SRDP Farm Advisory Service

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June 2021

News in brief

Feeling the pinch

It's been quite a month in farming news, with elections, trade deals and Covid having an impact on food and input markets.

While there seemed relatively little disturbance at the beginning of the year following the UK's exit from the EU, despite large concerns around No Deal in the months preceding, as trade deals begin picking up pace the implications on British agri-food markets are becoming increasingly apparent. The overwhelming critique of the proposed trade deal with Australia exposes the vulnerability of British food and farming, and the true priorities of those in government (see the Policy Briefs article for further discussion). The failure to reach a trade deal with Norway, due to fears that British beef and dairy might overwhelm domestic production in Norway, goes to show that the UK no longer holds all the cards, as much as it would like to. Difficult decisions on economic, environmental and social priorities will have to be made in establishing the UK's new position in a post-Brexit global marketplace. The 'level playing field' no longer exists.

The unfortunate mix of Brexit, Covid and weather has resulted in a 20% fall in farm incomes across the UK, as reported last week. It seems we have skipped spring this year and grass growth has suffered for it, although with relatively minor effects on markets as yet. Covid impacting production of inputs, such as timber and steel, and increased fuel and fertiliser prices, farmers will be feeling squeezed over the summer. Nevertheless, farmgate prices remain fairly healthy, and with the economy beginning to open up again a few more months of resilience might see things back on more of an even keel.

Next month:

Novel plant proteins and a Scottish Protein Strategy?

Country focus: Ireland

Contents

This month's editor:
Anna Sellars

Australian Trade Deal

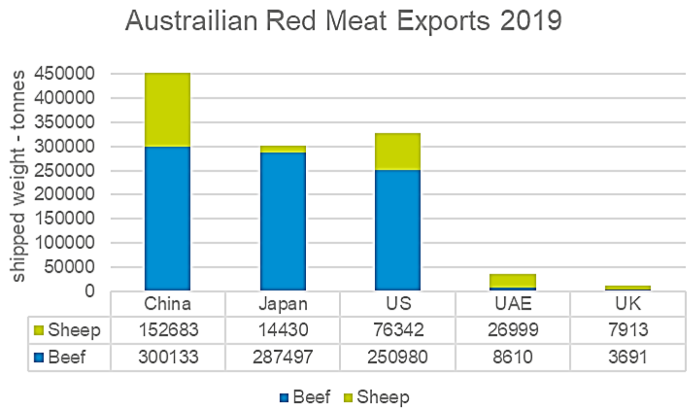
Political Win–Win?

The appeal of voting for Brexit for many in 2016 was the carrot of the UK, freed from the restrictive and bureaucratic shackles of the EU, being able to strike its own trade deals around the world.

Fast forward five years, in its new capacity as G7 President, agreeing its first post Brexit free trade deal with Australia will be a politically and symbolically defining moment for the UK Government as it heads to the G7 summit in Cornwall on 11th June. 'Sealing the deal' with Australia will be regarded as an important stepping-stone to joining a wider Asia Pacific free trade agreement - the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

For 'Joe public', the UK Government are seen to be delivering on their Brexit promise, signing this deal with Australia will pave the way for others, British farmers (and other companies) will gain access to the Australian and subsequently CPTPP markets, and unlike the trade discussions with the US, the hot potato of chlorinated chicken is not on the debating menu. A media sound bite win No 1.

Australia only exports a relatively small amount of their total red meat exports to the UK, the UK is only 60% self-sufficient in terms of home grown food production, and Skippy was a good bloke. So all good as far as the UK Government political gravy train is concerned. A UK Political Win – Win.



Source: The Australian red meat and livestock industry Report 2020

From an Australian perspective, the deal quite simply removes the current quotas and 20% tariffs; gives greater access to the UK food market making it easier and cheaper for big Australian farms to export products especially beef and lamb to the UK. An Australian Political/Economic Win-Win.

Reality for British Farmers

You don't need a degree in economics to realise that a tariff free trade deal with Australia will be disastrous for British beef and sheep farmers especially small-scale family farms; they cannot even begin to compete with the sheer scale of Australian livestock units and their resultant lower costs of production per kg of meat sold.

Level Playing Field?

Under the proposed deal, the trading playing field for British livestock farmers is going to be as level as the sea during a Force 10 gale when you factor in the disparities with regards:

- *Animal welfare regulations* - the sheer scale of Australian livestock units raises questions about individual animal health, welfare, and traceability.
- *Use of growth enhancers & use of antibiotics as growth promoters* – The use of hormone growth promotants to increase growth rates is a widespread practice in the Australian beef cattle industry (Australian RSPCA). Will this beef find its way onto our supermarket shelves? We all know the stories of food fraud all too well.
- *Livestock transport regulations* - While UK livestock farmers adhere to our stringent livestock transportation regulations which are regularly reviewed, Australian National Industry Standards allows calves aged 5 to 30 days to be transported without mothers for up to 30 hours TOF (time off feed) compared to a maximum of 9 hours in the UK. Australian cattle over 6 months of age can be transported for up to 48 hours without water compared to a maximum of 14 hours in the UK. Will UK consumers be made aware of these facts?
- *Climate Change* - Is it not somewhat ironic that the G7 UK2021 website states that "*Under the UK's Presidency, the G7 is showing great leadership in tackling climate change*" while at the same time, the UK Government is anxious to sign a trade deal which will be encouraging food to be transported literally half way round the world (~ 9,500 miles)?

While the alleged sweetener is that the deal will be phased in over a 15-year period, this deal and the others that will follow, there is no mistaking that the impact on UK livestock farms and in particular hill and upland units could be catastrophic.

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Cereals and Oilseeds

UK wheat situation tight

In the last month, UK wheat prices have risen around £5/t and barley is up £10-£15/t. Stronger UK prices are a result of a combination of additional feed demand, rising global cereal prices and tightening domestic supply in the UK.

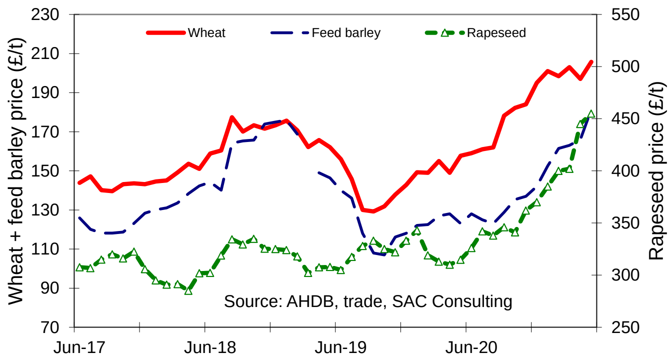
World maize prices have benefitted from drought in Brazil with further cuts to maize production estimates in recent weeks. In addition, world import demand for feed grains remains high with China's, in particular, remaining strong, underpinning prices.

While it is expected that harvest will boost domestic supply, the latest UK wheat supply and demand estimates indicate that the UK will remain undersupplied domestically keeping UK wheat prices at a premium to global markets.

The latest supply and demand estimate from AHDB shows that UK wheat opening stocks in July 2021 could be 1.2mt which would be 40% below the 5-year average. Given current UK 2021 wheat production estimates of 14.63mt this would leave total UK wheat availability 1.35mt (8%) below the previous 5-year average.

UK demand for wheat is also expected to be supported by the new UK E10 limit for ethanol requiring more ethanol use and the planned re-opening of the Vivergo bioethanol plant.

Scottish spot ex-farm grain and oilseed prices



Actual UK wheat production will depend on weather conditions in the next few months but unless a bumper crop is achieved it is likely the UK will remain deficit in wheat for most of the coming 2021/22 season. This means the UK market will be driven by the cost of imported grain.

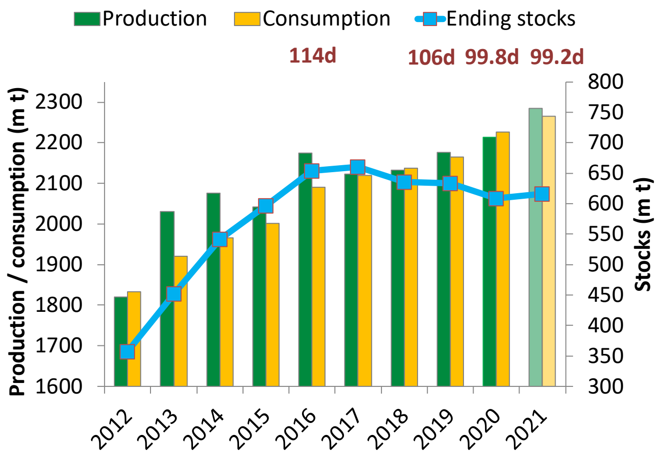
Record world cereal harvest in 2021?

In their first supply and demand estimate for 2021, the USDA projected a large rise in cereal output (+71mt), a more modest rise in use (+38mt) leaving stocks relatively stable (+7mt). This assessment is actually quite supportive of new crop prices; "Given trend yields and average growing conditions, the world supply and demand situation will be similar to current levels" (i.e. elevated prices). Last June, the USDA expected a large rise in stocks of + 52 mt. In fact, due to poor harvests in several world regions, world stocks fell by 24mt – a 77mt difference!

So, what these figures really tell us is that it is too early to be sure of price direction in the next few months; what matters is how crop conditions and harvest unfold in the next few months.

World cereal supply and demand estimates

2021 forecast; Crop+71mt, use+38mt, Stocks +7mt



Source: USDA

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

£ per tonne	Basis	May '21	Jul '21	Harvest '21	Nov '21	Mar '22
Wheat	Ex-farm Scotland	203.90	213.00	175.00	178.00	182.00
Feed barley	Ex-farm Scotland	181.00	165.00	155.00	160.00	165.00
Malt. barley- distil	Ex-farm Scotland			195.00		
Malt. barley- brew	Ex-farm England#		195.00		185.00	195.00
Oilseed rape*~	Delivered Scotland				440.00	

Beef Outlook

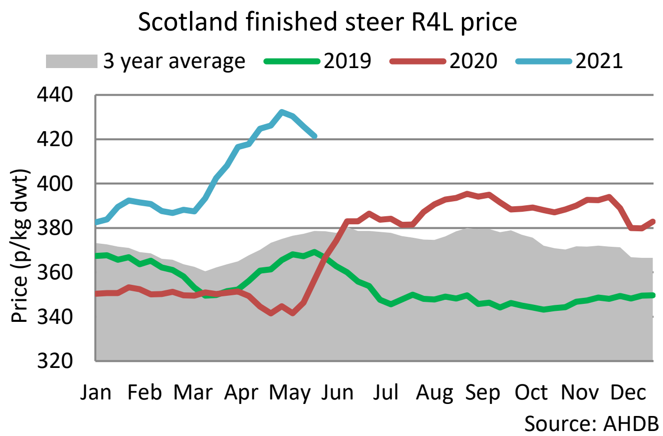
Beef enterprises have enjoyed good prices for almost a year now, with supply struggling to keep up with the seemingly insatiable demand of the general public constrained by lockdown restrictions. The beef price has trickled back a little in recent weeks but is still in the 410-420p/kgDW bracket which is a handsome price for our product. With less cows in the country, supply of store cattle has been tight meaning that the breeder been achieving strong store prices. One of the worst springs in living memory has resulted in a lack of grass and taken the shine off the store job but trade is still well up on the year.

While we have seen significant inflation in end product prices, there has also been inflation in inputs, with feed and fertiliser up on the year. The late spring has also meant that all farmers have incurred additional costs. Demand has been through the roof as supermarkets and consumers support local producers. While we all welcome the reopening of the hospitality sector, it is likely to depress demand for Scotch beef as tight margins and stiff competition mean that restaurants and pubs often source cheap beef from overseas. However, all things considered, we have little to complain about with regards to our short-term situation. The medium term for beef looks positive as well with red meat being scarce across the globe, it looks likely that the beef price will remain fairly decent for the coming months. However, the long term became a bit more uncertain when the UK started negotiating a free trade deal with the second biggest beef exporter in the world – Australia.

What does Australia deal mean for us?

The Eurovision song contest can be described as many things but educational isn't the first thing that springs to mind. However, this year, we all learned an important lesson: regardless of the quality of what Britain has to offer, the Europeans aren't interested. Leaving the EU will have a large impact in areas that are still emerging, and it is clear that our relationship is pretty frosty with our European colleagues.

Striking a deal with Australia would be one way to asset our global importance. However, as has been much publicised, this could come at a cost for UK farmers. While Australia is unlikely to completely flood our market, as they have higher value markets closer to home, the complexities of WTO rules could have a major impact on our industry. If chlorinated chicken or hormone treated beef are allowed from Australia, we then open the door to sub-standard product from all over the world, under the no favoured nation rules, we can't accept hormone beef from one country but reject it from another. With UK government almost certainly going to strike a deal with South American countries in the near future, the fine print of the Australia deal is hugely important to the future of all that we do.



Food security must come up the agenda

Only 12 months ago, consumers were heading to supermarkets not knowing what would be available for them to buy. Lockdown, lack of supply and panic buying meant we were on the brink of a major food security issue. While food security was a huge issue recently, global trade, cheap food and carbon appear to be receiving more attention than ensuring we retain some domestic production. It is very important that we fight our corner and highlight all the good that Scottish farmers do in terms of environment, economy, biodiversity, culture, oh and we feed people as well!

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

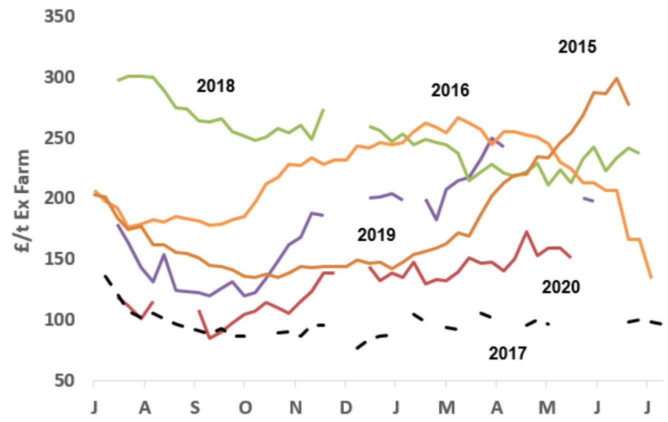
Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
1-May-21	**432.3**	6.3	16.7	**435.9**	10.9	20.1	430.6	19.9	337.3	302.5
8-May-21	**430.4**	-1.9	17.7	**428.5**	-7.4	14.0	423.1	11.3	333.4	302.7
15-May-21	**425.8**	-4.6	12.4	**425.7**	-2.8	12.3	423.1	13.6	331.6	303.3

Market price update

- *The latest GB Weekly Average Price reported on week ending 15th May was £186.84/t down £1.67/t on the previous week*
- *The latest GB Weekly Average Free-Buy price reported on week ending 15th May was £151.53/t down £8.10/t on the previous week.*

Crop Year 2020/21	15 May	8 May	1 May
Average Price (£/t)	186.84	188.50	188.96
AVP change on week (£/t)	-1.67	-0.45	+3.88
Free-Buy Price (£/t)	151.53	159.63	159.37
FBP change on week (£/t)	-8.10	+0.27	+6.80

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



Trading Season July - July Source: AHDB

Maris Piper continues to drive packing demand

Recent re-opening of indoor hospitality has been welcomed by many businesses, and has felt like a big step forward for consumers eager for life to return to something a bit more like normal. Potato markets, however, are yet to see significant benefits from these eased restrictions with the majority of potato trade remaining on contract. With in-home dining continuing to be the 'norm' among consumers, packing demand remains strong with Maris Piper leading the way over other varieties. Demand for Piper has driven free-buy prices up and there is now a considerable price difference between Piper and Whites. In Scotland, the Median free-buy price for Piper is £255/t ex farm, £200/t ex farm more than Whites (£55/t ex farm). There are reports of some good quality Piper stocks reaching highs of £350/t ex farm with tightening availability of remaining Piper continuing to drive up farm gate prices. Whites prices remain low and are unlikely to change as we approach June and July. There is a plentiful supply of Whites in the market with some growers struggling to find a home for their remaining stocks.

The trend in Scotland is the same in English markets. The Median price for Piper in England is £300/t ex farm, a £212/t ex farm premium over Whites (£88/t ex farm). Free-buy prices for premium packing Piper have reached highs of £350/t ex farm with availability of good quality material continuing to tighten. Conversely, Whites are trading around £88-£130/t ex farm with limited demand.

As we move towards the end of the season, quality becomes even more crucial in free-buy markets and we may see prices for Piper continuing to rise in June and July. It is not uncommon for packers to flex quality specifications for crop passing over packing lines during seasons with tight supply. Packers will aim to utilise as much crop as possible with only major defects such as rots, damage/bruising, and internals being discarded.

Planting on the whole has gone well across Scotland, but the prolonged cold and wet weather is likely to impact on emergence and crop development. We may see an extended 'old crop' season which would be welcomed by growers with surplus Whites stocks.

Other Market Prices

Grade 1 packing Reds in England are trading around £230/t ex farm with highs of £250/t ex farm reported.

In the bags sector, poor weather has slowed demand but high quality stocks of popular varieties continue to drive prices and sales. In the East of England bags sector, chipping Agria is trading around £350/t ex farm with highs of £380/t ex farm reported where there is a tightening of supply. Markies is trading around £220/t ex farm with highs of £300/t ex farm.

In the West of England, chipping Whites are trading around £125/t ex farm and in the South of England, chipping Whites are trading around £150/t ex farm.

Future topics welcomed….

Due to the recent announcement that the provision of AHDB potato market intelligence, data and prices will no longer be available from July, we will move to quarterly reporting, focusing on specific topics which influence the Scottish and UK potato markets. If there are specific topics you would like us to cover, please email: Janis Forrest, janis.forrest@sac.co.uk

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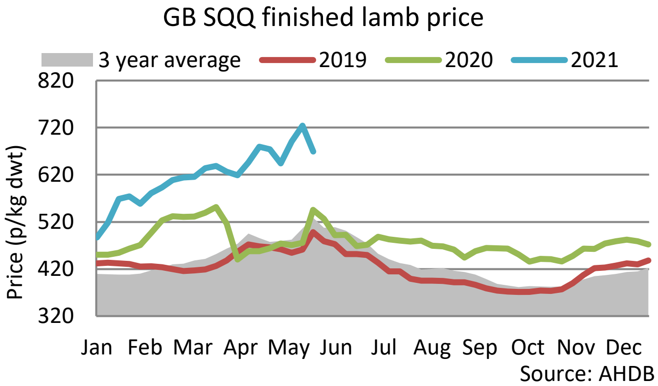
Transition to New Season Lambs

As we reach the tail end and final draws of the 2020 born lambs, the throughput of the new season crop is rising in both live markets and abattoirs. Prior to Christmas the market for the 2020 born lambs was so uncertain, but we are now coming to the end of a remarkable season. The last of the hoggs coming forward have largely been of poorer quality and some are starting to scale teeth. New season lamb is trading exceptionally well, with the week ending 22nd May having an SQQ of 668.0p/kg showing a decrease on the last week of 52.6p/kg, largely due to increased numbers coming forward (39.6%).



Even though the weather has been a massive challenge for many, lambs are growing on well, combined with good prices, it will be interesting to see how trends emerge, and if we see higher levels being marketed early to capitalise on the high prices.

Cull ewes have seen a movement in price, largely driven by Ramadan ending on 12th May, but this trade still remains strong, with a high demand for mutton. Ewes with lambs at foot are still trading, which have been knocked slightly with the lack of grass, however prices are high, perhaps showing confidence in lamb sales later in the season.

Wool market update

It is always interesting to watch global wool sales, and the Australian market is currently trading, where reports show that merino wool has been trading well, largely due to very low stocks in China, the Merino wool measuring less than 18.5-micron is showing the strongest demand. However, crossbred wool is in an abundance and low price, it seems a large amount of the South American wool crop was taken to China and abandoned prior to lockdown restrictions closed borders. With the European (and UK) shearing season approaching fast, this will increase the volume of crossbred wool on the market place. But, the British Wool Marketing Board have reported the sale held on 25th May had a 96% clearance, with a 2% price increase from the previous sale from two weeks prior.

Trade Deals

This is a subject that is definitely gaining a lot of column room at the moment, and quite rightfully so. If this Australian and possibly New Zealand trade deal is agreed it would allow a zero tariff agreement. Then there is potential for a high volume of high value cuts e.g. legs coming in at a discounted price compared to the UK product. They do both run extensive sheep systems but have very different welfare standards to the ones we comply with here in the UK e.g. tail docking, traceability, etc.

We must remember thought that it is cheaper and therefore more attractive for these countries to export their product to countries who are geographically closer e.g. the Middle East and China. Global demand of protein, including sheep meat, is growing and both Australia and New Zealand are still recovering from the effects of the 2020 drought, meaning ewe numbers are lower, and the lamb crop is smaller than previous years. It is reported in New Zealand that with the tight domestic and global demand, that meat companies are offering forward contracts for July and August of between $8-9.1/kg (£4-4.60/kg). Which is a premium compared to their current price of ~£3.50/kg. If we compare this against our current SQQ of 668p/kg (£6.68/kg), you can see why this product may be of interest to import by our supermarkets, food sector, etc.

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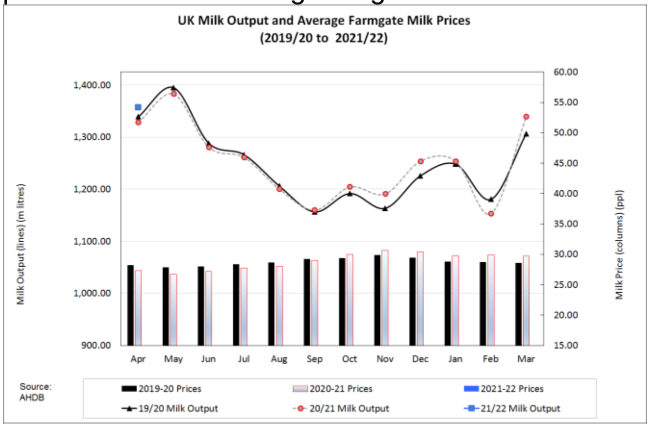
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish	Ewes (£/hd) Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
8-May-21	**689.2**	39.4	-0.3	-1.6	**304.90**	14.4	12.7	12.5	97.87	104.21
15-May-21	**720.6**	31.4	-0.5	-6.5	**329.70**	24.8	0.2	20.8	89.06	91.80
22-May-21	**668.0**	-52.6	6.0	-3.9	**319.60**	-10.1	-5.8	12.1	85.78	92.40

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

Further growth to milk output

- *The record high milk production seen throughout 2020/21 has continued into the new milk year, with UK milk output for April 2021 an estimated 28.62m litres higher than April 2020.*

UK monthly milk output for April 2021 is estimated at 1,357.29m litres (before butterfat adjustment). This is 28.62m litres higher than April 2020 output when UK production for the month stood at 1,328.67m litres. Milk output continued to grow during the second half of April 2021 despite the dry weather and relative low temperatures giving rise to less than optimum conditions for grass growth.



No further update is available on monthly average prices, with the latest AHDB data showing prices up to March 2021. More recently, some farmgate price rises have been announced for June whilst AMPE and MCVE have both improved during May.

UK dairy commodity prices (£/ tonne)	May 2021	Apr 2021	Nov 2020
Butter	3,350	3,450	3,050
SMP	2,210	2,150	1,960
Bulk Cream	1,348	1,405	1,370
Mild Cheddar	2,980	2,980	2,920
UK milk price equivalents (ppl)	**May 2021**	**Apr 2021**	**Nov 2020**
AMPE (2020) *	33.20	33.11	29.15
MCVE (2020) *	33.55	33.45	31.55

Source: AHDB

Farmgate prices: June & July 2021

There are several farmgate price increases to report as prices continue to strengthen on the back of a resurgence in demand. Price announcements for June and July 2021 include:

- Fresh Milk Company (Lactalis) – FMC has announced a 1.25ppl increase from 1st June 2021. This is the first milk price adjustment since November 2020. See milk price table.
- First Milk – FM has confirmed a further 0.50ppl price increase for June 2021. See milk price table. This follows a 0.50ppl increase during last month.
- Graham's Dairy – Graham's Dairy has confirmed a 1.00ppl increase for June 2021, with a further 1.00ppl increase looking likely for July 2021, subject to no significant changes in the market. This takes the liquid standard litre price for June 2021 up to 28.00ppl.
- Arla Foods amba – Arla has confirmed a 0.50 eurocents/kg price increase for June 2021. This equates to a rise of 0.44ppl and takes the manufacturing standard litre price up to 33.23ppl. The liquid standard litre price increases by 0.43ppl to 31.98ppl.
- Arla organic supplies – Arla's organic milk prices will also increase by the same level as conventional supplies, with the manufacturing price for June 2021 rising to 41.59ppl and the organic liquid standard litre rising to 40.02ppl.
- Müller Direct – Müller has confirmed a 1.00ppl price increase from 1st June 2021. This takes the liquid standard litre up from 27.25ppl to 28.25ppl. Suppliers in Scotland will receive 28.00ppl, after allowing for 0.25ppl additional haulage charge.
- Yew Tree Dairy – As reported last month, producers supplying the liquid pool will receive a 2.00ppl price increase on all A litres from 1st June 2021. This takes the liquid standard litre up from 27.10ppl to 29.10ppl.

Annual Average milk price estimates for June 2021 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	29.00
First Milk Liquid [1, 2]	28.96
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	29.93
Müller - Müller Direct - Scotland [1, 3]	28.00
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/Lidl – 3 year fixed price option

Müller Milk & Ingredients and Lidl have announced a new fixed price offer of 29.00ppl for Müller Direct suppliers. The new fixed price offering follows the completion of the previous three-year contract with Lidl which saw Müller Direct suppliers receive 28.00ppl. The agreement with Lidl allows contracted farmers to supply 50% of their milk volume at 29.00ppl for a three-year period, commencing July 2021. The remainder of the volume produced will attract the Müller Direct milk price (see table above). The aim of contract is to provide supplying farmers with some degree of price security for a fixed term.

Scottish milk production & processing

Reports from AHDB indicate that Scottish dairy farmers produced 1.50 billion litres of milk during 2020/21. Of this total, 16% was transported south to England for processing. This follows earlier concerns from processors regarding the growth to milk production volumes in Scotland.

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Whole Farm Benchmarking

In April we wrote about the results of the Scottish Farm Business Survey (SFBS), a detailed economic and environmental survey of 420 farms carried out by SAC Consulting on behalf of the Scottish Government.

The other significant output from the SFBS is the latest up-to-date Whole Farm Benchmark Tool now available on the [FAS.scot](https://www.fas.scot) website: https://www.fas.scot/rural-business/business-tools/whole-farm-benchmarks-tool/

Benchmarking is the comparison of the financial and technical performance of a farming business with other businesses of similar size and type. It is also valuable to benchmark performance year on year within the same business to track change. It can help identify areas for improvement and inform decision-making. This can help a farming business to become more efficient.

Creating Group Averages

Each farm in the survey receives an individual benchmark performance report upon completion of the survey year. This compares their figures with group average data from farms of a similar size and type to their own.

We remove certain farms from the dataset, e.g. the organic farms, as they often don't compare like with like. We also remove farms that are undergoing a change in their primary production e.g. moving from dairy to beef.

Each farm in the remaining dataset (387 out of 407) is allocated to a farm type based on 2/3 or more of their output in a particular sector. There are 7 farm types. There has been a statistical weighting applied to each farm's figures to prevent any one outlying farm skewing the data. This helps to improve the validity of comparisons. This dataset is further subdivided into group average data for physical farm size, or in the case of Mixed Cattle & Sheep (LFA), the percentage of rough grazing, so comparisons are possible with similar sized farms.

Using the Tool

The Whole Farm Benchmark Tool is a free tool available to all farmers, consultants and educators. To get started, follow the link above, choose from the drop-down menu which farm type best describes the business. There are PDFs or Excel spreadsheets to download. Compare figures on a range of measurements to the size of business that best reflects yours. There are also averages for the best performing 25% of farms in each group marked *upper 25%. The glossary explains all farm types and terminology used.

Home page for the Whole Farm Benchmark Tool

What is Farm Business Income (FBI)?

Results are expressed as FBI. This is very similar in most cases to net profit in a business. Any differences can be explained by the inclusion of property depreciation at replacement cost. We also value all agricultural output at as close to actual sale prices rather than end of year stock valuations, so this better reflects the real income farmers receive.

These reports allow farmers to compare their individual results for outputs, in terms of price and productivity, and input costs, fixed and variable, with farms similar to their own. They can also compare themselves with the top performing 25% of farms in their group. The caveat with benchmarking is that no two farms are the same, so all results must be interpreted with that in mind. However, benchmarking is a proven way to improve business profitability and sustainability.

If you have any questions please email or call the Farm Advisory Service (FAS) advice line advice@fas.scot or 0300 323016.

Looking Ahead

Later this year at SAC we are excited to launch a 30-minute benchmarking tool for upland beef and sheep farmers. We recognise that farmers need access to resources fast in a way that makes a difference. Watch this space.

Finally, we would like to thank all the farming businesses in Scotland whose participation in the SFBS has helped to create these resources.

Taking part in the survey is voluntary and confidential. In return, farmers receive a Farm Business Report, the Benchmarking report, and a Whole Farm Carbon Audit. SAC Consulting is particularly keen to speak to beef and sheep farms, with a turnover of £30,000 to £100,000, as well as others for whom this information is useful.

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With the climate agenda pressing across all areas of the economy, Scottish Government has set targets to become net-zero by 2045, as well as intermediate sector targets including a 32% emissions reduction in agriculture by 2032.

As part of devising a net-zero roadmap for Scottish agriculture, sectoral farmer-led groups were commissioned in late 2020 (except the Suckler Beef group which was initiated earlier in the year), to provide advice and proposals to ScotGov on practical climate mitigation measures while supporting the sustainability of farming in an era of various economic challenges.

The group involves various stakeholders including farmers, industry, researchers and policymakers. The initial reports focus on providing a framework for thought and highlighting next steps for research and policy development, which are summarised here.

Beef (SBCG)

The Suckler Beef Climate Group was the first group to be set up, and the only group that has yet attempted to quantify the emissions mitigation potential of various climate measures and 'best practice' for the beef sector (see J Bell et al. 2020 and Thomson & Moxey, 2020). The models estimate that adoption of the 10 on-farm measures, beef GHG emissions can be lowered by up to 38%, acknowledging that some measures may already be in place on some farms. Many of these measures are associated with productivity and so can be win-wins for the producer (e.g. reducing age at slaughter, improving feed efficiency, improving breeding & genetics, feed additives and rations, optimising homegrown feed/forage, improving health & welfare, grassland management etc.). The report proposes a Suckler Beef Climate Scheme to facilitate these measures, and will be reviewed by Scottish Government in the coming months.

Dairy (DSCCG)

Established in January, the Dairy Sector Climate Change Group's report outlines the vision for a Scottish dairy sector based on 'sustainable forage-based milk production,' and 'carbon-positive by 2045'. It calls for: standardised data collection for carbon footprinting, and a Whole Farm Climate Review process, 'enabl[ling] practical action on efficiency, management and productively;, Centres of Excellence to pilot climate measures and Research & Development; and further research into soil carbon sequestration, carbon credits, GWP*, carbon capture & storage etc. The report also emphasises that around 2/3rds of dairy farmers have carried out a carbon audit (many as a supplier requirement), although capital investment and lack of knowledge on practical measures to implement are main barriers to change.

Arable (ACCG)

Published in March 2021, the Arable Climate Change Group calls for the introduction of a Climate Smart Farm Plan based on Integrated Farm Management principles (similar to the LEAF framework). Like other sectors, the report acknowledges that understanding of IFM and mitigation measures is a barrier to progress that needs to be overcome, and also promotes fuller carbon baselines and the incorporation of biodiversity into climate strategies.

Hill, Upland and Crofting (HUCG)

The report from the Hill, Upland and Crofting Group advocates for disaggregation of hill and upland systems in carbon assessment and policy, due to the predominance of LFA land and difference in efficiency and mitigation options available. The importance of biodiversity targets as well as climate targets it also noted, as well as the need for caution around unintended consequences of future payments, such as the distortion of land prices, or production maximisation (rather than optimisation) which might promote unsustainable management practices.

Pigs (SPILG)

The Scottish Pig Industry Leadership Group's report lays out the sources of emissions in pig systems, highlighting that the main component is emissions from feed, and the dependence of the pig sector on the arable sector and a protein strategy for emissions reduction. Other key actions noted include more comprehensive carbon baselines, auditing and mitigation advice, as well as R&D, particularly focused on further productivity and efficiency improvements, energy sources, manure management and sustainable protein feeds.

What happens next?

With the continuation of an SNP majority government, it is hoped that the proposals outlined in the sector reports will be considered and working groups established to flesh out what measures and schemes may look like, similar to the Suckler Beef report. A new set of rural support schemes will be required by 2026, in order to enable the transition from a shadow-CAP payment system to a new public-goods-based one, and it will be important for success that these form a joined-up approach across agricultural sectors, as well as their interactions with other aspects of rural payments and land management.

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Rising Global Arable Production

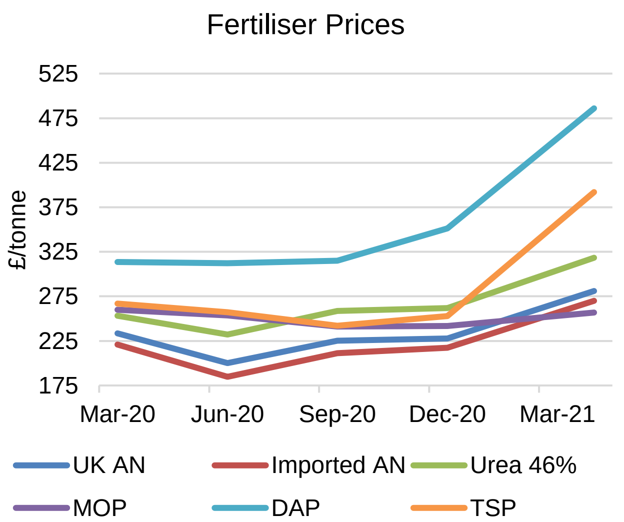
With the growing global energy market and the expectation that the world population will increase by over a 1/3rd from 2009 to 2050; the global acreage of grains and oilseeds is forecast to increase by 3.2% to 2.03 billion acres in 2021/22.

With China, Ukraine, South America, and the United States leading the global acreage expansion, world grain production is expected to rise in 2021/22 by ~ 106 million tonnes (+3.2%) to 3.423 billion metric tonnes.

Fertiliser Prices

Ammonium Nitrate

Due to the rapid expansion in the global acres of grains and oilseeds, Nitrogen production has struggled to keep up, linked to the lags from last year's supply glut and subsequent pandemic-related production delays. As a consequence, the UK has seen Nitrogen prices rise by 42-47% since June 2020 as shown below:



Source: AHDB	UK AN	Imported AN	Urea 46%	MOP	DAP	TSP
June 2020	200	185	232	254	312	257
April 2021	281	270	318	257	486	392
% Increase	40%	46%	37%	1%	56%	53%

*Urea Prices – March 2021

Urea

Partly linked to rising global acreages and partly due to Covid related delays in India's plans to construct a coal gasification plant capable of producing 1.27 million tonnes of urea per year to reduce its need for imported urea (India is one of the world's largest urea importers); UK urea prices have risen by 37% since last June.

Potash

Potash prices have been less affected by rising global cereal and oilseed acreages and the logistical issues caused by the pandemic, with prices climbing by ~7% from £241/t in December 2020 to £257/t this spring.

Phosphate

Phosphate (DAP) prices and Triple Super Phosphate (TSP) have risen by a staggering 56% and 53% respectively from June 2020, linked to rising acreages and tightening supplies for sulphuric acid, the main ingredient for phosphate production.

Source: USDA-Foreign Agriculture Service data,

Outlook

With the on-going pandemic and continued logistical and bureaucracy problems linked to Brexit and coupled with the significant increase in global demand for fertilisers, rising farm input prices are likely to continue through the summer as supply chains are continually being recalibrated.

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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	1.5% (target 2%)
UK GDP growth rate	-1.5% (Q1 '21)
FTSE 100	7,093 (2 Jun '21)

Price indices for March 2021 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	172.9	Seeds (all)	117.9
Barley	143.0	Energy	117.9
Oats	123.1	Fertiliser	110.1
Potatoes	124.7	Agro-chemicals (all)	142.4
Cattle and Calves	117.0	Feedstuffs	129.2
Pigs	106.4	Machinery R&M	115.0
Sheep and Lambs	163.6	Building R&M	119.9
Milk	120.3	Veterinary services	114.7

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