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May 2022

News in brief

Food for thought

While the global pandemic increased the cost of food and energy due to lockdowns and logistical; the ongoing war being raged on Ukraine has pushed prices to their highest levels since the FAO Food Price Index was established in 1990, with prices rising by almost 13% during March, following February's previous record high. As costs of production in all industries continuing to rise, it is expected that the 30-year record high inflation rate of 7% in March will soon lose its place in the record books, leaving more families facing food poverty or the emerging neology 'food insecurity'.

Despite agricultural commodity prices continuing to rise in 2022, balancing the books with the rising costs of production is becoming ever more challenging. While economies of scale can help spread the risk; due to growing numbers of forestry, lifestyle, and 'Environmental, Social and Governance' (ESG) buyers entering the market for carbon capture or rewilding opportunities, the resultant 20% increase in arable land values over the past year has priced many farming businesses out of the market and pushed land purchase dreams well beyond the gasp of most young farmers and new entrants. Losing productive land will put further pressure on food production.

With sights firmly set on achieving 'Net Zero' by 2045, the launch of the 2022 Sustainable Agricultural Capital Grant Scheme (SACGS) with help to reduce the financial burden of seeking to reduce ammonia emissions linked to the storage and/or spreading slurry or digestate.

Last, but certainly not least, good grassland management both for grazing and for winter forage will be paramount to maximising livestock and milk margins this year. Food insecurity doesn't just apply to humans.

Next month:

- Carbon Credits
- Feed Additives

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This month's editor:
Christine Beaton

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

SAC CONSULTING

Scottish Government
Riaghaltas na h-Alba
gov.scot

2022 Single Application Form

Due to the 15th of May falling at a weekend, the deadline for submitting the 2022 Single Application Form (SAF) is midnight on the 16th of May. If required, supporting documentation is also required by this deadline. These should be emailed or posted to local RPID area offices or uploaded to Rural Payments and Services. If posting documents, ensure copies are kept in case they go missing.

Please note: Paper SAFs will only be considered by RPID in a very limited range of exceptional circumstances. Prior approval must be sought in writing from RIPD.

Sustainable Agriculture Capital Grant Scheme

The 2022 Sustainable Agriculture Capital Grant Scheme (SACGS) opened midday on 26 April 2022 and will close at midnight 01 June 2022.

SACGS provides financial support to businesses in Scotland for investment in equipment to reduce harmful ammonia emissions and the adverse impacts on water quality resulting from the storage and spreading of livestock slurry and digestate.

To be eligible for support funding farmers, crofters and agricultural contractors must:

- store and/or spread slurry or digestate, and
- have or agree to obtain a carbon audit or a nutrient management plan (these will have to be provided at the point of claiming grant to receive payment).

The maximum amount of aid a single farm business can receive is £20,000. This means one application per Business Reference Number (BRN).

Grant awards will be based on 40% of the standard cost listed in the Full Scheme Guidance except for businesses in the Highlands and Islands (HIE area) which will receive a higher grant rate of 50% (linked to higher transportation costs in these areas).

Applications can be made online using the new 'Manage Applications and Claims Service' using existing Rural Payments and Services login details. Agents and Business Representatives mandated to maintain and submit Single Application Forms (SAF) on behalf of a farmer or crofter, can also submit a SACGS application on their behalf.

Further scheme details and the link to the application form can be found here:

Avian Flu housing measures ending

The mandatory housing measures for poultry and captive birds, which were introduced across the United Kingdom to help stop the spread of bird flu, will be lifted from 00:01 on Monday 2 May 2022.

While poultry and other captive birds will no longer need to be housed and will be allowed to be kept outside, unless they are in a Protection Zone; the Avian Influenza Prevention Zone (AIPZ) will remain in force across the UK. This means all bird keepers (whether they have pet birds, a commercial sized or a backyard flock) must be diligent in continuing to take effective and precautionary biosecurity measures including cleansing and disinfecting equipment, clothing, and vehicles, limiting access to non-essential people on their sites, and workers changing clothing and footwear before entering and when leaving bird enclosures. All poultry gatherings will remain banned.

Poultry and captive bird keepers must remain vigilant for any signs of disease in their birds and any wild birds and seek prompt advice from their vet if they have any concerns. Dead swans, geese or ducks or wild birds, such as gulls or birds of prey, should be reported through the Defra helpline Tel.03459 33 55 77.

Support for Ukrainian workers in Scotland

A new Worker Support Centre, run by charity JustRight Scotland is to be set up offering vital advice and urgent practical support to Ukrainian seasonal horticultural workers in Scotland. The centre will be staffed with former horticultural workers who speak Ukrainian and Russian.

Key dates for May & June

Date	Action
16th May	▪ Deadline for IACS Single Application Form – midnight. ▪ SGRPID deadline to receive form PF06 (Land maintenance) – land transfers.
26th May	▪ Deadline for revised AECS supporting document submission.
1st June	▪ Deadline for SGRPID to receive amendments or additions to your SAF (if previously received it on or before 15 May) without payment penalty.
1st June	▪ Deadline for the Scottish Sustainable Agricultural Capital Grant Scheme (SACGS) applications – midnight.

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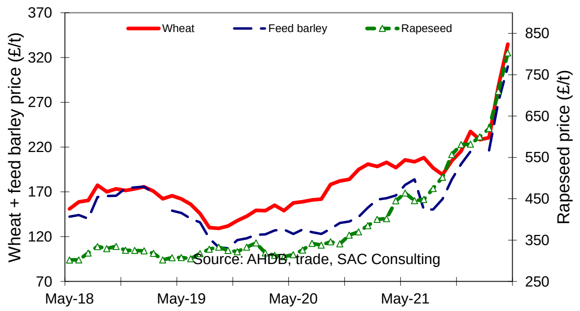
C e r e a l s a n d O i l s e e d s

World prices remain firm

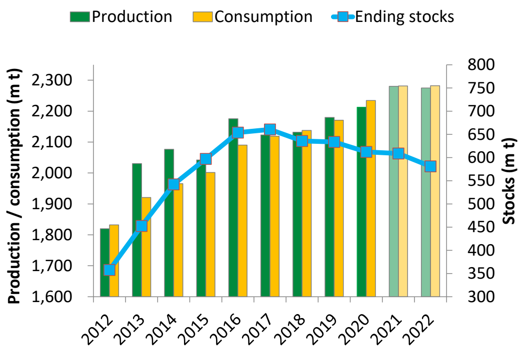
UK grain prices remained firm and oilseed rape prices have risen significantly in the last month. Spring sowing conditions have been good across the UK with dry conditions. Crops in the south of England may require rain soon.

Cereal and oilseed prices (Scotland)



World grain stocks-to-use ratios have been falling for 8 years and the trend is expected to continue in 2022/23 according to IGC. What the chart below doesn't show is how accessible these stocks are to the market; the answer is, not very given Russia's blockade of Ukraine and China's large strategic stockpiles.

World grain supply, demand, and stocks



Source: USDA, IGC

Global bullish factors

- Fall in Ukraine spring plantings, ongoing blockade of exports.
- Drought in US winter wheat belt.
- Late, wet spring in US corn belt.
- Export ban for Indonesian palm oil.
- High fertiliser and fuel prices.

Global bearish factors

- Strong wheat exports Argentina, Brazil & Oz.
- Livestock sectors facing margin squeeze.
- Political export bans can be removed quickly.

US sees slow spring plantings, drought

Spring crop plantings in the US are lagging well behind average due to cold and wet conditions in the Midwest. The late season is increasingly favouring soya as maize passes its date of optimal sowing to maximise yield potential. Maize is currently 2.02 times the bushel price of soyabeans – generally a ratio >2.4 favours a rise in maize sowings but high N fertiliser prices mean this ratio needs to be lower to favour maize. Winter wheat crops are also seeing poor crop conditions with the worst USDA crop conditions ratings since 1989.

Ukraine storage and transport

Russia's blockade of Ukraine's Black Sea ports is preventing Ukrainian crops being sold. Unless the conflict is resolved very soon farmers face the prospects of a harvest without sufficient storage. This is expected to contribute to a 17% to 33% cut in spring crop sowings. Much of the recent hike in grain prices is because Ukraine and some Russian grain and oilseed is blocked from entering the world market. A resolution of the conflict at some point would allow these stocks to reach the market, however, this would be tempered by the expected losses of new crop production that are now built in.

Oilseeds prices firm on Indonesia ban

The loss of access to Ukrainian sunflower oil supplies has driven up prices and forced world vegetable oil buyers to switch to other oils - rapeseed, soya, and palm. In order to protect its own consumers, Indonesia – the world' largest palm oil exporter (28mt in 21/22 almost double next in line Malaysia at 16.2mt) has banned the export of palm oil. This has pushed oilseed rape futures prices almost £70/t higher over the last month and physical spot rapeseed prices even higher still at times. As countries struggle to stabilise prices for their citizens; politically motivated trade barriers can be imposed at short notice. However, they can also be removed quickly too.

Cereal and oilseed prices – as at 26/4/22

£ per tonne	May '22	Aug '22	Nov '22	Nov '23
Basis: Ex farm Scotland / Delivered OSR				
Wheat	336	305	310	240
Feed barley	311	265	270	
Malt. dist. barley		295		
Oilseed rape*~	1020	900	910	700

Source: SACC, AHDB, Graindex

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Domestic price rises slowing down

In Scotland, the finished beef price has continued to rise; up 7.6p to 445.7p/kg for an R4L for the week ended 16 April, with the price in Northern England slightly ahead at 447.4p/kg deadweight.

No surprise that with winter sheds emptying and the young bull season yet to fully kick, the availability of cattle coming forward appears to be limited; going forward, numbers are expected to be tight.

In the year to date, AHDB data shows that for Scotland, the number of steers slaughtered is down 13%, heifers are down 10% and young bulls are down 14%. This reduction in cattle numbers will have no doubt helped the trade reach where it is.

Retail sales

Whilst the beef trade is still very strong (up 18% on the five-year average); there may come a time when the price of beef is too high for some consumers.

Kantar data for the 12 weeks ending 20 March 2022 shows that for total UK beef sales (retail), the sales price increased by 6% year on year and volume dropped by 14% year on year.

Cuts with the biggest price increases also saw the largest drop in sales volume:

- Steaks price up 10.5%, volume down 27%.
- Roasting joints price up 13%, volume down 33%.
- As consumers see mince as one of the cheaper meat, the volume of sales only dropped 13% despite a 9% increase in price.

With household incomes under pressure, it remains to be seen the impact it will have on the hospitality sector and whether, to reduce spending, consumers may return to pandemic shopping behaviours where they replicated eating out in the home.

Cow trade flying

The cull cow trade has continued to rise above all previous records with quotes for R grade cows ~ 400p/kg deadweight. The Global and UK demand for manufacturing beef continues to drive this trade as consumers look for cheaper beef options.

The number of cows slaughtered in Scotland in the year to date is up 4%. With cows continuing to be in high demand, it will be very hard to justify keeping an unproductive cow through this summer.

Many breeding cattle sales will be starting this month and it will be interesting to see how the commercial end of these sales compare to this high cull value, especially with the increases in input costs quickly swallowing up any additional income.

Global trade

Scotland has often been cited as having the most expensive beef in the world, however that is no longer the case. Australian beef is now topping the price tables at over 600p/kg DW (and has been for some time now as they are now exporting into the ever-growing Asian market).

Prices on mainland Europe are continuing to rise with R3 males at 512c/kg which is a rise year on year of around 35%. Irish beef prices are being quoted around 403p/kg. However, there is frustration that these prices are still considerably lower than the key Continental markets that a proportion of their kill is destined for.

Grass fever?

The trade for forward stores has continued to be strong with highs of 270 +p/kg and averages ~ 250p/kg. With larger numbers of younger, lighter cattle now coming onto the market and better grass growing conditions, the demand for these stores should remain steady, albeit with a little nervousness about the cost of feed to finish them.

QMS figures released at the end of April show a drop year on year on the store trade for all ages of both steers and heifers, which is not surprising as this time last year the beef trade was around 430p/kg, feed barley was £190/t and fertiliser was £350/t. With attention focusing on rising costs of production, over the summer, grass is still one of the cheapest feeds available.

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Prime cattle prices (deadweight) (Source: drawn from AHDB data)

R4L Steers (p/kg dwt)			-U4L Steers			Young Bulls -U3L		Cull cows	
	Change on week	North Eng.Diff		Change on week	North Eng.Diff		North Eng. Diff	R4L	-O3L
438.1	6.7	2.5	**434.2**	5.8	1.8	428.6	-9.6	382.1	356.5
443.3	5.2	3.7	**441.3**	7.1	2.7	440.1	-3.3	391.2	367.8
445.7	2.4	-1.7	**443.0**	1.7	-5.6	443.5	-2.2	400.8	375.0

Rising Land Values

Driven by limited supply and increased demand, once again farmland values in Scotland rose during 2021.

Growing numbers of forestry, lifestyle, and Environmental, Social and Governance (ESG) buyers are entering the market for carbon capture or rewilding opportunities adding to the competition with farmers and crofters.

Agricultural land values can be highly variable depending on productive capacity, soil type, location, previous land management, and opportunities for diversification or renewables. The 'marriage' effect can also drive up prices, with farmers bidding more for neighbouring land to save on 'commuting' costs and/or to avoid the need to gear up a second unit.

Arable

Driven by a shortage of availability arable land values increased by a staggering 20% from an average of £5,800/acre in 2020 to £7,500/acre in 2021. Land in East Lothian was recorded at more than twice the 2021 average at £19,500/acre.

With high yielding arable gross margins in the 2021/22 SAC Farm Management Handbook ranging from £323 - £472/acre for spring crops and £494-£739 per acre for winter crops, current land values are not being driven by earning capacity.

Influence of Forestry on Land Values

With an increase in interest in offsetting carbon emissions and carbon farming, there is a stark contrast between land eligible for grant aid through the various woodland and forestry grant schemes and farmland deemed unsuitable for forestry planting.

While rough grazing or hill land suitable for trees fetched between £2,500/acre and £5,500 per acre in 2021. In comparison, farmland unsuitable for forestry planting ranged from £2,000/acre down to just £200/acre.

It can be seen from the 2021/22 SAC Farm Management Handbook hill and upland livestock gross margin table that, like the arable sector, with gross margins varying from £3 - £52 per head for hill and upland ewes and from £252 - £533 per head for hill and upland suckler cows, land values for hill and rough grazing land suitable for forestry is not being driven by its earning capacity from traditional livestock enterprises.

2021/22 FMHB Gross Margins	**Hill £/head**	**Improved Hill £/head**	**Upland £/head**
Suckler Herd	252 -308		481-533
Breeding Sheep	3 -17	6-26	26-52

Land Availability

While it is predicted that the supply of land will increase over the next few years linked to changing agricultural policies and landowners seeking early retirement and/or to capitalise on the strong market. However, at the same time, the demand from forestry and ESG buyers is expected to increase.

New Entrants and Young Farmers

Whilst existing landowners may be able to spread the financial risk of purchasing additional land, for new entrants and young farmers, land values averaging ~ 10 times enterprise gross margins, this may mean that the ultimate dream of owning their own land is on hold or simply not an option. However, there are several other opportunities available to enter the agricultural industry. Alternatives to land ownership include seasonal lets, tenancies, and joint ventures. In crofting areas, sub-letting of crofts is also possible.

As a guide some rental values can be found in the SAC Farm Management Handbook but as with land values, these are highly variable and can be influenced by location, farm type, duration of tenancy, facilities, and farm size. These opportunities are highly sought after, so competition can be fierce.

Where to look for new land opportunities

Although finding suitable land can be challenging, social media is increasingly becoming a valuable tool to match demand with supply. Equally, the Scottish Land Matching Service (SLMS) (https://slms.scot/) can facilitate introductions and discussions between matches on their database.

Further information on buying agricultural land, tenancies, seasonal lets and joint ventures is available on the New Entrant pages of the FAS website.

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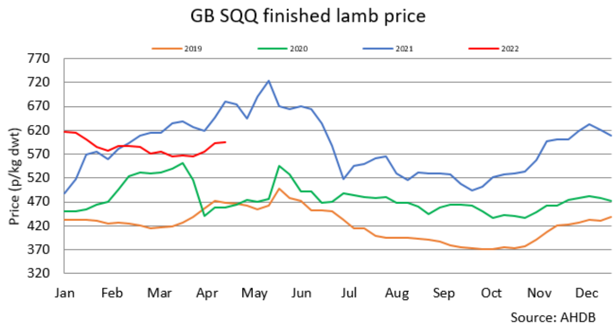
Farming Standards

The UK – Australian Free Trade Agreement was virtually signed in December 2021 and has since created much discussion on the farming standards in Australia compared to in the UK, especially that of welfare standards and mulesing of sheep to prevent flystrike, which is prohibited in the UK. A report has recently been issued where a group of UK scientists discussed the issues raised with a number of bodies in Australia, the conclusion from the report was that only merino sheep aimed for wool production in specific areas of Australia are mulesed not lambs for meat. A small amount of mutton from the merino ewes may reach the UK. A proportion of the wool from these mulesed ewes currently comes to the UK, of which there is no duty on this product. Other issues raised in this report are the travel conditions, stunning and CCTV in abattoirs, pain relief and environmental concerns. The full report can be found here:

Decarbonisation Initiative - New Zealand industrial businesses are currently being offered government funding to decarbonise operations to help achieve net zero goals for 2050, as well as economic recovery from covid-19. The New Zealand fund is allowing the supply chain businesses to substantially reduce emissions while reducing costs. While competing for global trade, low emissions has huge marketing potential, it is good to learn from countries such as NZ as to how they are progressing to their targets, and how funding allows these steps to be taken at a greater speed.

UK Trade - With both Easter and Ramadan celebrations taking place in April, domestic sheep demand has been high, which has reflected in both the lamb and cull ewe trade. Cull ewes have shown phenomenal trade with the average Scottish ewe being ~£115/head for the week ending 20th April, a premium of ~£18 on the same week last year. Ramadan ends on the 1st of May (depending on the moon sightings), followed by the celebration Eid al-Fitr (the feast to break the fast). Demand will remain high for cull ewes throughout this period. Although the sharpness will edge off following this, we are seeing a high domestic demand for the near future. The lamb trade has been strong, with the Easter demand, followed by a short week for processing with Easter Monday, limiting the numbers slaughtered. The SQQ for deadweight lambs for the week ending 16/04/22 was 595.40p/kg. This is behind last year's levels, although well above that of 2020 and 2019.



While we are experiencing a high domestic and global demand for lamb; the EU sheep flock is declining, especially in Greece and Spain, meaning a higher reliance on imports from countries like the UK. The EU flock (sheep and goats) is currently reported at a historically low number.

Export - AHDB data shows that export of lamb is recovering to pre Brexit and pre pandemic levels, with a 66% increase of imports total of 1,900 tonnes of fresh and frozen lamb) in Feb 2022 compared to Feb 2021; the highest level since February 2018. The volume of legs in these exports has decreased with a reduced demand from the service sector with restaurants choosing to offer reduced menus/days of service due to rising costs and staff shortages.

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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**
2-Apr-22	**578.6**	9.7	-1.7	-1.1	**266.50**	6.6	12.4	18.8	107.64	117.86
9-Apr-22	**595.8**	17.2	-4.9	-0.8	**274.70**	8.2	11.1	24.8	113.77	114.05
16-Apr-22	**600.6**	4.8	-1.2	-0.4	**274.90**	0.2	10.3	22.7	114.97	115.78

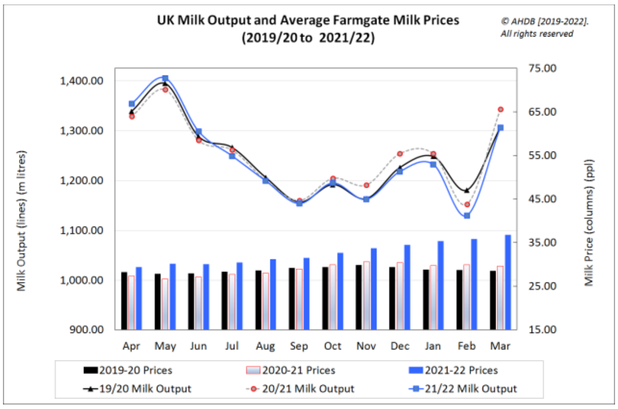
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg Source: AHDB and IAAS

Continuing rise to farmgate milk prices

- *The outlook for UK farmgate milk price remains extremely positive, despite being in the period of peak production.*
- *UK milk output for March 2022 is down by 39.90m litres on a year-on-year basis. For the 12-month period ending 31st March 2022, UK output has reduced by 108.12m litres on the previous year.*

Milk production statistics from AHDB show that output for March 2022 is estimated at 1,306.30m litres (before butterfat adjustment) – a reduction of 36.90m litres compared to March 2021. The latest production figures mean that UK cumulative production to the end of March 22 is estimated at 14,906.36m litres (108.12m litres down on the same period last year). Most milk buyers have announced price increases for May 2022 on the back of increases for April and the medium term outlook for milk prices is looking positive.

The UK average milk price for February 2022 was reported previously at 35.88ppl. For March 2022, the UK average milk price is calculated at 36.79ppl (up 0.91ppl). Looking at the prices reported below for May 2022, most farmgate prices are now heading over 40.00ppl, with only a few exceptions.



Farmgate prices: May 2022

Price announcements for May 2022 include:

- Arla – the member price will increase by 4.0 euro cents from 1st May taking the liquid standard litre price up 3.45ppl to 41.65ppl; the manufacturing standard litre rising by 3.58ppl to 43.30ppl.
- Arla Organic - the organic milk price for May 22 will increase by 3.0 euro cents; taking the organic liquid standard litre up by 2.58ppl to 47.95ppl; the manufacturing standard litre for organic supplies rising by 2.68ppl to 49.85ppl.
- Müller - Müller Direct suppliers will receive a 3.50ppl increase from 1st May 2022. This takes the liquid standard litre price up to 39.75ppl for suppliers in Scotland. See Milk Price table.
- Fresh Milk Company – following the 1.50ppl increase for April, FMC has confirmed a 3.50ppl increase from 1st May 2022. This takes the liquid standard litre price up to 40.00ppl; the manufacturing standard litre rising to 41.61ppl.
- First Milk – FM milk price will increase by 3.30ppl from 1st May 2022. See Milk Price table below for May 2022 milk prices.
- Graham's Dairies – Suppliers are set to receive a 4.00ppl increase from 1st May 2022. This record increase takes the liquid standard litre up to 40.00ppl.
- Tesco – Tesco has confirmed that it has revised its cost tracker and that the changes will result in a 6.68ppl milk price increase from 1st April. This takes the price for Müller suppliers up to 40.84ppl. The milk price for Arla suppliers will move up to 40.59ppl.
- Co-op – The Co-op has confirmed a 4.06ppl increase from 1st April 2022 for Müller members of the Cooperative Dairy Group (CDG). This takes the liquid standard litre price for April to 37.97ppl. The Coop has also confirmed a switch from quarterly to monthly price reviews.
- Sainsburys (SDDG) – After replacing an initial 0.40ppl increase with a 4.72ppl lift in April, SDDG suppliers will receive a further 0.88ppl from 1st May 2022. This takes the liquid standard litre price up to 39.50ppl for Müller suppliers and 39.38ppl for Arla suppliers.

Annual average milk price estimates for May 2022 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis / Fresh Milk Co. (No profile or seasonality) [1]	40.00
First Milk Liquid [1, 2]	38.73
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	40.05
Müller - Müller Direct - Scotland [1, 3]	39.75

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

2 *The FM member premium is set to remain at 0.50ppl from April 2021.*

3 *No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium and additional 0.25ppl haulage charge for Scottish suppliers.*

Dairy wholesale prices

UK dairy commodity prices (£/ tonne)	Apr 2022	Mar 2022	Oct 2021
Butter	5,890	5,460	3,780
SMP	3,430	3,330	2,330
Bulk Cream	2,612	2,330	1,855
Mild Cheddar	4,520	4,280	3,240
UK milk price equivalents (ppl)	**Apr 2022**	**Mar 2022**	**Oct 2021**
AMPE (2021)	56.32	54.48	36.57
MCVE (2021)	51.98	49.95	36.56

Müller / Lidl fixed price hits 40ppl

Lidl have agreed to increase the liquid standard litre milk price to 40.00ppl for suppliers on their fixed price contract with Müller. The new deal equates to an increase of 7.00ppl and takes effect from 1st May 2022. The contract between Lidl and Müller initially launched in July last year with a fixed price of 29.00ppl before increasing to 33.00ppl in January this year in recognition of rising input costs.

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Targeting high quality silage

Preparation for first cut silage is already underway on some farms across the country. The rising cost of inputs has put more of a focus on silage to feed stock over the winter. Rising feed prices have proven the value of producing high quality forage.

An important factor to consider is the cost of making silage. SAC consultant Craig Bothwell has estimated the cost of making silage bales this year to be in the region of £39/bale based on a 700kg bale (£55 per tonne fresh weight).

Although grass is often seen as the cheapest feed source available, this may not be the case were making poor quality, low dry matter, stemmy grass silage. This investment only makes sense on producing good high ME, high DM silage. With the relative feed value of high ME silage (11ME) worth an estimated £84/tonne; based on the price of barley being £319/t and rapeseed meal at £452/t, which pushes the value of energy and protein up considerably this year.

Making high quality silage offers many benefits, including:

- Reduced reliance on purchased concentrate feed.
- Higher intakes.
- Improved daily liveweight gain.
- Shorter finishing period.

Targeting high quality silage requires crucial management decisions, including:

- when to cut,
- storage conditions, and
- feed-out.

Attention to detail at every stage is required to achieving, and minimising losses of high-quality silage. In instances where going for bulk over quality is the priority, consider taking an additional cut of silage

It is important to balance quality and quantity e.g. prioritising making top quality, 1st cut silage for growing/finishing stock/autumn calving sucklers/ pregnant ewes and using slightly lower quality 2nd cut silage for feeding spring calving suckler cows.

To feed more forage and maintain high animal performance, forage must be high in available nutrients. Digestibility (or D value) is the main factor that determines the metabolisable energy (ME) content of silage and is also a key factor influencing intake.

The main influences on making high quality silage are:

1. Cutting Date

It is the most important factor affecting silage D value. As the crop begins to bulk up and yield increases, quality declines. D value falls by 0.5 unit/day from when the grass starts to push up flowering stems

2. Grass varieties

Ideally, a silage mixture will contain grasses with similar heading dates'

3. Nutrient management

Accurately managing fertiliser and slurry applications can reduce costs of production..

4. Wilting time

Rapid wilting ensures minimal losses in the field and better preservation of the grass silage (ideally <24 hours or for crops with high amounts of clover 48 hours). Long wilting increases field DM losses and increases the likelihood of aerobic spoilage

5. Good clamp/ bale management

This ensures minimal nutritive losses and ensure good preservation. Ensure good consolidation to squeeze out as much air as possible to target a silage density of 700 – 750 kg fresh weight/m^3. The Ideal filling depth is 15 cm (6 inches) compacting each layer as you go.

The table below shows the difference in the level of concentrate required to achieve the same level of liveweight gain in a 350kg steer. As the silage quality reduces as does the predicted dry matter intake from forage, therefore higher levels of concentrate are required to fill the energy gap. A difference of 0.5 MJ of ME/kg DM costs an additional £875-1050 worth of feeding to achieve the same level of performance.

Concentrates required for 350kg steer growing at 1kg/day

Silage Quality	Good 11 ME	Average 10.5 ME	Poor 10 ME	Very Poor 9 ME
Concentrates (kg/head/day)	1	1.25	1.5	3.5
Total conc. for 100 stores–140 day winter	14 t	17.5 t	21 t	49 t
Conc. cost @ £250/t	£3,500	£4,375	£5,250	£12,250
Conc. cost @ £300/t	£4,200	£5,250	£6,300	£14,700

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Contract Farming Agreements

Whether you are looking to set up a new venture, expand an existing business or are looking to slow down or scale down, Contract Farming Agreements could provide the perfect business arrangement. The attraction of these agreements is the flexibility to design the arrangement to best could provide the perfect business arrangement. The attraction of these agreements is the flexibility to design the arrangement to best suit the needs of the parties involved.

The basic principle of a Contract Farming Agreement is a straightforward joint venture whereby a farmer engages another farmer (called the contractor) for agreed contracting services and financial terms which will reward the contractor for the success of the agreement.

The fundamental point is that the contractor is delivering services to the farmer and not operating on the farm on their own account. The contractor is not a tenant or an employee or a business partner but an independent contractor.

The agreement will also specify why, when, and how either party is able to terminate the agreement and also detail a dispute resolution procedure and should make it quite clear about property maintenance, insurance, health & safety, and other interests of the farmer.

Trust is the key in the successful operation of the contract farming agreement and each party understands what each brings to the agreement and what each wants from it in way of financial return.

The Agreement is normally for a fixed term of generally 3 – 5 years and a new agreement can be established when the previous one comes to an end. The relationship should be seen as a long term one as changing contractors can be costly and doing so regularly can be extremely disruptive.

Breeding Livestock can either be owned by the farmer or the contractor and hired to the agreement or owned by the agreement.

All sales of farm produce and purchases of inputs relating to the agreement are made in the name of the farmer.

The annual financial management report determines the divisible payments to each party. The contractor normally receives the major share of this in the first instance, for example a 80:20 split in favour of the contractor and then after the contractor receives a certain total return to cover their costs and make a margin, the remainder of the divisible surplus can be split more evenly for example 50:50.

It is the essence of these agreements that the farmer remains, at all times, the active farmer and continues to trade in his own right with all the tax advantages that this entails.

Given such agreements are subject to the law of contract, it is critical that they have the correct documentation.

These agreements, whether arable or livestock are simple to understand, easy to operate and are extremely flexible if affected by internal or external influences. That is why they are so popular. There is almost no case law concerning contract farming agreements which is a measure of the practical success of these agreements.

The Farmer usually provides:

- The land and buildings.
- Fixed equipment e.g., grain dryer, milking parlour.
- Basic Payment including greening and other subsidies relating to the agreement such as direct headage payments (SUSSS, SSBSS), LFASS and sometimes AECS grants, if they impact on the agreement.
- Finance to administer the agreement.
- Short and long term policy objectives.

The farmer receives a Basic Return for providing the above.

The Contractor usually provides:

- Labour
- Machinery including technology and all associated machinery costs such as fuel, repairs, and insurance.
- Most importantly, the management expertise to implement the agreed farming policy.

The contractor receives a guaranteed Basic Fee for the provision of their agreed services.

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Improving Grass and Silage Quality to Mitigate Costs in Dairy Systems

Dairy farmers are seeing a significant rise in feed costs as they come off winter contract prices this month. While this is out with their control, there are areas of grassland management and forage quality that can be scrutinised to see where improvements can be made.

Grassland Management

Getting more milk from grass by extending the grazing season and improving grass quality can help reduce purchased feed requirements. Could you implement rotational grazing or increase the intensity of rotational grazing? It is important to maintain the right amount of grazing pressure, especially when the grass is growing fast. If the grass is getting too far in front of the stock, take a field or part of a field out of the rotation by making silage, adding to winter feed stocks and this will help keep the quality of the grass for longer. Grass covers over 3,000kgDM/ha should be made into silage.

Use a plate meter to work out how much kg of dry matter of grass the cows are getting. Combined with monthly fresh grass analysis, this will enable your nutritionist to tailor feed accordingly and ensure buffer rations are meeting requirements for the target milk output. Body condition and fertility should be protected at all costs, otherwise the long-term impact could be less milk in 12 months' time. Knowing the protein level of the grass may enable a lower protein cake to be fed, saving on feed costs.

Once grass has started to head, feed quality reduces quickly, by about 3.5% units of digestibility per week, equivalent to 0.6MJ/kg DM. If targeting say 12kg DM from grass (this principle applies to silage as well and so relevant to housed herds) this lower energy supply from more mature grass or silage is equivalent to nearly 1.5 litres/cow or 0.63kg of a 13ME concentrate. This doesn't sound a lot of for a 200-cow milking herd, that's 126kg/day or 3.8T/month which at £390/T is £1,482/month.

There is advice on setting up a rotational grazing system from the Farm Advisory Service here: https://www.fas.scot/downloads/guide-to-rotational-grazing-for-dairy-farms/

Silage & Feed Management

When it comes to making silage, it is worth budgeting ahead what silage stocks are required for the coming winter based on projected livestock numbers. Can that requirement be met if fertiliser applications have been reduced this spring? Remember 1kg N is equivalent to about 30kg DM of grass. While earlier cutting of grass to achieve higher quality will reduce bulk at each cut, more grass will be grown over the season which may help extend the grazing season or allow an extra cut of silage to be made.

When purchasing feeds, keep in touch with suppliers and take advice on whether to purchase spot or where possible, fix prices for a given period. In terms of relative feed value, distillery by-products are excellent value for money and although are seen as forage replacers, they will also help reduce protein concentrate requirement.

View analysis as a friend not a foe

It should go without saying that making sure soil analysis and slurry analysis are up to date will help target fertiliser applications throughout the season to maximise use of slurry and reduce reliance on fertiliser, as well as maximising forage quality and quantity.

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Key Economic Data

General Indicators	
Base interest rate	0.75% (0.5% Feb 22)
ECB interest rate	0.00% (0.00% Sep '18)
UK (CPI) inflation rate	7% (target 2%)
UK GDP growth rate	1.3% (Q4 '21)
FTSE 100	7,534 (29 Apr 22)

Price indices for January 2022 (Defra 2015 = 100)			
Output Prices		**Input Prices**	
Wheat	190.2	Seeds (all)	122.0
Barley	207.9	Energy	148.2
Oats	165.9	Fertiliser	204.4
Potatoes	138.2	Agro-chemicals (all)	160.3
Cattle and Calves	127.0	Feedstuffs	143.4
Pigs	103.8	Machinery R&M	122.5
Sheep and Lambs	151.9	Building R&M	142.7
Milk	146.2	Veterinary services	116.4

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