance, slurry storage, and improving public access remains the same as previous application rounds.

Designated sites/Protected areas

Sites of Special Scientific interest (SSSIs) and Natura (SAC or SPA) sites contain a list of qualifying features and applications for management that will benefit these features will be welcomed. Normally such management will be within the designated site boundary; however, occasionally features such as birds or freshwater will require management of land out with the boundary and this is also eligible for funding. Site Link (https://sitelink.nature.scot/home) can be used to find qualifying features within any designated site.

Priority species

Management for corncrake, corn bunting and waders must be within a target area. The targeting tool on the AECS website can be used to check if a holding is in a target area. In addition to this, there is also a requirement for waders that management is within an established and recognised wader restoration project area, see below:

Strathspey Wetland and Wader Initiative; Clyde Valley Waders; Caithness Wetland & Wader Initiative; East Sutherland Farmland Birds; Wader monitoring and Conservation East Scotland; Peesie Project; Glen Dochart Wading Birds Project; Strathbraan Wader Conservation Project; Allan Water Improvement Project/Strathallan Waders; Hebridean Mink Project; Uist Wader Project; South Uist Rush control Project; Northern Isles Landscape Project.

Applications must include written support from the manager or co-ordinator of the established wader project they are involved with.

Corncrakes

Applications to benefit Corncrakes are restricted to the following options - corncrake mown grassland, corncrake grazing management, management of cover for corncrakes and/or creation of cover for corncrakes. If a holding has already been in receipt of AECS funding for agri-environment, no fencing costs will be supported. For new applications, fencing will only be considered where the existing fencing will not last for five years.

Corn Buntings

Applications to benefit Corn Buntings are restricted to the following options – corn bunting mown grassland, wild bird seed for farmland birds, grass strips in arable fields, beetlebanks, retention of winter stubbles, unharvested conservation headlands, forage brassicas crops and/or species rich grassland. The only fencing costs that can be applied for are temporary fencing costs associated with creation of plots for wild bird seed, or forage brassica crop creation and, only where the applying business has livestock.

Waders

Management and capital items for waders include - wader and wildlife mown grassland, wader grazed grassland, wader management on heath mosaics, creation of wader scrapes, cutting of rush pasture, wetland creation and management. Fencing costs will not be supported.

A wader application management plan template must be submitted as a supporting document as part of an application.

LFASS 2020 payment

LFASS 2020 payments have recently commenced. Payment rates for the 2020 scheme year will be at a maximum payment rate of 40% of the 2018 payment rates. When payment rates are reduced to 40%, one rate (of £13.64) falls below €25/hectare. To meet the Rural Development Regulation minimum payment rate this would increase to £20.83 (€25). It is expected that convergence money will be used to top up LFASS; convergence money is due to be paid January - April.

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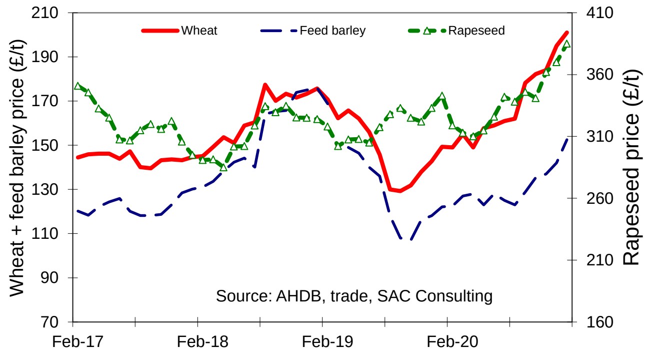
Further cuts in world maize output

UK grain prices have kept rising since Christmas on the back of strong world feed grain and oilseed prices. Tightening supplies of US maize coupled to drought concerns across South America and in winter crop regions of the Ukraine and Russia have buoyed prices. In the UK the cost of importing maize and other grains has risen sharply, boosting demand and prices. In Scotland distillers have switched out of expensive imported maize and into better value Scottish wheat, boosting use and prices.

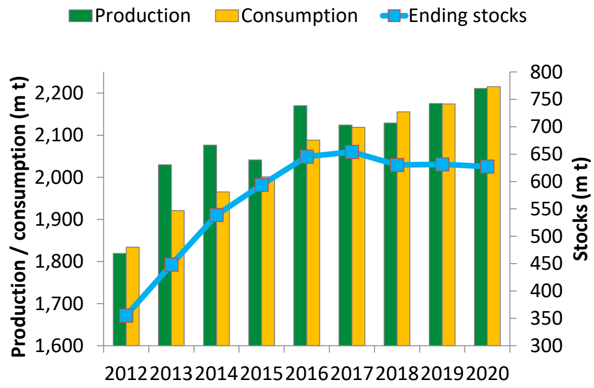
Scottish spot ex-farm grain and oilseed prices



World grain S & D tightens

In 2020/21, the world grain supply and demand situation is expected to tighten. While the world grain crop is up 36mt, demand is up more by 41 mt leading to stocks falling by 4mt and stocks to use falling by 3 days to 103 days. Within this overall picture; wheat stocks are at an all-time record while feed grain stocks are at a 7 year low led by sharp falls in maize stocks. In May 2020, the USDA expected a large 2020 maize and feed grain crop, by January 2021 they had cut this by 46mt due to lower sowings and poorer yields. This sharp fall in production below expectation is what has driven US maize prices up by £40/t since September. This in turn has pushed up the cost of importing maize into the UK; the main alternative for the UK's reduced feed wheat crop and also in Scotland for use in distilling. This in turn has lifted the head room for UK wheat and feed barley prices to rise. Feed barley prices have also benefited from higher export prices.

World grain supply and demand (USDA)



Looking ahead, higher world maize prices are going to spur planting of maize and other feed grains around the world starting now with the late Brazilian corn crop and very soon with the US / Northern Hemisphere maize plantings.

- Tight world feed grain supply boosts prices
- But danger lies in large increase in world maize sowings IF weather plays ball
- Consider selling some new crop feed wheat forward at over £160/t

UK wheat exports small in 2021?

With the recovery in the area of wheat sown across the UK in autumn 2020 the country should return to being a net exporter. However, this surplus may be quite small for two reasons; UK wheat opening stocks are expected to be exceptionally low and very wet late autumn and winter weather doesn't bode well for crop yield potential. So yes, the UK will have to export wheat most likely, but not in huge quantities, which means UK prices will not have to be export competitive all season.

UK wheat supply and demand (AHDB/SAC)

UK wheat '000 t	2018/19	2019/20	2020/21	2021/22
Open Stocks	1,718	1,911	2,438	1,334
Production	13,555	16,225	9,658	14,500
Imports	1,858	1,050	2,200	1,500
Available	**17,131**	**19,186**	**14,296**	**17,334**
Human Use	6,969	6,856	6,533	6,500
Animal Feed	7,402	7,402	6,634	7,200
Seed etc	349	362	270	349
Domestic Use	**14,720**	**14,620**	**13,437**	**14,049**
Exports/surplus	**358**	**1,170**	**- 475**	**1,585**
End Stocks	**1,911**	**3,016**	**1,334**	**1,700**
Net trade	***-1.500***	***120***	***-2.675***	***85***

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Indicative grain prices week ending 28 January 2021 (Source: SACC/AHDB/trade)
'* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Jan '21	Feb '21	Mar '21	May '21	Nov '21
Wheat	Ex-farm Scotland	201.00	202.00	203.00	205.00	160.00
Feed barley	Ex-farm Scotland	155.00	156.00	157.00	159.00	130.00
Malt. barley- distil	Ex-farm Scotland					180.00
Malt. barley- brew	Ex-farm England#		168.00		170.00	168.00
Oilseed rape*~	Delivered Scotland		386.00			354.00

Beef

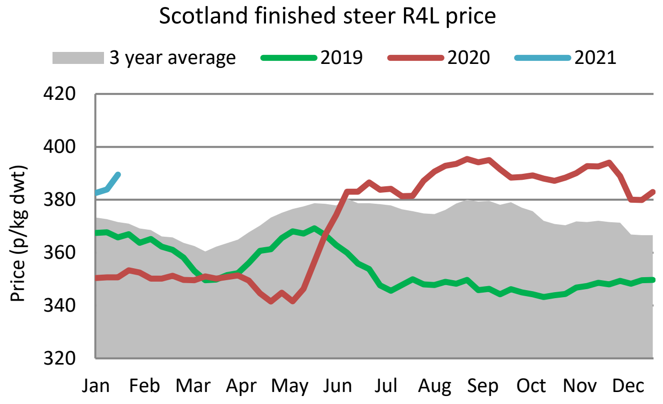
This time last year trade was improving slowly from a very depressing start to the year, there was optimism in the trade in the short term despite the ongoing Brexit uncertainties. Covid then came along and dramatically altered market conditions and all the gains were lost. While the current Covid lockdown situation is not dissimilar to what we saw in the spring, the outlook for the beef sector couldn't be more different than it was 12 months ago.

Supply struggling to keep up with demand

Following on from 2020 retail demand for beef continues to remain high, with consumers supporting local and British product, with both supermarkets and high street butchers reaping the benefits. The continued reduction in the Scottish suckler herd, which has now declined to around 414,000 breeding cows, is showing itself in the reduction of numbers available at store sales and overall supply of cattle.

Abattoirs are currently doing a great job of balancing challenging Covid restrictions and killing strong numbers every week, to supply a strong consumer demand. With many finishers having emptied sheds prior to Christmas on the back of good cattle performance and the price being strong, finished cattle numbers are tighter. With processors showing keenness for the cattle and the tight numbers of stores available has resulted in a very good store trade for all types of cattle. Holstein store bullocks are currently selling for around 160p/kg, with beef bred cattle making in excess of 225p/kg. This means that a good 400+kg calf can easily gross £1,000 or more. With this type of trade, can you afford not to sell them?

The finished price looks to be on the rise, with all processors actively looking for cattle, one caveat to this would be that often when the finished price reaches that golden £4/kg, when enough cattle do become available the price falls rapidly so let's look for stability this year.



Source: AHDB

Pre-calving Covid planning

Producers must take time to prepare their business for the impact of Covid on their calving and lambing. Assuming it will all be OK is ill-advised as catching Covid in the middle of calving could have a devastating impact on a business and on animal welfare. Now is the time to make a plan, discuss options with family, friends and neighbours and make sure you're not left high and dry should you or someone in your team test positive.

Producers must look to the future

As we approach bull sale season and breeding 2021, producers must look forward to what the future holds. We have challenging targets to reduce greenhouse gas emissions by 75% by 2030 and while that seems a long way off, when you look at in in the life of a cow, it isn't that far off. A bull bought in 2021 won't have calves on the ground until 2022, these calves won't be finished until 2023 at the earliest. If these calves are retained for breeding, they won't have calves on the ground till 2024 at the earliest. In a well-managed system, a bull bought this year will be producing the mature cows that will need to meet the efficiency requirements in 2030. The seeds of future herd efficiency will be sown when the gavel falls in the upcoming sales.

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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
2-Jan-21	382.6	-0.3	5.0	379.2	-1.9	3.5	365.2	-6.3	265.6	246.5
9-Jan-21	383.9	1.3	1.5	379.9	0.7	1.1	380.2	21.7	275.6	254.8
16-Jan-21	389.5	5.6	0.1	388.9	9.0	7.1	383.6	19.2	283.5	263.2

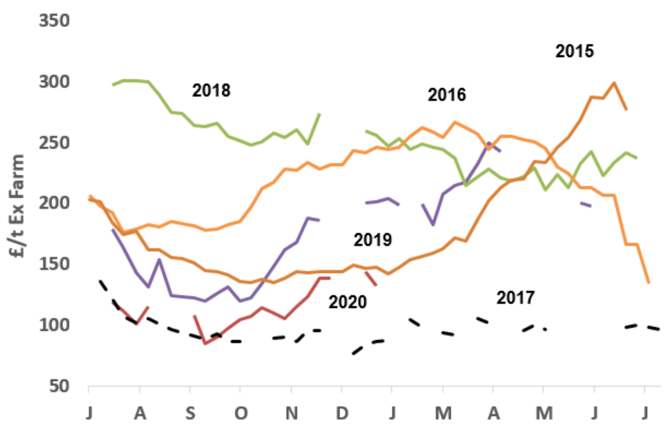
Market price update

- *The latest GB Weekly Average Price reported on week ending 16th January was £168.79/t up £5.46/t on the previous week.*
- *The latest GB Weekly Average Free-Buy price reported on week ending 16th January was £132.85/t down £11.49/t on the previous week.*

Crop Year 2020/21	16 Jan	9 Jan	19 Dec
Average Price (£/t)	168.79	163.33	159.62
AVP change on week (£/t)	+5.46	+3.71	+0.61
Free-Buy Price (£/t)	132.85	144.34	138.61
FBP change on week(£/t)	-11.49	+5.73	-0.16

*3 week interval between 19th Dec and 9th Jan

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



Trading Season July - July Source: AHDB

Market Update

With 2020 now behind us, being described by many as “the year to forget”, there is some optimism in the air for 2021. While current Covid-19 death figures in the UK make for grim reading, there are signs of hope that the number of new cases is starting to level off, the latest national lockdown is having a positive effect, and the mass vaccination programme is gathering pace.

There are mixed feelings in the potato market. January is often a slow month for trade after a busy few weeks in the run up to Christmas. Retail packing markets remain strong, a theme which has been consistent throughout the whole Covid-19 pandemic. Many supermarkets are working through the remainder of Christmas stocks, and there is optimism of a small uplift in free-buy demand in the coming weeks. Retail demand is likely to stay steady through much of the spring and summer due to the ongoing national lockdown and closure/restricted opening of many foodservice outlets. Looking ahead, even if restrictions ease and “sit-in” establishments can begin serving customers again, demand at farm level may take some time to pick up, with the majority of consumers likely to continue with in-home cooking, and meal preparation. It may be late summer before the majority of the population are vaccinated, and even then some consumers may be reluctant to eat out in crowded environments.

Maris Piper continues to be a popular variety mainly because of its versatility and is well-known among consumers. Demand for packing whites has mainly been covered by contracts, and salad varieties have experienced a dip in demand following good sales in the run up to Christmas. Demand for salads is likely to increase again with warmer weather in the spring and summer months. The bag trade remains slow due to the majority of foodservice businesses being closed. Fish and chip shops which are open for takeaways are reported to be open with reduced hours due to lower footfall. Some have signed up to popular takeaway apps and websites in an attempt to increase sales during lockdown, but people have become less confident with being out of home due to new strains of Covid-19 emerging.

In the Scottish packing market, Maris Piper is trading around £165/t ex farm with highs of £200/t ex farm reported. Whites are trading around £80/t ex farm, and Reds are trading between £150-170/t ex farm. In England, Piper is trading around £240/t ex farm, with a high of £260/t ex farm, and Whites are trading around £100/t ex farm with a high of £200/t ex farm.

Brexit, where do things currently stand?

There are reports of serious concerns within the Scottish potato sector, particularly among seed growers who could face significant financial implications due to new regulations. As things stand, no seed can now be exported from the UK to the EU including Northern Ireland. The main exporting countries in Europe for UK and particularly Scottish seed include Ireland, Spain (Hermes), and Cyprus (Packing varieties). Majorca is tied to the EU through Spain but does not have Third Country status, so seed exports will not be allowed. There have been reports suggesting that 95% of seed intended for export this year has already left the country. However, further negotiations are urgently required for seed potatoes. This year’s planting season is just around the corner, so seed intended for EU markets for the 2022 season needs to be confirmed as soon as possible. Seed can be imported from the EU until the 1st July but after that date, seed trade with the EU theoretically stops.

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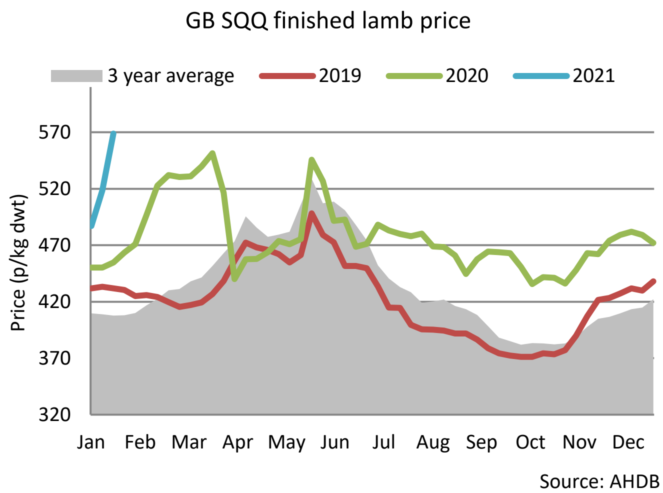
Deal breaker

The UK sheep industry received great security over the Christmas period, when the EU exit deal was signed off. Since this time, there have been reports of delays at the borders and confusion over associated paperwork, but sheep meat is still moving and being received in Europe. There are various different Covid restrictions in place over the continent at the moment, e.g. French restaurants closed which is influencing demand.

Sheep Trade on Fire

Live markets are again promoting "drop and go" for livestock to reduce the volume of people in markets, this has not dampened the trade. Deadweight prices are extraordinary, lifting week on week. Looking at the table below between the weeks ending 2nd January and 16th January, prices rose by £0.822/kg (R3L), meaning a rise of £17.26 for a 21kg lamb over a three week period.



Cast ewes are also showing an increase, again showing a premium for January.

Ewes with lambs at foot have started trading in the South of England with one market reporting sales of ~£85/life for ewes with lambs at foot. This is phenomenal trade and shows the level of confidence in the sector at the moment.

Exchange Rate

The exchange rate is as always a big driver for this trade. Sterling is currently weak against the euro (1euro: £0.89 – 22/01/21), which makes UK products very attractive for trading over the Continent.

Another currency that is interesting to watch at the moment is the US dollar (1USD: £0.73 – 22/01/21). Again, making our exported agricultural goods an appealing buy. But when sterling is weak, the cost to import in other countries goods is less attractive. Which can be seen at the moment with a premium on goods such as fertiliser and soya. After a cold and extremely wet spring, I imagine there will be quite a reliance on fertiliser to kick start grass for turning out ewes and lambs, which if not already bought, will be sourced at a premium. In addition to this scanning of sheep are showing a high level of multiples (triplets) this year, meaning a higher level of feeding to normal, with protein at a premium, will add costs on to the system.

Global Supply

Another key driver of price is global demand. With major exporting countries, New Zealand and Australia currently rebuilding their flocks following the drought of 2020. Has resulted in more ewe lambs being retained as flock replacements, and less lambs marketed. Resulting in a lower amount of sheep meat coming from these countries, which is in turn driving the high global demand.

Both of these antipodean countries have China as a key market, but it is reported that China is building their national sheep flock for their own domestic market. It is inevitable that we will see China starting to rebuild their pig herd, with the recovery from the swine fever outbreak. Allowing more pork in the market, may result in a lower demand for sheep meat in China. If this is the case New Zealand and Australia may need to look to other markets again, which depending on price, may put pressure on the UK product into the European market.

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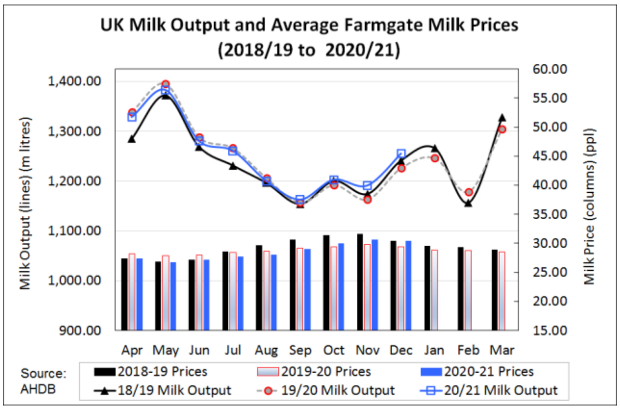
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd)	
									Scottish	Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
2-Jan-21	**486.9**	12.8	-4.0	-2.8	**233.20**	11.9	-0.2	19.8	74.12	76.62
9-Jan-21	**517.2**	30.3	-9.5	-4.1	**251.70**	18.1	12.0	9.0	79.68	81.73
16-Jan-21	**569.1**	51.9	-8.1	1.3	**267.60**	15.9	9.4	13.4	87.60	85.55

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

UK output growth in Dec '20

- *December 2020 milk production showed significant growth on the previous year (output up 28.74m litres for the month).*

UK monthly milk output for December 2020 is estimated at 1,255.01m litres (before butterfat adjustment). This is 28.74m litres higher than December 2019 output when UK production for the month stood at 1,226.27m litres. Cumulative UK milk production for 2020/21 now stands at 11,263.75m litres (before butterfat adjustment). This is 30.66m litres higher than at the end of December 2019.



UK Milk Output and Average Farmgate Milk Prices (2018/19 to 2020/21)
Source: AHDB

The UK average milk price for December 2020 is estimated at 30.38ppl which is down 0.27ppl from the November 2020 average (30.65ppl).

Farmgate prices - February 2021

Price announcements for February 2021 include:

- Arla Foods amba – after a 1.2 eurocents reduction to the milk price in January, Arla has confirmed a hold on prices for February. The manufacturing standard litre price remains at 29.58ppl whilst the liquid standard litre price remains at 28.50ppl.
- Arla's organic milk prices also hold going into February with the manufacturing price static at 37.94ppl and the organic liquid standard litre holding at 36.54ppl.
- Arla Direct – Arla has announced a 0.75ppl reduction to the price paid to direct suppliers from 1st February. This takes the manufacturing standard litre down to 27.33ppl. The liquid standard litre reduces to 26.25ppl.
- First Milk – January prices are being held over into February 2021. This maintains the liquid standard litre price at 28.00ppl whilst the manufacturing standard litre holds at 28.93ppl.
- Müller Direct – No price change for Müller's non-aligned suppliers in February - see table.
- Co-op – Müller members of the Co-operative Dairy Group (CDG) will receive a 0.22ppl price increase from 1st February 2021. This takes the liquid standard litre price up to 29.88ppl.
- Tesco – members of the Tesco Sustainable Dairy Group (TSDG) will receive a 0.40ppl price increase from 1st February 2021. For Müller Milk Group TSDG members, this takes the liquid standard litre price up to 31.27ppl. Arla Direct TSDG members will see prices increase to 31.02ppl, based on the liquid standard litre.

Annual Average milk price estimates for February 2021 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	27.75
First Milk Liquid [1, 2]	28.00
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	28.93
Müller - Müller Direct - Scotland [1, 3]	27.00

1 *Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.*
2 *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.*

Müller return a £76m loss in 2019

Müller's latest results - for the 2019 calendar year – show losses of £76m. This follows on from losses of £100m in 2017 and again in 2018 after which the business launched a two-year transformation and restructuring project (project Darwin) specifically to address profitability. It is a frustrating result for Müller and no doubt the performance of the business (particularly the liquid business) will continue to be under some scrutiny. As with many milk processors, the impact of COVID-19 is likely to make 2020 results equally difficult reading.

World milk production & commodities

The table below shows that milk production from the world's major exporting nations has continued to expand during the 2020/21 season albeit at a low rate – the exception being in Argentina where production has increased more than 6% on last year.

Cumulative Milk Production to 30 November in Key Exporting Countries (million litres)			
	2019/20 Cumulative total to November 2019	**2020/21 Cumulative total to November 2020**	**% Diff**
UK	10,007	10,009	+0.02
EU (Exc UK)	93,416	94,220	+0.86
USA	64,136	65,151	+1.58
Australia	4,018	4,069	+1.27
New Zealand	10,463	10,547	+0.80
Argentina	5,641	6,007	+6.49

Source: AHDB

UK dairy commodity prices (£/ tonne)	Jan 2021	Dec 2020	Jul 2020
Butter	3,060	3,000	3,070
SMP	2,040	1,970	1,920
Bulk Cream	1,237	1,150	1,430
Mild Cheddar	2,940	2,940	2,920
UK milk price equivalents (ppl)	**Jan 2021**	**Dec 2020**	**Jul 2020**
AMPE (2020) *	30.10	29.05	28.76
MCVE (2020) *	32.07	31.94	31.64

Source: AHDB

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UK-EU Free Trade Deal

In late December 2020 the UK struck an eleventh hour Free Trade deal with the EU; agreeing a Zero Tariff, Zero Quota deal and avoiding the so called 'No-Deal' scenario. The fact that a deal was agreed was undoubtedly a huge relief for the agricultural and other sectors of the economy as it avoided the worst disruption that may have occurred. However, this does not mean that trade between the UK and the EU can continue unhindered. In fact, despite UK government statements at the time substantial so called Non-Tariff Barriers (NTB's) have emerged in recent weeks and more will no doubt appear.

Non-Tariff Barriers for exports

As soon as the UK declared that it wished to leave the EU Customs Union and Single Market some forms of Non-Tariff Barriers were expected. The UK is now a Third Country out-with the common trading area and the jurisdiction of the EU's regulatory bodies. Therefore, UK exporters must provide evidence that their products reach equivalent levels of; regulatory standards, animal and plant health. In addition, they must also prove they have been substantially sourced or produced in the UK; so called Rules of Origin. The only way to demonstrate all these requirements have been met is documentation; lots of it.

Where export documents are incomplete or missing, goods will be delayed or turned back at the EU border until made good. Single shipments of one product from one supplier can be covered with one set of documentation and if correct the goods can proceed. However, in many cases each truckload will contain a mix of products, often from a range of suppliers; so-called Groupage. These shipments are incredibly vulnerable as just one error in one of many good's documents will result in the whole truck load being stopped, delayed or turned back. As a consequence, groupage truck movements are becoming extremely risky and are being shunned by hauliers. This issue has hit Scottish seafood exports particularly hard. While movements of individual truck-loads of salmon from one supplier have moved through border controls relatively easily, mixed loads of seafoods from a range of smaller suppliers have found the risk and delays too high and largely grounded many seafood exports.

This issue is likely to force a permanent shift in exporting behaviour. Large exporters of uniform product will find the system manageable, smaller exporters, relying on sharing loads with other producers will not.

Even where goods do make it through EU borders without delay, UK suppliers are now being bracketed as a more uncertain and riskier source of products. This is likely to require discounting and incurring of higher costs. All these factors make exporting to the EU less attractive and lowers the end price for UK producers.

Potential barriers to imports too

The upside is that imports from the EU will face greater barriers too. To what extent is not yet apparent as while the EU moved to full border controls with the UK from early January the UK has unilaterally delayed implementation of full border controls with the EU until 1 April 2021. This was in order for the UK authorities to get ready to manage these new procedures.

As a consequence, right now UK importers are bringing in goods from the EU (e.g. fresh fruit and vegetables, dairy products etc.) with little difficulty and often sending trucks back empty for return loads to avoid the risk of delays from exporting UK goods. This has kept UK supermarket shelves stocked. However, it has further raised the cost of both importing and exporting goods as empty trucks in the system reduce capacity and raise costs.

When you consider these impacts together UK agricultural producers will increasingly be incentivised to focus on domestic markets. Exporting to the EU will be less profitable and imports from the EU will cost more. The other impact may be to encourage exports to non-EU markets since they have not necessarily seen any increase in costs.

The UK's new position as a 3rd country makes exporting to the EU more challenging but does create opportunities for supplying the home market.

How feasible it will be to shift markets in this way is very much dependent on the situation in each sector; some will be easier than others.

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The Scottish Farm Business Survey (SFBS) is a detailed economic survey of farming businesses in Scotland. It has been running since the 1930s, and data gathered goes to both the Scottish and UK

Governments to assess the impact of changes in agricultural policy on farming businesses.

Since then, the survey outputs not only feeds back to the Scottish and UK governments, but has also fed data to the EU Farm Accounts Data Network. That information alongside similar data collected from all EU member states has directly informed the CAP and its various changes over the years.

Participation is voluntary, and you would be part of a network of up to 450 farms in Scotland who take part. Your participation is confidential, your data is anonymised, and Scottish Government does not know the identity of participants in the survey. We capture a true picture of what is happening in farming businesses in response to policy change, and environmental and economic shocks such as those caused by climate change, Brexit and the COVID pandemic. In these changing times there has never been a more important time to gather this information.

Your business would be allocated to a Farm Business Analyst from SAC Consulting. They have many years of experience in analysing farm accounts, and discretion and financial accuracy are central to what they do.

Outputs include:

1. **Farm Business Survey 2018-19: Profitability of Scottish Farming**

This is last years' report from crop year 2018, which gives an analysis of Farm Business Income (also known as farm business profit). It measures profitability across different regions, by farming types, both with and without government support, and across different tenures. It also analyses data to include/exclude diversification income from profitability across the different farming types in Scotland. The data is gathered in the same way across Scotland according to a standard methodology ensuring it is robust.

2. **Whole Farm Benchmarks Tool**

This resource is available to all farmers in Scotland. Select the link above, choose the farm type that best describes your business and compare yourself with national averages for a farm that's a similar size as yours.

There is nowhere else to find this kind of information in Scotland, and the data is robust, because it has all been gathered according to a set standard, in the same way across Scotland, by the Farm Business Analyst team.

What do we ask of you?

- Your most recent set of annual accounts either in digital format, sent by email, or the original paper information.
- A follow up visit or phone call to ask a few questions, no more than 2 hours of your time.

What do you get for taking part?

- **A Farm Business Report** - This set of detailed management accounts, which will include any diversifications you have undertaken in your business, will help you add to your understanding of your business performance. As you progress from year to year in the survey, these will allow you to track your performance up to the last three years.
- **A Whole Farm Benchmark Report** - This report gives you detailed information on the productivity and financial performance of your own business compared to other similar types and size of farming business. You can also track your progress year on year for the last 3 years of participation in the survey.
- **A Whole Farm Carbon Audit** - Performed in Agrecalc, this will help you better understand your business in the environmental context. It may also help with grant applications, or as evidence that you are assessing your carbon footprint as part of any audit scheme for commercial sales of your farm output.

We have many businesses who have been in the survey for over 10 years. As one participant says: "*I can say our participation …for over 10 years… has had a positive impact on our business profitability. The information in our annual reports is presented in a manner that is more detailed than our annual set of tax accounts and it has made us stop, think, and act to help us manage our costs.*" DM, East of Scotland.

We are specifically interested in speaking to smaller sized beef and sheep farms, with a turnover of £30,000 to £100,000. However whatever size of farming business you are, if you think these outputs would help your business then please get in touch.

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Forage and Feed Update

Nutrient Values	Beef and Sheep Silages				Dairy Silages	
	1st cut pit	2nd cut pit	1st cut bales	2nd cut bales	1st cut pit	2nd cut pit
DM g/kg	294	298	364	340	318	288
D Value (%)	67	67	67	68	71	69
ME Mj/kg DM	10.8	10.7	10.7	10.9	11.3	10.9
CP g/kg DM	110	122	110	121	134	125
Ash g/kg DM	71	80	70	76	82	80
PAL (meg/kg DM potential	842	826	796	801	820	843
NDF g/kg DM	505	477	508	481	449	472
Sugar g/kg DM	69	71	84	84	74	70
SIP (Silage Intake Potential)	98	97	104	102	107	100
pH	4.2	4.2	4.4	4.3	4.2	4.1

The SRUC analytical services have been busy over the winter period with an influx of silages. Below are the average figures of the samples received throughout the 2020/21 period. These have been split into 1st and 2nd cut pit and bale samples from either beef and sheep or dairy enterprises.

Across the beef and sheep silages the quality in 1st and 2nd cuts have analysed well for energy averaging between 10.7 -10.9 MJ of ME/kg DM. However, there is a huge range between 8.1 - 12.3 MJ of ME/kg DM. As we begin rationing for pre-calving and lambing it is vital to know the quality of your own forage and not to rely on averages as there are numerous factors that affect silage quality.

In terms of protein, in the beef and sheep silages interestingly there was a slight elevation in the protein level in the 2nd cuts compared to 1st cuts, however, the same was not seen in the dairy silages. Of all the silages scanned 20% analysed below 100g/kg DM (10%) crude protein. For silages in this category they are not going to supply sufficient protein for sucklers and ewes in late pregnancy therefore they need careful consideration in order to ensure they are appropriately balanced.

Feed Update

At the time of writing Hi Pro Soya is priced at around £471/t. However, the price is moving everyday by around £3-5, mostly up. This will likely start to reduce in February once the Brazil harvest starts, in addition rains in South America after a significant dry period are also starting to put downward pressure on prices. Globally production was cut by 1MMT to 361 MMT, with lower stocks for Argentina and the US that are partly offset by higher stock for China.

Rapeseed meal is slightly more attractive than soya at current prices (around £315-324/t). More people are considering the use of protected cold-pressed rapeseed on the market as an alternative to soya, both from a sustainability and price point of view. These competitive alternatives provide a good source of bypass protein that may be advantageous for young stock and ewes in late pregnancy.

Distillery by-products are currently limited in availability, therefore prices are sitting around £315- 320/t, both wheat and maize dark grains are imported only, with Scotland to re-open in February. Maize gluten may be a good alternative at 20% crude protein. Both pot ale syrup and draff are very limited in availability and very much dependant on region whether it is available.

The feed barley discount to feed wheat has been gradually increasing throughout the season as wheat prices have rallied. Although barley has been difficult to source in some regions it is relatively cheap at around £150-167/t. In January the price of wheat rose to around £205-214/t, as the US price increased due to low stocks of both corn and soya. In general, ruminant feed prices have risen since October by around £20-45/t depending on the level of protein and barley. Therefore, it's a good idea to look at the price and specification before ordering proteins in. It is also important to look at the base of your rations to see where protein savings can be made.

Note: prices at time of writing (end of Jan) are based on 29t loads delivered, they are a guide only and may vary from region to region; wide variation in prices depending on the area and quality and type.

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Key Economic Data

General Indicators	
Base interest rate	0.1% (0.75% Mar '20)
ECB interest rate	0.00% (0.00% Sep '18)
UK (CPI) inflation rate	0.6% (target 2%)
UK GDP growth rate	16.0% (Q3 '20)
FTSE 100	6,669 (25 Jan '21)

Price indices for November 2020 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	153.43	Seeds (all)	113.7
Barley	127.00	Energy	106.6
Oats	123.98	Fertiliser	88.5
Potatoes	102.75	Agro-chemicals (all)	143.7
Cattle and Calves	107.20	Feedstuffs	121.9
Pigs	116.71	Machinery R&M	114.1
Sheep and Lambs	120.02	Building R&M	114.2
Milk	124.67	Veterinary services	115.5

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