Farm Advisory Service

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November 2017

News in brief

Brexit and UK supply chains

Since the UK's vote to leave the EU in June 2016, UK businesses have been drawing up plans to manage risks and make the most of any opportunities that might arise while awaiting signs of what the final deal might look like. Eighteen months on and nobody is any the wiser given the lack of agreement between the UK and the EU. As a result the March 2019 exit date is looming large. There may be a transition deal up to possibly 2020, however, it could be until March 2018 before an outline of this is agreed. This may be too late for many companies and sectors to make the necessary changes.

Therefore, for many companies implementation of contingency plans needs to start now, and this includes farmers. Calves born to cows put to the bull this autumn or wheat sown this autumn may both end up being marketed under what ever trade scenario is in place after March 2019.

Now is therefore a good time for farmers to assess how much of their business's output is reliant on free and frictionless trade with the EU. Where exposure is particularly high, there remains time to develop new markets (see page 9 for changes in eating habits). There may also be opportunities to increase the focus on UK supply chains reducing the impact of any trade friction with the EU that may result. This also brings benefits by operating in sterling to reduce currency exposure in what is likely to be a very uncertain period for the UK economy (See page 8 for more details on UK supply chains).

Now out – 2017/18 Farm Management Handbook

Available in **printed copy** (see page 10) and **free on-line at FAS**; https://www.fas.scot/publications/farm-management-handbook-20172018/

Next month

- Feed and forage costs and local food opportunities

Contents

This month's editor:
Julian Bell

2017 Scottish Agricultural Census

- June 2017 Census reveals an increase in cereals, oilseed rape, potatoes, sheep and poultry, but a decrease in cattle and pig numbers.

Full details of the June 2017 Census results recently published by the Scottish Government's Chief Statistician are available at: http://www.gov.scot/stats/bulletins/01299; a summary of the change in crop areas and livestock numbers compared to the previous year include:

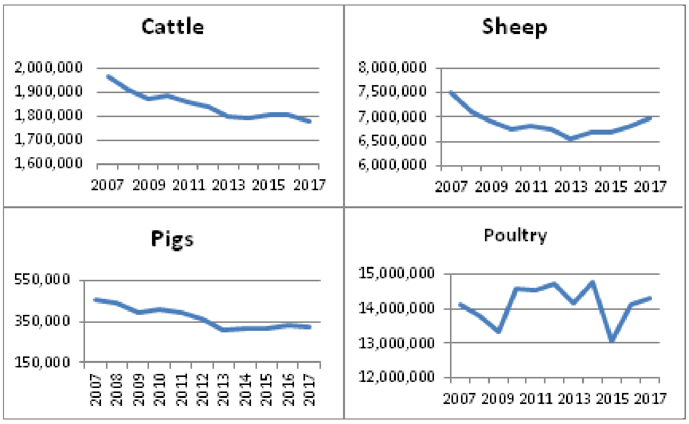
Crops

- Overall cereal area increased by 7,500ha (1.7%) to 440,000ha, driven by an increase in spring barley which was up 5,000ha (2%). Wheat remained similar to last year at 109,000ha, with oats increasing by 1,400ha (4.5%).
- Area of oilseed rape increased by 3,500ha (11%) to 34,000ha. Winter oilseed rape is the dominant crop, with its increase in area masking a fall in the area of spring oilseed rape grown.
- Areas of ware and seed potatoes, both increased, resulting in an overall increase in the area of potatoes grown by 1,800ha (6%) to 29,000ha.
- The area of fruit increased by 188ha (10%), driven mainly by an increase in the area of strawberries, mixed fruit and blueberries.
- Vegetables for human consumption increased by 1,400ha (8%) to 19,500ha, driven by an increase in carrots and other vegetables. Peas are still the dominant vegetable crop grown, accounting for 40% of the total vegetable area.
- Total area of crops for stock-feed decreased by 500ha (2.8%) to 16,000ha, with the decrease in lupins and turnips/swedes masking an increase in the area of fodder beet grown. Trends in stock-feed areas generally follow the same trend as livestock numbers.

Livestock

- Sheep numbers increased for the fourth consecutive year, up 160,000 (2%) to 6.99 million, although they are still lower than they were pre-Single Farm Payment and decoupling of subsidies.
- Dairy and beef cattle numbers decreased by 22,500 (1.2%) to 1.78 million, continuing a longer-term decline in numbers since 1974. A change to support payments and tighter margins have contributed to the decline over the past 12 years.
- Pig numbers fell slightly by 4,300 (1%) to 326,000. Although continuing a steady decline since a peak in the late 1990s, it is the first decrease since 2013.
- Overall poultry numbers increased slightly by 182,000 (1%) to 14.3 million with an increase in layers masking a decrease in the number of broilers. Restructuring within the sector (i.e. takeover of Vion by the 2 Sisters Food Group and subsequent contraction of operations) contributed to the fall in 2015.

Scottish livestock numbers 2007-2017



Census statistics are used by government and stakeholders to monitor and evaluate policy (i.e. CAP, etc) and to assess the economic well-being of the different agricultural sectors. It also fulfils statutory requirements for the European Commission.

Wet weather deadline extensions

NVZ (Scotland) closed period derogation

The start of the closed period for spreading slurry (organic manures with a high available N content) on grassland has been moved back to the end of November, previously 15th October (non shallow/sandy soils).

However, farmers who have been unable to get their slurry spread in time will need to apply to their local RPID office for a derogation. Each application will be assessed on a case by case basis and, if granted, slurry can then be applied to land that is low risk, flat, or has less than 5% slope, not be prone to waterlogging, and have no watercourses or ditches.

SQC grain storage period extension

Scottish Quality Crops (SQC) members will now have until the 30th November to clear their grain from temporary storage, normally the 31st October.

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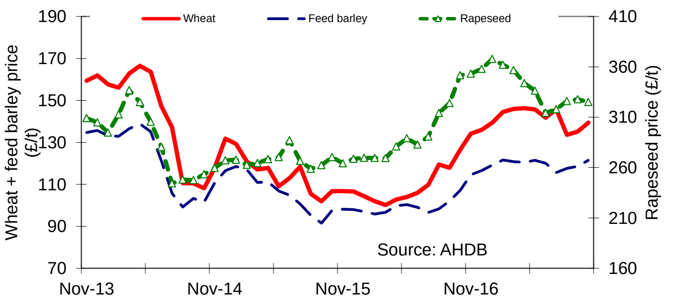
World stocks – wheat up, feed down

USDA global crop estimates rose further in the last month with higher wheat crops in; Russia, the EU and the US more than offsetting declines in drought hit Australia. Feed grain supplies increased due to rising yield estimates for US maize. World wheat ending stocks for 2017/18 are now seen 5mt higher at 268mt, than they were one month ago and 12mt higher than last year. World feed grain stocks are seen just 1mt lower at 229mt than one month ago but a sizable 33mt lower than last season.

UK nearby ex-farm wheat and barley prices are up £2-3/t in the last month.

UK spot ex-farm grain and oilseed prices



UK cereal supply and demand

AHDB released estimates of UK cereal supply and demand incorporating the current UK harvest estimates. Overall availability is seen lower for wheat (lower opening stocks more than offsetting a rise in production) and higher for barley (increase in crop more than offsetting lower opening stocks).

AHDB UK wheat and barley supply & demand

	Wheat		Barley	
'000 t	2016/17	2017/18	2016/17	2017/18
Open Stock	2,787	1,766	1,367	1,121
Crop	14,352	15,163	6,607	7,360
Imports	*1,834*	*1,550*	*158*	*140*
Available	*18,973*	*18,479*	*8,132*	*8,621*
Domestic Use	15,760	15,713	5,955	6,070
Exports	1,446	1,166	1,056	1,781
End Stocks	1,766	1,600	1,367	770

The UK therefore needs to export less wheat and more barley. Fortunately world barley stocks to use are particularly low benefitting UK barley exports. The lower wheat surplus reduces, but does not remove, the need for the UK to always be competitive on a well-supplied world wheat market.

Malting barley market uncertainty

Scottish distilling barley has maintained a significant premium of £5-10/t above the English brewing market, indicating that supply is relatively tight this year. While spring barley yields in Scotland have been good, particularly of newer varieties, such as Laureate, the weather losses make it harder to gauge the true picture of malting barley supply.

Quality problems have also hit distilling barley grown in England (higher Nitrogen, pre-germination) limiting the ability to supply the distilling market. Across the EU, wet weather has affected many areas including Scandinavia and it is expected that the EU will not have a significant surplus of malting barley.

With almost all Scottish barley traded on contract and the spot market almost complete, it may not be obvious how this situation will affect growers. However, given the lack of alternative supplies, Scottish maltsters may be seeking to make the most of what is available here in Scotland. This has meant accepting lower specifications on screenings and skinning this season. This could lead to lower spirit yields per tonne of barley meaning more barley may be required. Scottish malting barley stocks started the season lower and could be run down further. This may require maltsters to secure an increased tonnage of local barley next year.

On the other hand, the wet autumn across the UK is likely to maintain or increase spring barley plantings come spring 2018 in both Scotland and England. If the uptake of Laureate and other new varieties grows then average yields could rise given the newer varieties have an advantage of around 1t/ha.

All these factors will help determine what malting prices and contracts are offered for 2018 harvest.

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

£ per tonne	Basis	Oct 2017	Nov 2017	Jan/Mar 2018	May 2018	Nov 2018
Wheat	Ex-farm Scotland	142.10	143.00	147.00	150.00	150.00
Feed barley	Ex-farm Scotland	119.40	122.00	126.00	130.00	130.00
Malting barley	Ex- farm Scotland	160.10	-	-	-	-
Malting barley#	Ex-farm England	-	158.00	163.00	-	153.00
Oilseed rape*	Delivered Scotland	-	~315.00	-	-	~307.00

No panic over early winter lull

Finished cattle markets remain at least 6p/kg dwt up on the year despite recent cuts. The farmgate price does tend to ease over October and this year is no exception. Average base price has slipped 10p/kg dwt in Scotland, regressing as much as 17p into Southern England, in four weeks to week ending 21 October – a drop of £38 and £64 respectively for a commercial 380kg carcase.

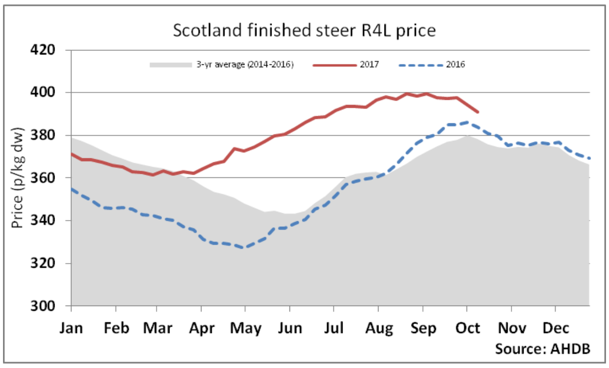
The base price of Scottish finished cattle will be around 380-383p/kg dwt for w/c 23rd October, 10p and 20p ahead of Northern and Southern England. There is also plentiful supply of Aberdeen Angus meaning their premium is also reduced.

Supply is sufficient to meet easing demand but there has been no glut of cattle off grass – despite the number of youngstock hooves on the ground, the poor weather, falling prices, or the need for cash to fund a foreseeable rise in winter housing costs. This is in contrast to either side of the Irish border where the finished price has experienced a larger price drop, with cattle hastily sold off wet fields.

In GB, cattle are just not ready after a disappointing summer and in anticipation of market recovery heading into November. Demand will rekindle with longer nights, and at the time of writing, it is now only 5 weeks until 'winter show and sale' season and Christmas procurement.

Availability of cull cows tends to peak around mid-November but with early housing numbers should tail-off more quickly assuming pregnancy checks have been booked more quickly too. Price is struggling, but trade remains very good, having only dipped around 10p/kg dwt in two-months and retains at least a 30p advantage on the year. A heavy beef cow will still gross £1,100/hd making it worthwhile selling quickly. Reduced numbers of dairy cull cows resulting from a much improved milk price has helped.

- It may have little impact at GB level but there could be more cull cows from south and central Scotland over coming months, with some concerning reports of low forage stocks.



Store cattle

Well stretched, young, store cattle with a good bloom are making a similar or higher price per kilo on the same sales last year but at 20-50kg lighter they are grossing less per head. Wet weather may have both forced and encouraged greater supplementary feed intakes. A negative consequence for more easily fleshed (typically native bred) heifers has been significantly lower prices for those showing plenty weight but not enough frame for finishers to grow them on and leave sufficient profit margin. The weaned calf trade has also eased over recent weeks. Lighter weaning weights together with a protracted harvest have knocked some of the enthusiasm out of the market. Although, that makes well grown calves look like a good trade for those with enough fodder.

Land of opportunity?

American cattle sale receipts amounted to $67.56bn last year. And average annual beef consumption is over 25kg per capita – 7.5kg more than the UK.

After many years of lobbying, process auditing and assurances, Ireland was the first EU country to sell into this huge market across the pond post-BSE, building on strong cultural ties and a coordinated marketing strategy. Now in the third full year of trade, Ireland could export just over 2,000t this year (broadly speaking, 5,000 carcase equivalents or 1.2% of prime Scottish beef). This may add over €15m of wholesale value but in context of total beef exports from Irish Beef plc, it is a slow burn.

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

	E&W			Scotland			E&W		Scotland
	South R4L Steers	North R4L Steers	North -U3L Y. Bull	R4L Steers	R4L Heifer	-U3L Y. Bull	South -U4L Steers	North -U4L Steers	All -U4L Steers
30-Sep	376.0	385.2	370.7	397.8	395.2	386.7	380.1	381.6	395.8
07-Oct	376.6	384.1	367.9	394.1	392.2	380.4	374.8	381.3	389.3
14-Oct	370.0	383.6	363.3	391.1	389.5	382.3	375.9	374.0	388.6

Market price update

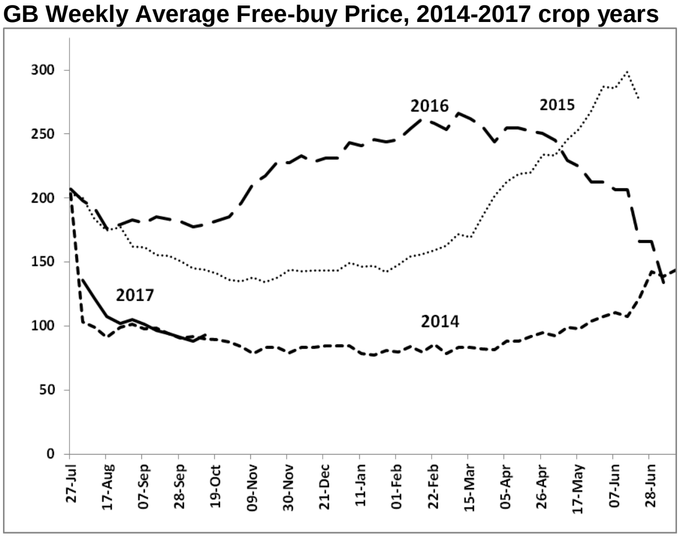
- The GB Weekly Average prices for the week ending 13 October 2017 were £124.61/t for free-buy and contract purchases and £93.23/t for free-buy purchases.
- Compared to the previous week free-buy and contract were down £5.94/t, whilst free-buy was up by £5.01/t.
- Good yields have led to ample market supplies putting pressure on prices.

GB Weekly Average Price 2017 and 2016 Crop (£/t)

Crop Year	13 Oct	6 Oct	29 Sep	22 Sep
All potatoes 2017	124.61	130.55	139.01	136.15
All potatoes 2016	154.00	153.5	164.96	166.73
Free-buy 2017	93.23	88.22	91.25	94.01
Free-buy 2016	179.3	177.81	181.67	183.48

Source: AHDB

GB Weekly Average Free-buy Price, 2014-2017 crop years



Source: AHDB

In Scotland, free-buy trade for the packing market remains steady with the majority of trade still being under contract. Grade 1 King Edward for packing are trading around £180/t, grade 1 Maris Piper £140-£150/t and grade 1 whites around £75-£80/t.

In the bag trade remains steady with Maris Piper for chipping, trading around £85/t, and for peeling around £40-£50/t; Wilja is trading around £100/t.

Weather continues to impact on harvest

Although growers have manged to get crops lifted, the wet weather has made harvesting difficult for many, especially in the North-east. There are still some crops in the ground, with ware lifting reported by AHDB to be around 80% complete.

Yields are reported to be average or above average and although quality is generally good, there are some issues starting to emerge. Black dot is reported to be present on susceptible varieties such as Maris Piper, there are reports of common scab on some early planted ware crops and soft rots have been found both at and after harvest. Management of these crops will be essential to minimise further disease establishment.

The wet conditions has also meant that additional agitation has been needed, fortunately in Scotland this has not resulted in bruising being a major problem.

Reduced CIPC application rates

For 2017 crops, the new statutory limits for total doses of Chlorpropham (CIPC) are 36 g/tonne for processing (including fish & chip shop supplies and peeling) and 24 g/tonne for the fresh market. In addition, the maximum individual dose has been reduced to 12g/tonne.

As well as new lower dose rates all applications of CIPC must be made using active recirculation. These changes are necessary to maintain efficacy of CIPC whilst ensuring that the risk of exceeding the Maximum Residue Level of 10mg/kg is minimised. It also brings the UK's use within the maximum total dose approved across Europe.

With many store managers starting to consider their first CIPC application, these changes are important to remember. Different ways of preparing potato stores for active recirculation can be found in the 'CIPC application: A store owner's guide': http://www.cipccompliant.co.uk/uploads/fileman/cipcapplicationguide.pdf

BP 2017 ….

The biannual Potato Industry Event will be held on the 22nd and 23rd November at the Yorkshire Event Centre, Great Yorkshire Showground, Harrogate.

As well as trade stands, seminar topics that will be covered at this event include – understanding consumer needs, lessons from Global producers, soil health, opportunities for British seed and from Brexit, latest research and innovation, SPot farms update and use of decision support tools.

Further information about this event can be found at: http://bp2017.co.uk/.

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Still a strong market but …..

The average lamb market dipped lower on the year by mid-September after 20 weeks of stellar trade. Not wanting to be despondent, it is still around 375p/kg dwt at w/e 20 October. This made a 19.5kg prime lamb carcase £73/hd and £2/hd higher on the previous 3-year average. There has also been some price recovery despite throughput, providing encouragement that the trade has reached its balance point.

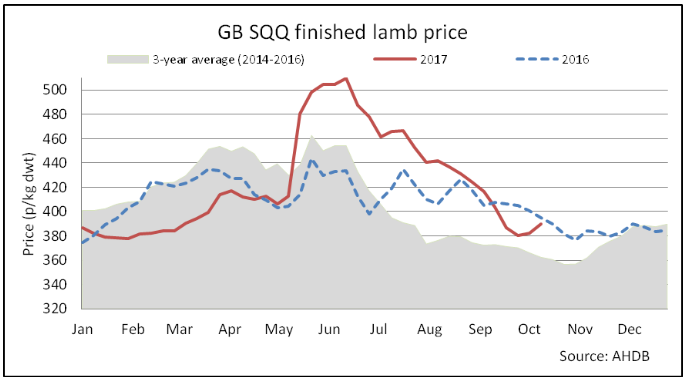
This year's export trade figures are excellent but there is the small issue of a strongly rumoured rise in interest rates once the Monetary Policy Committee sit in early November. By the time of reading, we may start to see what that means for the competitiveness of sterling, which is currently running at £0.89 per euro. If customers on the continent pay a similar price per kilo over winter, very roughly, a 10% rise in the strength of sterling i.e. c.81p/€ could reduce the value of exported lamb by over £5/hd. With over 25% of UK lamb destined for the EU it does pose some risk to the market.

In the meantime, the average trade hides a few very satisfied producers, with heavier butchers and E-grade lambs topping £90-95/hd. That is very good for the time of year provided breeding such lambs is not at the expense of lambing percentage or early sale. This is an important question that merits full attention. In the business world, this is known as identifying 'value add' and 'value leakage'.

High rainfall or more accurately, constant showers, has been natures leakage, which lambs are struggling to cope with – like the rest of us!

- Lambs are not putting on the same level of finish, with wide reports of lambs sold at lower fat scores – this also has some effect on reported market average prices.

If the current trade is a sign of some market stability, producers will become more patient. And what looked like a grass shortage is now adequate for those who were forced to house cattle early. Shortened days and colder, damp, weather should provide some consolation by improving demand too.



Are store lambs worth a gamble?

The number of GB prime lambs sold since June is now only slightly reduced on the year to date, however, there are more lambs on the ground.

Delaying lamb sales into late season or even into the New Year does not look sensible as the likelihood is for greater carryover of genuine store lambs this autumn.

Trade for medium and long keep lambs has been lower on the year. A lot lower for some – only in part reflecting lighter lamb weights. Some hard hill lambs (and similar cull ewes) are struggling for buyers. There is more choice with limited light and super light EURO lamb trade.

Some specialist finishers in arable areas will have been delayed returning to the mart post-harvest; others are looking for less volatile alternatives. Despite early housing and high residual grass covers, the expectation of a long winter and short fodder supplies, means dairy farm cash will also be reserved for more pressing matters.

On the flip side, discounted light lambs presents an opportunity for store lamb finishers with cash and fodder. Easter is on 1st April 2018 and 2-weeks earlier on the year. That is just within reach of long-keep lambs although the success of the enterprise is (as always) dependent on availability of New Zealand lamb and to a lesser extent the exchange rate. Nevertheless, there has been some retail movement towards greater commitment to British lamb at least for more premium food lines and the retail butchery counter that will help.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg			Scottish auction (p/kg)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy	All	All
30-Sep	384.8	381.9	375.6	146.30	160.60	159.70	42.97	47.40
07-Oct	386.2	384.4	378.1	156.50	167.10	166.70	42.33	49.07
14-Oct	393.2	391.9	385.9	147.00	164.10	164.30	45.49	48.82

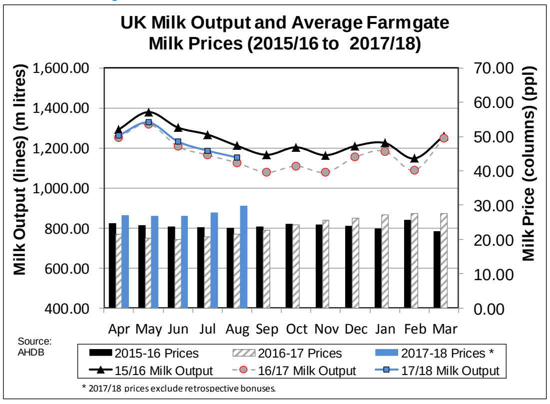
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB.

Have UK prices reached their peak?

The latest milk output figures from AHDB show that 1,152.82m litres of milk were produced during August 2017 (before butterfat adjustment). This equates to an increase of 26.99m litres against year on year production. These latest figures mean that cumulative production up until the end of August 2017 stands at 6,162.35m litres, which is 91.84m litres above cumulative output at this time last year.

The UK average milk price has increased to 29.63ppl during August 2017 (up 1.79 from July 2017, and up 8.21ppl against August 2016).

- *UK average milk price for August 2017 is estimated at 29.63ppl.*
- *UK prices are likely to rise above the price level for August 2017, shown in the chart below.*
- *However, it appears that wholesale prices may now have peaked which could signal a turn in fortunes by the New Year.*



Price increases for most in Nov' 17

The headline announcements for November 2017 are listed below:

- First Milk – will increase prices by 0.50ppl from 1st November 2017 (see table of prices). This follows price increases of 1.00ppl for the Lake District pool and 1.10ppl for all other supply pools during October 2017.
- Müller Direct – will increase prices by 0.50ppl from 1st November 2017. This takes the liquid standard price for non-aligned suppliers up to 30.50ppl.
- Cooperative Dairy Group – will increase prices by 0.98ppl from 1st November 2017. This takes the standard litre price to 29.39ppl.
- Lactalis – will increase prices by 0.50ppl from 1st November 2017. The increase represents an advance on 0.50ppl increase that was initially planned for December 2017.
- TSDG price reduction – Tesco Sustainable Dairy Group (TSDG) will reduce prices by 0.13ppl from 1st November 2017. This takes the standard litre price for Muller suppliers to 29.45ppl and Arla suppliers to 29.20ppl.
- Booths – will increase prices by 0.60ppl from 1st November 2017. This will take the standard litre price up to 31.10ppl.
- Arla Foods amba – will hold its price for November 2017. This means that the manufacturing standard litre (4.2% bf & 3.4% protein) remains at 32.30ppl whilst the liquid standard litre remains at 31.04ppl.

Annual Average milk price estimates for November 2017 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	29.00
First Milk Balancing- A price (90% of production). [1]	29.09
First Milk Manufacturing (Lake District)- 4.0% Butterfat & 3.3% Protein-A price (90% of production). [1]	29.44
Müller - Müller Direct [1, 2]	30.50

[1] *Standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.*
[2] *No monthly supplementary payment included in the price estimate.*

FM's 2016/17 results - much improved

First Milk's results for the year ending 31st March 2017 reveal that the company made a net profit of £6m on a turnover of £206.5m. It is a remarkable turnaround given that in 2016 the company made a loss of 5.1m.

The First Milk business has changed considerably during the last two years – both supplier numbers and processing capacity having been reduced substantially. Although 2017 turnover of £206.5m represents a drop of 30% on the previous year, the business is reduced in size and is a leaner, more efficient model. With the business now in a much more stable position than two years ago, the future looks positive for First Milk.

Wholesale prices reach plateau

There are signs that the upward pressure on milk prices is easing: monthly EU milk deliveries are on the rise and cream prices are falling back. This is also supported by the fact that the last two GDT (Fonterra) auctions have reported slight reductions to the weighted average price across all products.

UK dairy commodity prices (£/ tonne)	Sept 2017	Aug 2017	Apr 2017
Butter	6,150	6,150	3,725
SMP	1,525	1,550	1,500
Bulk Cream	2,830	2,850	1,730
UK milk price equivalents (ppl)	**Sept 2017**	**Aug 2017**	**Apr 2017**
AMPE (2014)	39.87	40.12	27.67
MCVE (2014)	38.48	38.70	31.79

Source: AHDB

Looking forward much depends upon the spring flush and to what extent EU nations, plus NZ & the US, are able to ramp up their production levels.

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Management Matters: Brexit and UK supply chains

Threat of a 'no-deal' Brexit encouraging use of UK suppliers

According to a recent survey by the Chartered Institute of Procurement and Supply (CIPS) almost a third of British businesses that use EU-based suppliers were said to be seeking to replace these with UK suppliers. More ominously, 46% of EU firms surveyed said they were expecting to reduce their use of UK suppliers.

The UK desire to find domestic suppliers is likely to be a response to uncertainty and lack of progress in negotiating the UK's planned departure from the EU. There are a number of benefits to both food processors and retailers and to farmer suppliers of seeking closer ties at this time.

<u>Currency benefits</u>
The most tangible and immediate advantage for businesses is to shield themselves from a further weakening of sterling against the euro (or dollar). The pound is currently trading around 13% below its pre-EU referendum levels. If UK political uncertainty continues and the risks of a "no-deal" Brexit edge closer, the pound is likely to weaken further. This creates a strong incentive to shun EU suppliers and seek UK suppliers where they exist.

<u>Tariffs and other barriers</u>
The UK government has committed the UK to leaving both the EU single market and the EU customs union. This means the UK will need to re-establish border controls and develop its own schedule of tariffs under the WTO. When and how this change comes into effect is a major unknown.

If a transition deal can be agreed, with the EU keeping the UK in the Customs Union, then the problem may be deferred but not necessarily for very long. The EU is expected to set a time limit of 31 December 2020 on any transition deal to coincide with the EU's budgetary processes.

The UK intends to agree a comprehensive Free Trade Agreement with the EU which may enable tariff free trade in many or all products to continue. However, whether this can be secured before the UK's exit from the EU (March 2019) or the end of any transition period, is uncertain given the complexity of any such deal and the recent track record (7 years for the CETA deal with Canada).

Therefore the chances are increasing that the UK (and the EU) will end up imposing tariff's and other controls on each other's products within the next 18 to 38 months. It is expected that the UK will initially adopt the EU tariff schedules and then seek to modify these over time. However, there are elements in the UK government considering the unilateral lowering or removal of all or some external tariffs when the UK leaves the EU. This would ease the concerns of buyers and consumers relying on imported goods but would clearly be a severe threat to UK agriculture and manufacturing.

Even if a tariff free FTA is agreed with the EU, exiting the customs union will impose additional checks and paperwork. According to AHDB this increased trade 'friction' could add as much as 8% to the costs of food products traded with the EU. This further supports a rise in domestic sourcing.

Opportunities and risks for farmers

The Brexit process offers a wide range of opportunities and threats to UK farmers depending on the outcome of the talk, the sectors they are supplying, and the constraints they face.

Given the UK's deficit in dairy products, UK dairy farmers may welcome on balance any imposition of external controls on trade, reducing the competition they face from imports. UK fruit and vegetable growers may see similar opportunities, but only if they can access the foreign workers they rely on to pick their crops. Other sectors such as sheep meat may see greater threat from the potential loss of EU export markets.

Now is a good time to assess how much of the farm's output is reliant on EU and wider export markets. If the farm's exposure is particularly high consider how this could be reduced. For example hill light lamb producers may want to develop alternative markets, shift to alternative breeds or diversify into another enterprise all together.

Farmers are urged to use the current (but rapidly closing) window of opportunity to speak to buyers, investigate new markets and enterprises and identify alternative domestic or lower risk export markets where available.

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Sector Focus: Changing eating habits

The impact of millennials

Every generation has a major influence on society, and in recent years, it has been the millennials' turn. When it comes to food, millennials (adults from ages 19 to 35) are interested in healthy, good quality, environmentally friendly and socially responsible food. The push to eat more healthily and better understand what you put in your body can be attributed to the influence of the millennials. As can the rise of meal preparation companies like Gusto and Hello Fresh that send customers nutritious, fresh ingredients to cook with at home.

Unlike the previous generation which were generally more interested in speed and convenience, millennials are looking for an upgrade from the frozen pizza and ready meal, and are using meal subscription services to develop more "grown-up" food habits. 47% of millennials cook at home five or more times per week. The rise in online food purchases has led to more time being available for cooking at home.

Healthy eating trends

In the 2016 Health Eating Consumer Trend survey 42% of respondents have modified their definition of health since 2014. More consumers now define health as: - Food rich in antioxidants

- Healthy food that help the immune system
- Spiritual, physical and mental health

This has led to food producers and suppliers to promote the benefits of a healthy diet as the best form of preventative medicine.

"Flexitarianism" is expected to be a key food trend of 2017/18. A flexitarian diet is plant-based with the occasional addition of meat. Flexitarians are also known as flexible vegetarians, but there are no real defined rules; some flexitarians will have a meat-free meal once a week while others will only eat meat on rare occasions. The three main perceived consumer benefits of a flexitarian's diet are:

- Health – some consumers are reducing red meat consumption for perceived benefits of weight reduction and improved heart and wider health.
- Animal welfare – flexitarians buy less meat but when they do, they tend to purchase organic or free-range meat (ideally from local butchers).
- Environment – from CO2 emissions to the increasing need for land to grow animal feed crops (resulting in deforestation), high levels of meat consumption are thought to be linked to increased environmental impacts. It is estimated that livestock production accounts for between 14.5% and 21% of global greenhouse gas emissions. Switching to a lower meat diet, reducing intake from over 100g per day to less than 50g per day can cut GHG by nearly half.

Turning a threat into an opportunity

While the initial reaction of parts of the agricultural sector may be concern at these trends, there is an opportunity for the industry to respond positively. This means promoting good practice and meeting needs for higher human health, animal health and welfare and lower environmental impact foods.

Given Brexit there is the potential for trade deals being done with countries operating to lower food and animal welfare standards. The best defence for the UK food and farming industry may well be to continue to raise and promote higher food standards for food produced here. The hard part will be ensuring these higher standards are fully reflected in the UK's negotiating position.

Social media campaigns have a huge effect on current eating habits and millennials and others are increasingly using them to promote their food preferences. The food and agricultural sectors need to respond with a similarly tech and media savvy response and the sector is becoming more active.

Intolerances and superfoods

A growing number of consumers are reporting real or imagined intolerance to a number of food groups. This has led to the development of innovative free-from replacement food products including Pulsetta (www.pulsetta.com) who have developed gluten free breads and biscuits using pulses instead of wheat. There is also huge interest in superfoods – a term used to describe foods with supposed health benefits. The term however is not commonly used by dieticians and nutrition scientists, many of whom dispute that particular foods have the health benefits often claimed. In Scotland there is interest in using sea buckthorn, which has 14 essential vitamins, omega's 3, 6, 9, the rare omega 7, super charged anti-oxidant nutrients and anti-inflammation properties as an ingredient in apple juice, cakes and biscuits. Arbuckles Farm (www.arbuckles.co.uk) in Scotland are growing and cultivating the Honeyberry which is believed to be packed full of anti-oxidants (up to 4 times that of a blueberry) and more vitamin C than oranges.

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Key economic data

General Indicators	
Base interest rate	0.25% (0.50% Mar '09)
ECB interest rate	0.00% (0.05% Mar '16)
UK (CPI) inflation rate	3.0% (target 2%)
UK GDP growth rate	0.4% (Q3 '17)
FTSE 100	7,490 (30 Oct '17)

Price indices for August 2017 (Defra 2010 = 100)			
Output Prices		Input Prices	
Wheat	115.4	Seeds (all)	98.0
Barley	119.7	Energy	102.7
Oats	117.3	Fertiliser	99.6
Potatoes (Main Crop)	122.0	Agro-chemicals (all)	138.1
Cattle and Calves	135.7	Feedstuffs	112.4
Pigs	115.4	Machinery R&M	115.3
Sheep and Lambs	110.9	Building R&M	113.7
Milk	113.5	Veterinary services	107.7

This publication is funded by the Scottish Government and EU as part of the SRDP Farm Advisory Service

SAC Consulting, Rural Business Unit publication
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