

# Agribusiness NEWS



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## News in brief

November 2020

### Brexit – its déjà vu all over again

A month closer to the end of the year and uncertainty about Brexit deals and its implications continues – a common symptom, seemingly, throughout the whole process. The missed deadlines in October for an agreement with the EU and the legal challenge for breaching the withdrawal agreement may give early indications of overwhelm by January, with Westminster battling with both Brexit negotiations and controlling coronavirus.

Market data and trends suggest that the agri-food sector has performed well over 2020, although this data gives no clearer picture of how it will respond to upcoming uncertainties, namely: reduced seasonal demand around Christmas as household mixing and parties look unlikely; navigating new trade and tariff situations after the 1<sup>st</sup> January; or as consumers increasingly tighten their purse strings with rising numbers of un- or under-employed people. Livestock and meat markets in particular have been riding a large and unexpected demand wave, but this cannot last forever.

The experience of food supply chains over 2020, and in the upcoming Christmas period, could prove a useful learning experience in adapting to shifts in consumer demand, types of products, and food experiences (e.g. greater home cooking), and set the sector up better than anticipated for further disruption due to Brexit.

There is still a risk, however, that multiple distractions at all levels will reduce the industry's awareness and preparedness for Brexit compared to previous exit dates, where advice and information were heavily publicised; farm and food businesses would be advised to reflect on the lessons from this year and make an effort to revise previous strategies for resilience and adaptation from 'Day 1 of Brexit'.

### Next month:

- Brexit update and outlook
- Optimising feed rations

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### This month's editor:

Anna Sellars

# Policy Briefs

## June 2020 census results

Provisional results from the 2020 June Agricultural Census on land use, crop areas, livestock and the number of people working on agricultural holdings was recently published by the Scottish Government. A summary is presented below, the published report is available at: <https://www.gov.scot/publications/provisional-results-scottish-agricultural-census-june-2020/>

### Cattle

The number of cattle in Scotland has steadily declined to a new 60 year low. In 2020, there were 1.71 million cattle, a 0.8% drop compared to 2019. In 1974, there were 2.78 million cattle in Scotland. Over the past 10 years there has been a 11.5% decline in the total beef breeding herd and a 3.2% increase in the total number of dairy cows.

### Sheep

Compared to 2019 the total number of sheep increased by 0.9% to 6.73 million. Lamb numbers recovered in 2020 with an increase of 2.1% compared to the previous year. The number of breeding ewes, however fell by 0.9% to 2.54 million in 2020.

### Pigs and poultry

The number of pigs increased for a second year in a row, a rise of 5.5% compared to 2019. The increase is thought to be due to increased prices. Total poultry numbers decreased by 3% compared to 2019. Although there was a 9.4% increase in the number of birds for meat production, the number of birds for egg production decreased by 14.8%.

### Cereals and oilseeds

A sharp fall in winter planted crops due to extreme weather conditions in the autumn and winter was followed by an increase in spring planting. The overall area used to grow cereals and oilseeds was similar to 2019 at around 466,972 hectares.

### Potatoes

The area of planted seed potatoes fell by 4% to 12,044 hectares in 2020, in contrast the planted area of ware potatoes increased by 2.3% to 16,317 hectares. The area of planted seed potatoes is however 6% below the 10 year average.

### Other crops

The area used to grow vegetables, excluding potatoes, for human consumption grew by 13% to 21,052 hectares. The area used to grow vegetables for stockfeed remained relatively stable at around 16,833 hectares.

### Fruit

Over the past year the area used to grow soft fruit increased by 7.2% to 2,183 hectares. The area of strawberries increased by 5.7% to 1,197 hectares, blackcurrants by 9.9% to 297 hectares, blueberries by 12.8% to 265 hectares and other fruit by 21% to 173 hectares. The area of raspberries grown decreased by 2% to 249 hectares.

### Workforce and employees

The total agricultural workforce is estimated to be around 66,847 with most of the workforce being owner-occupiers. The number of regular and seasonal employees working in agriculture was 28,755, 2% lower than 2019.

## Working for Waders Small Grant

Grants up to a maximum of £1,000 are available to farmers and land managers for actions that will benefit waders. The types of actions that will be supported include:

- habitat management i.e. creating wader scrapes, topping rushes.
- predator control.
- developing farming training events that are run by farmers for farmers.
- setting up networks so farmers can exchange information and experiences.

Applications will be assessed on receipt of a completed application form. There is no deadline for applying but the funded activity must be completed by March 2021. Further information, including the application form is available at: [https://www.workingforwaders.com/small-grants?fbclid=IwAR2p5ogol-XvSWqWkIBS46xMVGQpbdw8GA8D\\_dd9CLU58Fn8yBs3NVmTYzl](https://www.workingforwaders.com/small-grants?fbclid=IwAR2p5ogol-XvSWqWkIBS46xMVGQpbdw8GA8D_dd9CLU58Fn8yBs3NVmTYzl)

## Beef Efficiency Scheme Advisory Service training

As part of the Beef Efficiency Scheme (BES) requirements, scheme participants are required to complete their third carbon audit and view two online training modules by 15<sup>th</sup> November 2020. The modules cover carbon audits and using BES data to improve herd efficiency. If you have not received notification from BES about this requirement, please contact the BES advisory service on 0300 323 0161 or email [advice@fas.scot](mailto:advice@fas.scot).

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# Cereals and Oilseeds

## World feed grain supply tightens

Both UK wheat and barley prices have risen around £7/t in the last month supported by local and global factors.

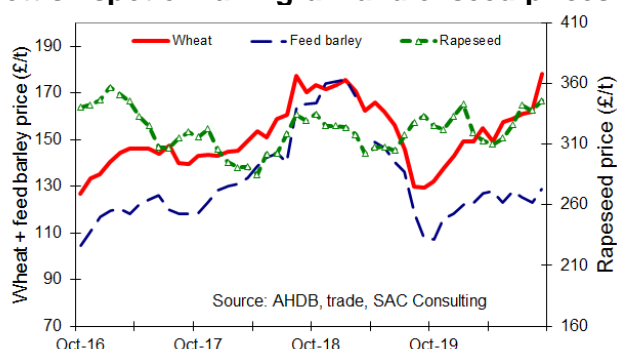
World grain stocks have tightened further as crop estimate have been trimmed in several regions and weather affects new crop sowings and conditions.

In their current report the IGC expect world 2020/21 grain stocks to fall 10mt to 619mt (101.6 days of use) in the last month. World 2020 grain output has fallen 1mt on last month to 2226mt (+ 41mt on 2019) and use has risen 3mt to 2223mt up 29mt on last season. World maize stocks have fallen sharpest since last month down 6mt to 279mt and now 17mt lower than in 2019. Wheat stocks are still rising on last year but are now seen 3mt lower than last month at 291mt.

The wet weather has affected winter cereal sowings across parts of western Europe whilst dry condition in Ukraine, Russia, US and S. America threaten maize yields in Ukraine and new crop sowings in those areas. One of the main positive spots are what are expected to be a bumper cereal harvest in Australia and higher soyabean output in S America.

A positive aspect for the UK is that tighter than expected world feed grain supplies have boosted prices, helping buoy barley export prices higher. Feed barley is worth £10-15/t more than 1 year ago

## Scottish spot ex-farm grain and oilseed prices



Indicative grain prices week ending 30 Oct 2020 (Source: SACC/AHDB/trade)

\* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal,

£ per tonne	Basis	Oct '20	Nov '20	Jan '21	Mar '21	Nov '21
Wheat	Ex-farm Scotland	183.00	184.00	185.00	187.00	150.00
Feed barley	Ex-farm Scotland	135.30	136.00	137.00	139.00	120.00
Malt. barley- distil	Ex-farm Scotland	130-140.00				170.00
Malt. barley- brew	Ex-farm England#		152.00		154.00	
Oilseed rape*~	Delivered Scotland		344.00			338.00

## UK S&D; wheat tight, barley plentiful

Given the terrible wheat harvest in England it comes as no surprise that the UK will be a major net importer of wheat and will continue as a major barley exporter this year. This is detailed in the latest AHDB cereal supply and demand balances.

### AHDB UK cereal supply and demand

'000 t	Wheat			Barley		
	2019/20	2020/21	^	2019/20	2020/21	^
Open Stock	1,911	2,438	28%	1,091	1,357	24%
Crop	16,225	10,133	-38%	8,048	8,363	4%
Imports	1,054	2,150	104%	70	50	-29%
Available	19,190	14,721	-23%	9,210	9,770	6%
Domestic Use	14,660	13,641	-7%	6,191	6,701	8%
Exports	1,205	-		1,790	1712*	-4%
End Stocks	2,438	1,080	-56%	1,357	1357*	-

Source: AHDB, DEFRA, \*SAC

Malting barley prices in Scotland have been quoted in the range £130-£140/t depending on specification in recent weeks but traded prices have not been officially reported in the AHDB Corn Returns. It appears that malting barley prices in Scotland are weaker than those in England reflecting the relatively good spring barley yields in Scotland. The recent CV-19 lockdown in England and tightening restrictions elsewhere across the UK are expected to cut demand for beer in pubs and boost home drinking. Overall, this is expected to cut back demand for brewing malting barley.

## Brexit Deal or No Deal?

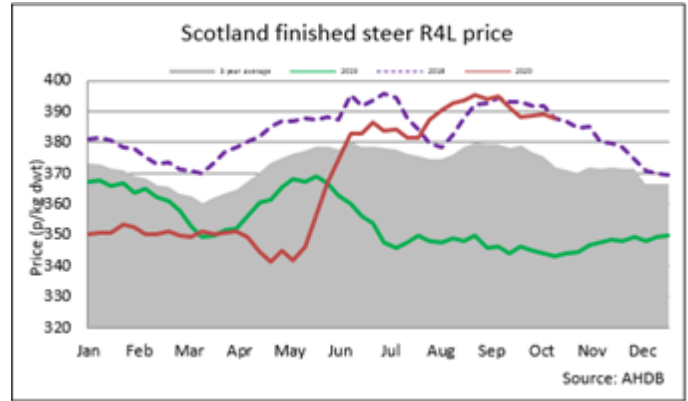
The UK and EU are in the final throes of attempting to agree a comprehensive trade deal. If a deal is agreed it is expected this will comprise a tariff free arrangement for most if not all agricultural and food products between the UK and the EU. If there is no deal then the UK and EU will apply reciprocal tariffs on all products. This would create the most concern for UK barley exports given the scale of the surplus. The EU is the main UK market and given that EU Import Tariffs out of a small quota are €93/t. For non-EU markets the UK will on 1 January 2021 apply its own schedule of tariffs on grain imports.

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# Beef

The beef price remains in a positive position, with producers receiving strong prices for finished cattle. This return to positive margins has in turn driven the price of store and breeding cattle up as breeders and finishers once again have a spring in their step. Finished prices are up by around £180 per head on the year, 385p/kgDW vs 335p/kgDW, there is also a significant premium to be had on Angus cattle 20p/kg putting an additional £70 in finishers' pockets. A strong trade throughout the supply chain suggests positivity in all areas along the supply chain.



But as has been the case for the past several years, you don't have to look far to find some uncertainty. At the time of the EU referendum, there were some strong points made by both sides of the debate, and now all these years later, we are still no clearer as to whether we sit on the edge of a cliff or on the brink of a bonanza. As farmers begin to engage in the monotony and graft of their winter routines, they have no idea what the future holds for the beef sector. Some direction is urgently required.

## What impact will Christmas have?

Normally at this time of year the Christmas market has a significant impact on the trade, but this year as we know is very different. With the whole country under Covid restrictions and things looking likely to get worse rather than better, we can't make predictions based on seasonal demand this year. With the hospitality sector heading towards its busiest time of the year, with one arm tied behind it's back we will likely see subdued demand from hotels and restaurants. But on the other hand, with less people going away on holiday and many people with a bit more money in their pockets, we are likely to see a significant increase in demand from households buying beef. As we saw at the start of the pandemic lockdown, when life slows down a bit, consumers tend to spend more money and time on cooking wholesome meals from scratch. Beef was a winner from the lockdown in March. With prime cattle supply under pressure, an increase in demand from households should help to ensure that the prospects for beef remain positive in the coming weeks.

## A good time to get rid of passengers

The cull cow trade remains strong as there is still good demand for processing beef. However, with cattle being housed and many herds scanning, the number of cattle coming forward is increasing, putting a bit of pressure on the price. However, before you hold onto them hoping for a stronger price, remember that these animals are unproductive and should be the lowest priority group on the farm. Where fodder, bedding and space is plentiful and cheap there is a good argument to hold onto cull cows and finish them properly. However, with many farms having limited supplies of fodder and straw, selling cull cows immediately is a major opportunity for producers. Likewise, with a very strong trade for store cattle and suckled, producers need to do the sums and assess whether keeping these animals will actually create additional revenue or create more work and cost.

## How have your cows performed?

With winter routines now mostly underway, and cattle going through crates for dosing and clipping, now is a good time to make use of weigh scales and take a look at how cows are performing. Gathering weaning weights and looking at weaning efficiency is only worth doing if you act on the data it provides. Don't fall into the trap of recording lots of data and not changing anything. It doesn't take much time to weed out poor performers and also highlight exceptional performers. This information should be used to assist with culling and replacement decisions.

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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	
	R4L	Change on week	Diff over N. Eng.	R4L	Change on week	Diff over N. Eng.	R4L	Diff over N. Eng.	R4L	-O3L
3-Oct-20	388.6	0.3	6.5	387.8	3.5	12.3	375.6	2.3	293.6	266.6
10-Oct-20	389.2	0.6	8.9	387.2	-0.6	9.3	379.5	7.2	288.6	264.9
17-Oct-20	388.0	-1.2	3.2	385.1	-2.1	8.9	376.3	13.3	286.9	262.8

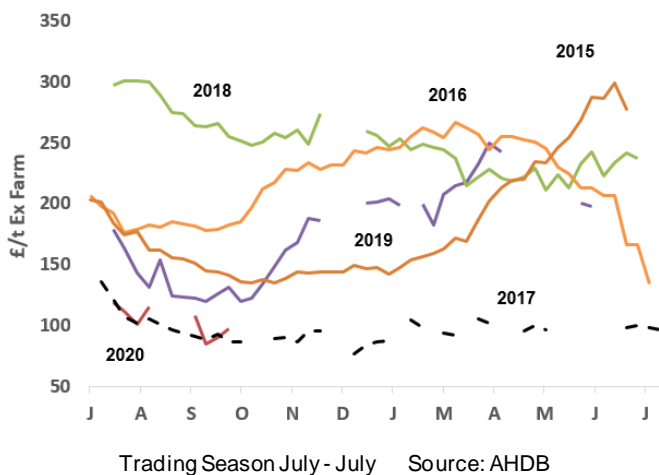
# Potatoes

## Market price update

- The latest GB Weekly Average Prices for the week ending 17th October was £133.32/t for free-buy and contract purchases.
- The latest GB Weekly Average Free-Buy price week ending 17th October was £97.12/t.

Crop Year 2018/19	17 Oct	10 Oct	3 Oct
Average Price (£/t)	133.32	135.90	137.50
AVP change on week (£/t)	-2.58	-1.60	-13.06
Free-Buy Price (£/t)	97.12	90.11	85.12
FBP change on week (£/t)	+7.01	+4.99	-23.30

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



## Potato Market Overview

Overall demand across all market sectors is fairly low due to the recent introduction of local lockdowns, and greater uncertainty around tighter Covid-19 restrictions. The closure of pubs and restaurants across some regions is having an impact on trade, with many hospitality and retail outlets reducing orders to avoid sitting on too much stock. Retail sales remain strong, and there is optimism of increased orders in the foodservice sector now the schools are back following the October break.

Potato lifting is going well across most regions with some growers reported to be finished. Quality on the whole remains good with some isolated reports of bruising, wireworm and slug damage. Due to limited free-buy demand, many growers are lifting into store in the hope of price increases towards Christmas and later in the season. Reports suggest that higher volumes of crop are being stored this season than normal, mainly due to Covid-19. Growers are being encouraged to continue to sell where there is free-buy demand particularly for crops which may not store well.

## Prices by sector (Friday 23 October 2020)

In the Scottish packing market, Grade 1 Maris Piper is trading around £140/t ex farm with a high of £145/t ex farm. Grade 1 Whites are trading around £65/t ex farm with highs of £80/t ex farm. There are reports of some stocks being sold into English markets.

In the English packing market, Grade 1 Maris Piper is trading around £120/t ex farm with a high of £180/t ex farm. Grade 1 Whites are trading around £80/t ex farm with highs of £120/t ex farm reported. Reds are trading between £165/t and £200/t ex farm.

In the East of England bagging market chipping Piper is trading around £100/t - £125/t ex farm, Agria trading around £130/t - £140/t ex farm, and Sagitta trading around £120/t - £140/t ex farm.

In the West of England, chipping Piper is trading around £75/t - £90/t ex farm, Ramos £90/t - £100/t ex farm, and Sagitta £90/t - £100/t ex farm.

There are no prices reported for the South of England or in Scotland.

Peeling Piper is trading around £70-£80/t ex farm, and Whites are trading around £50-90/t ex farm.

## Future Seed trade with EU hangs in the balance

The future of Scotland's seed potato sector hangs in the balance weeks before exports to Europe and Northern Ireland face a total ban under a no-deal Brexit. Around three-quarters of the UK's 12,000ha of seed potatoes are grown in Scotland and account for 80% of exports. As an EU member state, Britain exports around 30,000t of seed to mainland Europe each year. If there is no trade deal reached with the EU before the 31st December, Great Britain will be classed as a "third country" and will not be able to trade with EU countries unless specific agreements are in place. A no-deal Brexit could be devastating for Scotland's seed potato sector which is recognised on a global scale. Seed growers and suppliers are desperate to export as much volume as possible before the 31st December, but this presents major logistical challenges on farms, grading sheds, storage, and on haulage during an already hectic spell in the run up to Christmas.

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# Sheep

## Christmas prep?

The usual drive for lamb supplies ready for Christmas is up in the air as we await Covid-19 developments. However, current trade is excellent with another unprecedented deadweight price rise in October, strong store trade and excellent cull ewe price. If anything, lamb might flood the market in December ahead of Brexit and slightly suppress the price, however AHDB reports that lamb consumption is up 2% generally this year compared to 2019.

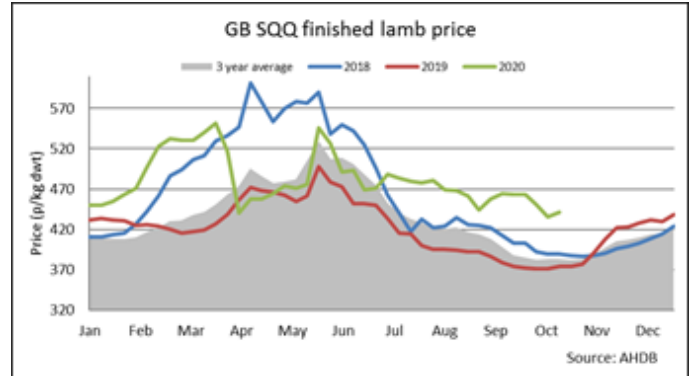
## Processors reports

Abattoirs are reporting a lot of lean lambs killing out poorly. The grass is wet, it is a challenge to finish them presently, additional feed may be worth it. Otherwise, start drafting heavier to account for the effect of wet grass in their systems. Just watch you don't utilise too much of the grass that should be saved for the breeding stock.

Spare a thought for the challenges the processors are facing during this crisis. For one, those that supply the catering sector are struggling and, consequently, lamb bookings are being cancelled last minute. For another, the abattoirs are ideal breeding grounds for the virus; the cold, damp surfaces and close working conditions mean an outbreak travels fast. They all have strict protocols, but they must be a challenge to maintain and we have seen the consequences with some abattoir closures globally.

## Planning post-2020

The pressure is on for a Brexit deal, next month's outlook will be more informative on this front but the implications of 'no deal' will be felt across the nation – the consumer will either end up hit with 40% greater food prices or the EU producers will take the hit. Either way, the high import tariffs will need to be met somewhere.



The national pressure bodes well for lamb producers, for whom a 'no deal' would be catastrophic.

Disruption is inevitable. The haulage issues and permitting will add to the cost of exports, but with a deal this should be affordable. We are competitive on the continent, especially with a favourable exchange rate. Our EU market, increasing demand and reducing global supply are all good signs for lamb long term, but a lot hinges on the next few months.

## Affairs abroad

At time of reading the new President of the United States should have been elected. Polls are indicating a democratic win. Is this relevant to us? Possibly, as it will affect future potential trade agreements with the states and the party do have some anti-meat lobbyists amongst them. Over in New Zealand, Jacinda Arden's success is met with mixed response from the farming industry. With a big emphasis on environmental policies and tree planting, this might see further reductions to the NZ flock.

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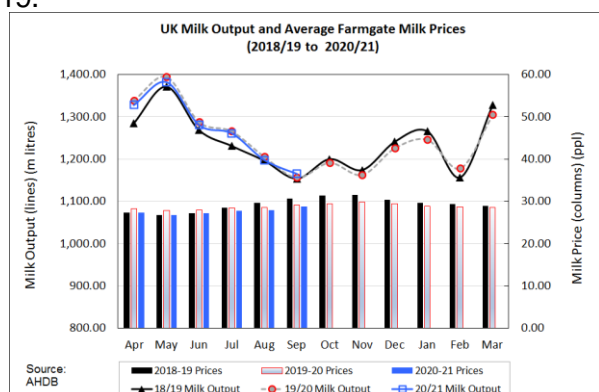
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd)	
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	Scottish	Eng&Wal
3-Oct-20	<b>452.0</b>	-10.9	-0.5	1.1	<b>195.70</b>	-10.5	-2.1	8.1	64.21	61.87
10-Oct-20	<b>435.8</b>	-16.2	-1.7	-0.7	<b>198.50</b>	2.8	2.6	10.4	60.15	62.15
17-Oct-20	<b>442.0</b>	6.5	-2.6	-0.4	<b>200.20</b>	1.7	4.3	11.0	59.13	60.70

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

## UK milk prices edge upwards

- Cumulative milk production for the current milk year is down by an estimated 35.54m litres on this time last year.
- The average UK farmgate milk price for September 2020 is estimated at 28.72pppl (down 0.49pppl on Sept 2019).

UK monthly milk output for September 2020 is estimated at 1,165.06m litres (before butterfat adjustment). This is 8.52m litres higher than September 2019 output when UK production for the month stood at 1,156.54m litres. Cumulative UK milk production for 2020/21 now stands at 7,616.12m litres (before butterfat adjustment). This is 35.54m litres lower than at the end of September 2019.



The UK average milk price for September 2020 is estimated at 28.72pppl. This is 0.49pppl lower than the average price received during September 2019.

## Farmgate prices - November 2020

Price announcements for November 2020 include:

- Arla Foods amba – Arla is to increase its member milk prices from 1<sup>st</sup> November 2020. The manufacturing standard litre price increases by 0.90pppl to 30.66pppl whilst the liquid standard litre price increases by 0.86pppl to 29.52pppl.
- Similar price increases apply for Arla's organic suppliers with the organic manufacturing price rising by 0.90pppl to 39.02pppl and the organic liquid standard litre rising by 0.86pppl to 37.56pppl.
- First Milk – FM has announced a 0.50pppl increase on member milk prices for November 2020. This means that the liquid standard litre price increases to 27.75pppl whilst the manufacturing standard increases to 28.67pppl.
- Müller – Müller has announced a 1.00pppl price increase from 1<sup>st</sup> November 2020 price for Müller Direct members. Suppliers in Scotland receive 27.00pppl for the liquid standard litre.
- Graham's Dairies – Graham's suppliers will receive a 1.00pppl price increase from 1<sup>st</sup> November 2020. This takes the liquid standard litre price up to 27.00pppl.
- Yew Tree Dairy – suppliers will receive a 1.00pppl price increase from 1<sup>st</sup> November 2020 taking the

liquid standard litre to 27.10pppl for all A litres supplied.

- Tesco – members of the Tesco Sustainable Dairy Group (TSDG) will receive a reduction of 0.56pppl from 1<sup>st</sup> November 2020. This takes the liquid standard litre price down to 30.87pppl for Müller Milk Group suppliers, whilst the price for Arla TSDG suppliers reduces to 30.62pppl.
- Coop – Müller members of the Cooperative Dairy Group (CDG) will receive a 0.13pppl increase from 1<sup>st</sup> November 2020. This takes the price for the liquid standard litre up to 29.66pppl.
- Lactalis – Members of the Milk Supply Association will receive a 0.50pppl increase from 1<sup>st</sup> November 2020. This takes the liquid standard litre up to 27.50pppl.

Annual Average milk price estimates for November 2020 (pppl)	
Milk Buyers – Scotland	Standard Ltr <sup>2</sup>
Lactalis (No profile or seasonality) <sup>1</sup>	27.50
First Milk Liquid <sup>1, 2</sup>	27.75
First Milk Manufacturing (4.2% Butterfat & 3.4% Protein) <sup>2</sup>	28.69
Müller - Müller Direct - Scotland <sup>1, 3</sup>	27.00

<sup>1</sup> 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.  
<sup>2</sup> FM prices include 0.25pppl Member Premium. The member premium increases to 0.50pppl from April 2020.  
<sup>3</sup> No monthly supplementary payment included in the price estimate. Includes 1.00pppl Müller Direct Premium and additional 0.25pppl haulage charge for Scottish suppliers.

## New Chairman at Dairy UK

UK managing director at Arla, Ash Amirahmadi, has taken over as the new chairman at Dairy UK. He succeeds Paul Vernon of Glanbia.

## Wholesale prices remain stable for now

- UK wholesale prices have remained stable during October 2020 but that could change during the next 2-3 months.

During October 2020, UK prices for most products have remained around the same level seen in September. The next two or three months will be crucial in determining what happens to dairy product price levels. Will tighter Covid-19 restrictions be enforced across a wider geographic area during the winter? Will the food service sector be hit once again? Will Brexit negotiations deliver a trade deal with the EU? Will questions surrounding the Irish border be resolved? With so many uncertainties to contemplate, who would dare make predictions!

UK dairy commodity prices (£/tonne)	Oct 2020	Sept 2020	Apr 2020
Butter	3,140	3,180	2,390
SMP	1,980	1,940	1,730
Bulk Cream	1,540	1,530	900
Mild Cheddar	2,920	2,920	2,880
UK milk price equivalents (pppl)	Oct 2020	Sept 2020	Apr 2020
AMPE (2020) *	29.75	29.54	23.69
MCVE (2020) *	31.64	31.59	30.71

\* AHDB have recently launched AMPE (2020) and MCVE (2020) which contain revised weightings. From October 2020 ABN will publish AMPE (2020) and MCVE (2020). Source: AHDB

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# Sector Focus

## Agri-food supply chains tested by Covid crisis

If any year has demonstrated the ability for sudden and dramatic changes to food supply chains and consumer shopping trends in response to socio-economic stresses then it is 2020. The year has shown interesting and unexpected changes in agri-food markets, with livestock reaching record prices, food service shutting down for much of the year, and an unprecedented consumer shift to home cooking. Overall, however, meat sales have fared well, with beef sale volumes growing 11.9%, 10.8% for pork and 0.4% for lamb (AHDB, 2020).

## Meat consumption trends since March

With 35% of people working from home over the summer period in the UK, convenience food consumption has fallen 18%, cooked-from-scratch meals increasing by 3%, and a particular peak in barbecues in line with coronavirus guidance on outdoor socialising. Sales of ready meals and on-the-go snacks may have fallen, but this isn't necessarily bad news for fresh cuts of meat. A rise in the number of food boxes such as Hello Fresh over lockdown suggests an increased interest and time available for cooking, indicating that there is also scope for expansion of fresh and unprocessed, quick-to-cook and small portion meats.

Along with the closure of restaurants, demand for higher value cuts and joints of meat has fallen, as well as meats common in takeaway foods such as lamb kebabs and processed pork. Mince demand increased, creating issues of supply and carcass balance. While there was an upturn for sales of roasting joints in the first few weeks of the spring lockdown, this is the opposite of the long-term consumer trend. Current restrictions on multiple household gatherings across the UK, which we may have to get used to going forward, as well as lack of large Christmas gatherings, certainly means that in the short term utilising these cuts in a more innovative and small household friendly way is a priority.

## Long term demographic and market changes

Meat consumption trends during the pandemic have created an interesting interaction with longer-term trends. While a revival of home-cooking has boosted sales of higher value meat cuts, the long view shows that demographic changes still favour a more convenience-oriented market. The main factors behind this include: commuting time reducing cooking time; single-person households;

and ageing population; and rise of flexitarianism.

'Meat and two veg' is a thing of the past; replaced with one-pot meals and traybake meals more common, as average cooking time has nearly halved in the last four decades. A growing preference towards poultry meat, perceived as easier and quicker to cook, provides a warning to the red meat sector for the need to adapt to new markets. A key opportunity here is in creating quick-cook and low preparation cuts, along with cooking guidance, recipe ideas, retail promotions and quantities aimed at smaller households.

## Innovative cuts vs. innovative products

In terms of innovative ways to add value this covers two main categories; new ways of cutting the carcass, or new ways of pre-preparing or presenting products.

Over the last few years AHDB has developed alternative cuts including flat-iron and Denver steaks for beef, rosette, lamb chunky and Victoria roast for lamb, and chuck eye joint, Presa steak, and Boston butt for pork. These are geared towards market demand for quick-cook and convenience meat products, and have opportunity both to make better use of the entire carcass, and improve gross margins by as much as 20% (AHDB).

New ways of presenting and preparing includes products such as marinated meats, stir fry cuts, chops, meatballs and sausages, mini roasts, with more focus on cooking guidance and recipes than the cut itself; the added value here can be as much as 234% on 'meal solutions' versus raw ingredients (AHDB).

## Future market opportunities and carcass balance

Both these long and short-term patterns indicate the need for adaptability of meat products beyond just price promotions, and that flexibility in butchery, process and marketing of meat is an important tool for the sustainability and resilience of the red meat sector.

From the 1<sup>st</sup> January 2021 Brexit will pose new challenges to food supply chains as well as impacts on carcass balance as a result of a new tariff regime. On top of this will fall uncertainty in the economy, and with a growing number of people out of work greater price sensitivity in consumer food budgets.

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# Management Matters

## Food and Drink Federation

While the Food and Drink Federation (FDF) 2020 half year [report](#) highlights that, due to the global impact of Covid-19, UK exports of food and drink fell for the first time since 2015. Exports fell by 13.8% to 9.7bn compared to the same period in 2019. However, analysis by KPMG highlights that differing markets are at varying stages of the COVID-19 lifecycle with China currently experiencing a period of growth, while other nations are in recession.

Of the UK's top ten export product categories, only pork saw positive value growth (+17.5%) with sales of £300m, largely driven by exports to China which purchased £132m of UK pork in H1. While whisky remains the top export product, the table below highlights the monumental impact that the Covid pandemic has had on UK exports over the past year:

Export Product £m	H1 2019	H1 2020	% Change
Whisky	2200.0	1500.0	-31%
Salmon	400.1	307.0	-23%
Chocolate	357.2	315.4	-11%
Wine	349.3	239.5	-33%
Cheese	348.3	304.5	-13%
Gin	333.5	253.0	-24%
Beef	276.4	257.3	-7%
Pork	256.3	300.6	18%
Breakfast Cereals	242.1	244.7	-0.50%

Source: FDF Export Snapshots 2019 & 2020

## Brexit

In 2019, the UK Food and Drinks Industry exported £23.6 bn of goods to 220 countries worldwide, with exports to the EU27 accounting for 60%. While going forward, there is obvious concern with the UK-EU Brexit trade deals and with regards UK-USA trade deals following the recent vote by UK ministers to reject key amendments on import standards, climate change and pesticides in the Agriculture Bill, there is scope to capitalise on emerging markets as the table below highlights:

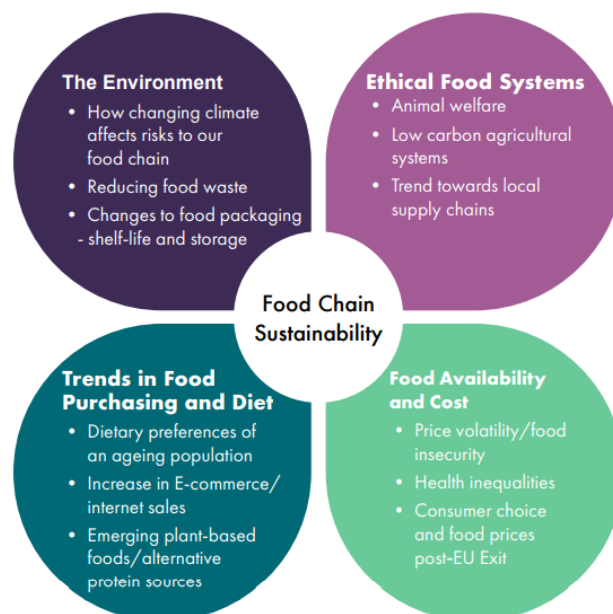
Exports to Saudi Arabia £m	2017	2019	% Change
Breakfast Cereals	3.2	6.6	560%
Chocolate	2.7	4.0	300%
Eggs	0.8	1.7	70%

## Food Standards Scotland (FSS)

With £6.3 bn of the £15bn Scottish Food and Drink Industry being exported into Europe, going into 2020, Brexit was viewed as the single biggest threat

to the Industry but a global pandemic and escalating trade wars between the US and Europe resulting in a 25% tariff on single malt whisky, cashmere, cheese, butter, shortbread and some wool products; the full impact on the industry in 2020 is yet to be measured.

From a National perspective, research by the Food Standards Scotland (FSS) has identified that Scottish consumers are concerned about the availability, standards, and price of food post-EU Exit. Consumers are also increasingly concerned about sustainability within the Food Chain as shown by the FSS infographic below:



Looking ahead, FSS has published its new draft strategy for 2021-26, entitled '[Protecting Scotland in a Changing Food Environment](#)' which identifies FSS's proposed key priorities including: food is safe and authentic, consumers have healthier diets, responsible food businesses are enabled to thrive, and consumers are empowered to make positive choices about food.

The proposals aim to take account of changing social, political, and environmental factors affecting Scotland's food environment and the challenges faced by those who are responsible for protecting it. The public consultation period ends on Friday 18 December 2020.

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## Key Economic Data

General Indicators		Price indices for August 2020 (Defra 2015 = 100)			
		Output Prices		Input Prices	
Base interest rate	0.1% (0.75% Mar '20)	Wheat	137.54	Seeds (all)	112.8
ECB interest rate	0.00% (0.00% Sep '18)	Barley	115.52	Energy	108.6
UK (CPI) inflation rate	0.5% (target 2%)	Oats	122.26	Fertiliser	89.5
UK GDP growth rate	-19.8% (Q3 '20)	Potatoes	123.85	Agro-chemicals (all)	146.3
FTSE 100	5,586 (29 Oct '20)	Cattle and Calves	109.84	Feedstuffs	115.0
		Pigs	123.83	Machinery R&M	112.0
		Sheep and Lambs	119.39	Building R&M	111.5
		Milk	113.37	Veterinary services	114.8

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