

Agribusiness NEWS

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News in brief

November 2022

Cost-of-living crisis dominates markets

A year ago, on the eve of COP26, the eyes of the world were on Scotland. With a degree of irony, world leaders flew in seeking to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. Roll forward a year, and while the hope is that COP27 will be the turning point where 'the world came together and demonstrated the requisite political will to take on the climate challenge through concerted, collaborative and impactful action', the eyes of the world are more inwardly focused as the cost-of-living crisis across the globe starts to bite – hard. For many, the thinking will not be about turning down their heating to save the planet, it will be if they can afford to have any heating at all.

With all agricultural sectors battling the alignment of the now well documented cascading crises of Brexit, Covid, and the profound impact on national and global economy due to the invasion of The Ukraine by Russia; the fourth horsemen of the apocalypse in the form of Avian Flu is threatening to gallop through the poultry sector. However, as our Talking Turkey article highlights, the UK's love of a traditional Christmas should provide much needed support for the industry (although early ordering is advised to avoid disappointment!)

With the recent political turmoil and its effect on the economy, our beef sector article highlights the impact of food inflation on our domestic markets while our sheep article highlights the importance of sterling exchange rates on our ability to compete on the global stage. Our guest article this month from Dr Maria Carvalho, Nat West's Head of Climate Economics & Data explains the complexities of getting the economics right to achieve a sustainable food system.

With the [UN Biodiversity Conference \(COP15\)](#) on the horizon, this month's article on nature conservation highlights how farmers, crofters and producers can access support funding to help achieve COP15 vision of 'living in harmony with nature' – a nice positive sentiment to end on...

Next month:



* COP 27 Update

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This month's editor:

Christine Beaton



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Policy Briefs

Avian Influenza (Bird Flu) Update

Following an increase in the number of detections of a highly pathogen strain of avian influenza (HPAI) H5N1 being confirmed in wild birds and other captive birds, the Chief Veterinary Officers from Scotland, England & Wales have declared an Avian Influenza Prevention Zone across Great Britain.

This GB-wide zone introduces strict biosecurity measures for all bird keepers (including those who keep pet birds) to mitigate the risk of the disease spreading amongst poultry and other captive birds. Keepers of all birds (including pet birds) should familiarise themselves with the avian flu advice at www.gov.scot/avianinfluenza and report suspicion of disease to your local [APHA Field Services Office](#).

New Wildlife (Grouse Moor) Bill Consultation

Following on from the 2019 [Werritty Grouse Moor Management Report](#), tighter laws around grouse shooting in Scotland are being considered, in an effort to protect wildlife and the environment, and to ensure that grouse moors are managed in a sustainable way; the consultation will seek views on a wide range of topics related to wildlife including:

- introducing a licensing scheme for grouse shooting,
- increased regulation of muirburn – the burning of vegetation to maintain moorland,
- banning the use of glue traps, and
- increased regulation of other wildlife traps.

For further information click [here](#). The consultation process ends on the 8th of December 2022.

Short Term Lets Licensing Scheme

To ensure all short-term lets are safe and to assist with handling complaints and address issues faced by neighbours, 'Short Term Lets Licensing Scheme' legislation has been passed that requires properties being used as short term lets to be licensed.

From October 2022, new hosts must apply for a licence and all existing short term let hosts must have applied for a licence by 1 April 2023. You can check the [Scottish Government Guidance](#) to establish if your property will be required to be licensed and what you are required to do.

Tenant Protection Act becomes law

In response to the cost of living crisis and following on from legislation introduced during the Covid pandemic, under the temporary power afforded

under the [Cost of Living \(Tenant Protection\) Bill](#), the Scottish Government has introduced a cap on rents for residential tenancies. The rent rise cap has initially been set at 0% and will be in place until at least 31st of March 2023, with provision made for two further 6-month extension periods. The Bill also introduced a moratorium on evictions except in a number of specified circumstances. Damages for unlawful evictions have been set at 36 months rental equivalent.

Further afield:

EU: Fertiliser

As part of efforts to tackle the disruption caused by the Ukraine war, the EU has announced it will publish its long awaited 'Communication on Fertilisers' on the 9th of November. While the communication will cover the availability and affordability of fertilisers at both EU and global level; of greatest interest will be how the EU proposed to make the fertiliser industry less externally dependent, while simultaneously exploring ways to make EU farmers less dependent on fertilisers. In the meantime, as the EU seeks to strengthen its free trade agreements to improve its global access to fertilisers, it is proposing a temporary suspension of customs tariffs on ammonia and urea until the end of 2024.

NZ banning live exports

Linked to the tragic loss of 6,000 cattle and 41 crew when the *Gulf Livestock 1* sank in high seas in 2020, and the recent Free Trade Agreement negotiations with the UK and the EU, New Zealand MPs have approved a new 'Animal Welfare Amendment' Bill banning live exports by sea on the 30th of April 2023.

Somewhat ironically, the UK [Kept Animals Bill](#) which includes the banning of live exports for slaughter/fattening is still progressing through Parliament. Australia has also confirmed its commitment to ban live exports, but it is not expected to be introduced before 2025.

Key dates

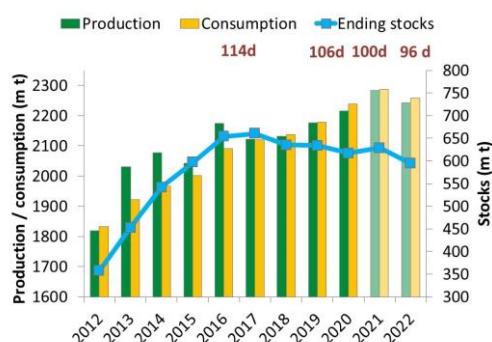
Date	Action
9 Nov 7pm	Agricultural Wages – Agricultural Bill consultation - Online Event
15 Nov 7pm	Modernising Agricultural Tenancies– Agricultural Bill consultation - Online Event
30 Nov	Scottish Upland Sheep Support Scheme Application period closes.

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Cereals and Oilseeds

World stocks to use ratio falling

World grain production is forecast to fall below consumption for the fifth year in a row. This has resulted in global grain stocks to use ratios falling to the lowest levels in 10 years. Stocks as a share of supply are expected to fall by 4 days to 96 days of supply – representing a fall of 18 days since the highs in 2016. On an historic basis, these stocks:use ratios are not particularly low with values in the 70 days being seen in the past. However, the big difference now is in the countries holding these stocks; and today it is China that is responsible for an unprecedentedly high share of global grain stocks. The stocks left with major exporters are at a low level, and it these that drive pricing.



Source: USDA

The global stocks:use ratio above all else is the most important factor underpinning price direction in global grain markets. While day to day supplies may be sufficient, the market becomes very sensitive to:

- Adverse weather in major producing regions,
- The planting decisions of farmers at key points – the next major one being US spring sowings,
- Political or economic shocks.

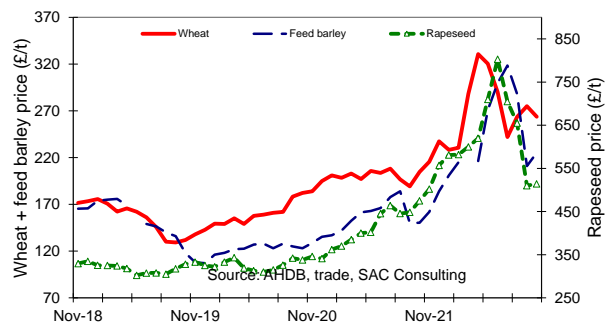
This all means volatility – witnessed by big swings in global and UK grain prices in response to the escalation of the war in Ukraine earlier in October.

For farmers, this creates risks and opportunities – large price swings will occur and during the highs there are currently, and will soon be, more opportunities to sell grain at a profitable level, both crops in the shed and in the ground. Just be aware that these opportunities come and go, and it is important to recognise profitable sales opportunities and sell a proportionate % as the year develops. Winter crops in the ground can be sold for November

Indicative grain prices week ending 21st October 2022 (Source: SAC/AHDB)

£ per tonne	Basis	Nov '22	Mar '23	Nov '23
Wheat	Ex farm Scotland	265	270	265
Feed Barley	Ex farm Scotland	243	250	240
Malt. dist. Barley	Ex farm Scotland			280
Oilseed Rape	Delivered Berwick	538	543	525

2023 at similar prices to current markets; this is an unusual situation and indicates market concern about future supply. Current forward wheat prices in Scotland are the same as spot values at around £265/t ex-farm for wheat. Forward rapeseed prices are around £20/t lower at £535/t ex-farm.



Key drivers and decisions

The level of UK grain exports – the UK has an increased surplus of wheat and barley this season for export – weakness in sterling has got the season off to a good start – global market direction key.

Russia / Ukraine – Russia has a large wheat surplus and needs cash to fund its war – the UN agreement to allow Ukraine wheat exports ends on 20 November – will the Russians renew? If not, expect a sharp rise in grain prices as this would also jeopardise Russian exports – as shipping and insurance agreements also benefit Russian exports.

Canada has a large cereal crop – this is putting pressure on oat and other markets.

South American weather – dry conditions causing difficulties for spring crops in Argentina, but more favourable in Brazil. The next few months will be crucial in deciding output and soya and maize prices.

US spring planting window – while this is nearly 6 months away, what US farmers decide to plant is the single biggest crop decision the world's farmers make. Markets will increasingly focus on this period and the absolute and relative price of maize and soya. Anything short of a record soya and maize crop in South American in the spring will cause market tensions to rise. Keep a close eye on this as it may create selling opportunities before US planting is completed.

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Beef

Welcome lift in prices

The last few weeks of October have provided welcome news to many beef finishers as prices begin to rise as processors start to look a little bit harder for prime cattle to kill ahead of Christmas. With the main Christmas killing period being from early Nov to early Dec it is not unexpected that the prices have risen. It has been well documented that many processors kill numbers have been boosted in recent months by cull cows and now as they must fill their chills with prime beef for the festive period, the pressure is on to find enough prime cattle.

For the week ended 15th October 2022 the R4L price for Scotland was 457.2p/kg. Whilst it is good to see a lift in the beef price when producers are facing ever rising input prices, it is hard to remain optimistic that this rise in price will be sustained post-Christmas.

Shopping habits

Food inflation combined with energy cost rises and increasing interest rates are putting pressure on consumers budgets and this is resulting in shoppers buying less beef per shopping trip. This is borne out by the Kantar data for consumer spending for the 52 weeks ending 2nd October; although year on year consumer spending on beef appears to be up 1.1% year on year, factoring in the that the average price of beef has risen by 10.5%; in reality consumers have reduced the amount of beef they have bought over the past year by a staggering 11%.

Cull cow trade

Although still strong, the cull cow trade has started to dip back as Spring calving herds start to PD and house cattle resulting in more numbers becoming available, alongside, in the run up to Christmas, processors shifting towards prime beef.

While in the face of current economic pressures on consumers, the demand for manufactured beef is expected to remain strong into next year; the well documented challenge to this is the continued reduction in the Scottish breeding herd and the effect that has on overall critical mass. Looking at slaughter

data for Scotland for January – September 2022, 7% more cows were slaughtered compared to the same period for 2021. More worryingly when we look at July, August, and September 2022, in those three months alone we have killed 14% more than those three months in 2021.

Store cattle and weaned calves

The common theme for both forward stores and weaned calves at the recent store sales is that well fed and well-bred cattle continue to be cashed easily, with prices at a similar level to last year and 10-15% above the five-year average, with weathered, leaner, and lighter cattle being more difficult as finishers weigh up the cost of feed to get those leaner types moving.

Those with stores to sell this backend need to weigh calves at weaning. In in some areas calf weaned weights may be lighter than last year due to the adverse summer weather. West coast weaned calf sales in recent weeks – Oban Bullocks averaged £673; heifers averaged £586. Dalmally bullocks averaged £708, heifers £615.

As weight of calves is driving demand in the sale ring; it is important to review feeds available and analyse silages to work out if there is potential to put weight on calves before selling, however, be mindful of costs and whether you may just be better off selling now.

Bull Sales

Autumn bull sales have passed with reasonable results for most breeds, with the continental breeds achieving higher clearance rates than some of the native breeds. Some top prices were being paid by pedigree breeders and there were strong prices for the best commercial bulls, showing a level of confidence from the commercial breeders. Compared to October 2021, only 7 less bulls were sold between the four mains breeds at Stirling this year.

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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 All	Eng&Wal All
03-Sep-22	535.2	-1.8	-2.5	0.9	232.10	-5.7	13.8	-0.6	78.35	75.18
10-Sep-22	530.2	-5.0	-1.3	3.1	234.10	-2.0	12.8	-0.5	74.51	75.81
17-Sep-22	526.1	-4.1	-0.6	1.5	231.30	-2.8	11.7	-1.7	77.70	75.38

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

Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

S e c t o r F o c u s : Nature Conservation

Driven Support

Scottish Government have indicated in the months since the Glasgow COP26 conference that they want to see transformational change within the agricultural sector and at landscape scale if we are as a society to meet the challenges of climate change and nature decline.

In 2019, the [State of Nature report](#) was released, detailing how Scotland's priority species, habitats and larger ecosystems had changed over the decades, using 1970 as a baseline. In many ways, the report was a challenging read, with findings suggesting that some 37% of species surveyed had seen declines in the last decade.

It should also be said that the same report indicates that 30% of species have seen increases and the remaining 33% showing little change. Some might be tempted to suggest the findings are unremarkable and that fluctuations over time are inevitable, however fragility in some areas can impact the whole system and it is increasingly important that, as a policy driver, farmers and crofters are engaged with the topic.

Agri-Environment Climate Scheme

To address Scotland's nature decline, the Scottish Government have supported and continue to support the Agri-Environment Climate Scheme (AECS) as its principle environmental scheme. AECS was launched back in 2015 and over the years has provided funding support for sustainable land management practices and capital to enhance those activities.

The scheme provides farmers and crofters with a five-year contract, committing them to a set of management requirements based on chosen, voluntary options that can be allocated to a variety of different land types. In practice, this means that a business receives, often an area-based payment, on top of their basic payment, providing for many, a sense of security and continuity.

AECS is however not for the faint hearted, to ensure value for money and genuine environmental benefits each application is scored in a competitive manner, with only the highest scoring in a given year being offered a contract. This focus on high perceived nature conservation benefit means that often the most successful applications have a dynamic mix of different management and capital items.

Prospective applicants must go through a rigorous process, providing information and maps discussing

habitat types and condition, management history, impacts on priority species and protected nature sites etc. culminating in a site visit with your allocated case officer and a final decision on your application.

Interested farmers, crofters and landowners can find their own eligible management and capital items options at <http://targeting.ruralpayments.org/>.

Nature Restoration Fund

For those looking to achieve a more bespoke nature outcome, one that does not easily fit within the purview of AECS; the Nature Restoration Fund (NRF) could fit the bill.

NRF offers capital support for nature conservation outcomes that the applicant details and proposes, so different to opting into set management requirements.

The fund has two streams, Helping Nature, which supports projects between £25k - £250k and Transforming Nature, which deals with proposals with a value more than £250k. The fund has five funding priorities:

- Habitats & Species,
- Freshwater,
- Coastal & Marine,
- Invasive & Non-native species, and
- Urban environments.

Linking multiple priorities can increase the prospects of a successful application. For further information, please see online at [Nature Scot](#).

Timelines

AECS has been confirmed for an additional two funding rounds before the end of 2024 and is expected to return in spring 2023.

The next round of NRF is expected to be in late autumn 2022.

Further Information & Advice

For more information on your environmental options, FAS has a range of support to help you decide what is right for your business including:

- the funded advice helpline, and
- specialist advice for biodiversity, habitat, and landscapes <https://www.fas.scot/specialist-advice/>.

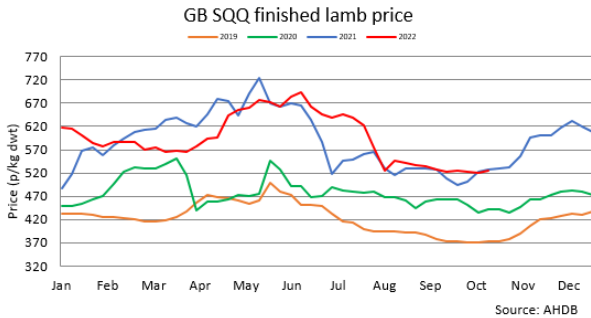
Alexander Pirie, Agricultural Consultant

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Sheep

Trade Talk

The lamb finished price has held extremely well over the last month. A lot of happened financially in the UK over this period including the pound being at a record low against the dollar (£1 = \$1.035 on 26/09/22). With a weak pound, our exports are favourable for our European customers, while anything we are importing has been at a premium.



We have a tight domestic supply, with AHDB figures showing the production of UK sheep meat in September being 11% lower than 2021. This is driven from the drought in the summer impacting lamb growth, as well as the additional bank holiday for the Queen's funeral impacting the kill pattern for the month. Combined with this low supply and high demand from the EU for lamb. With low supply and high demand, we have the perfect combination to sustain current high prices throughout the winter.

Cull ewes

Cull ewe prices have weakened over the last month, as supply has increased with pre tupping MOTs on late and hill lambing flocks. Strong continental types are still well in demand. As we approach tupping, the supply will shorten, which will aid a price rise in culls.

Store Lambs

Looking at store sales, light lambs are showing the largest change year on year largely due to the high price of feed and low supplies of forage in some areas.

Source: AHDB	Auction £/kg	Change on Year
24/09/22	167.60	-21.80
01/10/22	202.10	-2.20
08/10/22	156.50	-56.70
15/10/22	166.10	-20.90

On the week 15/10/22 medium lambs averaged £2.33/kg and heavy lambs averaged £2.27/kg, showing these medium to short keep lambs are favoured over the long keep lamb which will carry higher variable costs over the finishing period.

European Lamb

Deadweight prices have remained at a premium in Europe with French lamb at €7.97/kg DW and Spanish lamb at €7.22/kg DW (w/e/ 01/10/22 – data from Bord Bia). In comparison for the same week UK lamb was at €6.01/kg DW (note euro).

Despite the French/UK price differentials, the French consumer has a great sense of patriotism, and sense to support their local markets. There is a perception of quality coming from their own particular province or regional area, which assists in keeping the price at a premium. In addition, there is a high population of Muslims in France. Muslim people generally eat a high volume of sheep meat, with it being the principle chosen meat for religious festivals, such as Ramadan, Eid-al-Fitr and Eid-al-Adha, as well as other family gatherings.

New Zealand and Australian Lamb

NZ lamb has held well in deadweight price with €5.72/kg (w/e/ 01/10/22), while Australian lamb was at €5.06/kg. The high price of the NZ lamb reduces the appeal from the EU to import it, channelling the product to closer countries, reducing cost with transport. The Australian lamb is lower in price due to a higher supply of lamb this year. Following the growth in the national flock after the drought reduced the flock.

[Kirsten Williams](#); 07798617293

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
01-Oct-22	525.5	-2.8	-0.3	2.1	228.50	-5.2	15.4	0.6	67.15	68.85
08-Oct-22	522.7	-2.8	-0.7	2.1	233.90	5.4	24.7	2.1	67.61	67.63
15-Oct-22	527.5	4.8	-1.6	1.6	233.00	-0.9	19.5	6.0	67.84	67.46

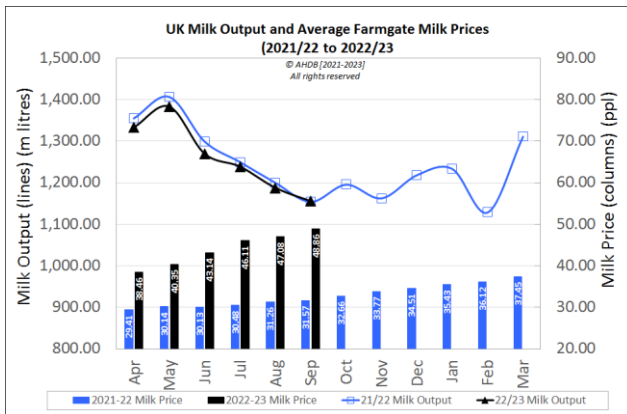
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS

Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

More price increases for November '22

- Some milk buyers have announced a price increase for November even though farmgate prices are already at a record high.
- UK production remains below last year despite high farmgate milk prices.

AHDB milk production data shows that output for September 2022 is estimated at 1,155.06m litres (before butterfat adjustment), an increase of 0.76m litres on a year-on-year basis. Cumulative UK production for the 2022/23 milk year to the end of Sept 2022 stands at 7,566.85m litres (before butterfat adjustment), which is 96.73m litres lower output compared with the same time last year. The UK average milk price for September 2022 is estimated at 48.86pppl. This represents a 1.78pppl increase from the previous month (47.08pppl) and a year-on-year increase of 17.29pppl from September 2021.



Farmgate prices: November 2022

The main price updates for November 2022 include:

- Arla Foods amba – No change to farmgate milk price for Nov 2022. The liquid standard litre price holds at 48.96pppl. The manufacturing standard litre (4.2%BF & 3.40% protein) holds at 50.91pppl.
- Arla Foods organic – No change for November 2022. The organic manufacturing standard litre holds at 55.69pppl. The liquid standard litre price holds at 53.57pppl.
- Arla Directs – 0.56pppl increase to farmgate milk price from 1st November 2022 for Arla direct suppliers. This takes the manufacturing standard litre price up to 48.32pppl. The liquid standard litre price increases by 0.54pppl to 46.43pppl.
- Müller Direct – No change for November 2022 farmgate milk price.
- First Milk – FM milk price will increase by 0.30pppl from 1st November 2022.
- Fresh Milk Company (Lactalis) – The manufacturing standard litre milk price increased by 0.50pppl from 1st October taking the milk price up to 49.70pppl. The liquid standard litre milk price increased by 0.48pppl to 47.80pppl. (This

announcement was made after the October edition of Agribusiness News had gone to print.)

- Müller Direct / Lidl fixed price – Müller direct suppliers on contract with Lidl are to receive a 2.00pppl price increase from 1st November 2022. This takes the liquid standard litre milk price up to 48.00pppl. This is the fourth time that Lidl has increased the milk price for contracted suppliers. The 3-year contract was launched in July 2021 with a fixed price of 29.00pppl, some 19.00pppl below the November 2022 offering.
- Sainsburys (SDDG) – confirmed another monthly hold on milk price (for November). Müller members of SDDG hold at 47.00pppl for the liquid standard litre, whilst Arla members hold at 46.88pppl.
- Tesco (TSDG) – No change for November 2022. The liquid standard litre for Müller TSDG suppliers holds at 48.00pppl, whilst the milk price for Arla TSDG suppliers holds at 47.75pppl.

Annual average milk price estimates for November 2022 (pppl)	
Milk Prices – Scotland	Standard Ltr*
Lactalis / Fresh Milk Co. (No profile or seasonality) ¹	47.80
First Milk Liquid ^{1,2}	48.02
First Milk Manufacturing (4.2% Butterfat & 3.4% Protein) ²	49.69
Müller - Müller Direct - Scotland ^{1,3}	47.75

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 0.50pppl from April 2022.
3 No monthly supplementary payment included in the price estimate. Includes 1.00pppl Müller Direct Premium and additional 0.25pppl haulage charge for Scottish suppliers.

Wholesale prices reduce in October

After something of a recovery to dairy wholesale prices during September, prices have eased back again during October 2022. During the summer, prices on the continent have been supported by low production and tight milk supplies.

UK dairy commodity prices (£/ tonne)	Oct 2022	Sept 2022	Apr 2022
Butter	5,860	5,980	5,890
SMP	2,980	3,110	3,430
Bulk Cream	2,807	2,858	2,612
Mild Cheddar	4,860	4,860	4,520

UK milk price equivalents (pppl)	Oct 2022	Sept 2022	Apr 2022
AMPE (2021)	51.27	53.13	56.32
MCVE (2021)	53.95	53.92	51.98

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Arla – Sustainability Incentive Model

Arla is to introduce a points-based sustainability incentive that will deliver payments to farmer members who are prepared to take action to deliver reductions to greenhouse gas emissions. Arla will set aside 3-euro cents of the milk price (in addition to the 1-euro cent for climate check data) to provide an incentive for farmers to act on five key areas including feed efficiency, fertiliser use, land use, protein efficiency, and animal robustness. The annual cost of the scheme is estimated at around €500m.

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S e c t o r F o c u s : T u r k e y s

Are We Stuffed?

Turkey farmers have faced a challenging number of years:

- First, being severely affected by the loss of European seasonal workers for plucking and processing following Brexit,
- Followed by Christmas lockdown due to COVID,
- and losses of entire flocks through Avian Influenza.

Now this year's crisis for turkey producers is the rise in the cost of production combined with the cost-of-living crisis, while also trying to enhance biosecurity to prevent Avian Influenza and finding seasonal labour.

Cost of Production

The cost of production for most turkey farmers has increased by 20%. Turkey chicks typically arrive on farms at 1 day old in the summer. At this point they require a constant source of heat at 34-34.5°C, this heat is reduced down every week and by week 5, the temperature should be 23°C.

The cost of providing this heating energy, combined with the cost of feed and packaging for the oven ready birds has soured since the Russian invasion of the Ukraine, with the cumulative 20% increase in the cost of production, translating into an increase of ~£16 per bird sold retail.

While this sounds like a vast increase, let's compare it to everyday items like vegetable oil, pasta, and tea, which have increased by 65%, 60% and 46% respectively on the year (data from office of national statistics). Comparing to other meat proteins such as beef, lamb, and chicken, a 20% rise is not too dissimilar.

Avian Influenza (Bird Flu)

This is a serious notifiable disease of poultry. It is a growing problem with currently several cases being reported a day across the UK. There are currently (26/10/22) parts of Eastern England (Norfolk, Suffolk, and parts of Essex) under mandatory housing measures for all poultry and captive birds due to a spike of cases in this area. In addition, out with this area, if there are any birds within a protection zone declared around an infected premises, they must be housed.

The rest of the UK is currently in an Avian Influenza Protection Zone ([AIPZ](#)), meaning that all bird keepers must operate strict biosecurity measures to protect their flocks. If a turkey producer is confirmed to have Avian Influenza then the Animal and Plant Health

Agency (APHA) will take action to reduce the risk of the spread of infection by immediate movement restrictions and compulsory culling birds on site.

For notifiable diseases, when compulsory culling is required there may be compensation, this is not available for birds who have died pre diagnosis. It is important to ensure you diagnose infection as early as possible to prevent the spread, but also for financial reasons. Any spike in mortality should be investigated by your farm vet immediately.

Further guidance for Avian Influenza can be found at [Avian influenza \(bird flu\)-\(www.gov.uk\)](#)

Availability of Seasonal Labour

The government has issued 2,000 visas through their seasonal worker visa route for temporary migrants to work in the UK poultry sector in 2022 (plus 38,000 temporary migrants to work in the horticultural sector). This visa route remain until 2024, but the quota can change each year.

Further guidance on seasonal poultry workers can be found at [Seasonal worker visa route RFI notice - GOV.UK \(www.gov.uk\)](#)

Always the Optimist

On the positive side, in the UK we love Christmas, food and tradition, all three of these involve the turkey. Consumers treat Christmas as a day of luxury; food and the table centrepiece is a large part of this.

Post covid restrictions, consumer habits will be interesting to follow this year but as eating at home is cheaper than eating out, we may see more people choosing to host large family feasts rather than treating the family to Christmas dinner at a restaurant. People may also choose to stay at home in the UK for Christmas and not holiday abroad, increasing our population of traditional turkey eaters.

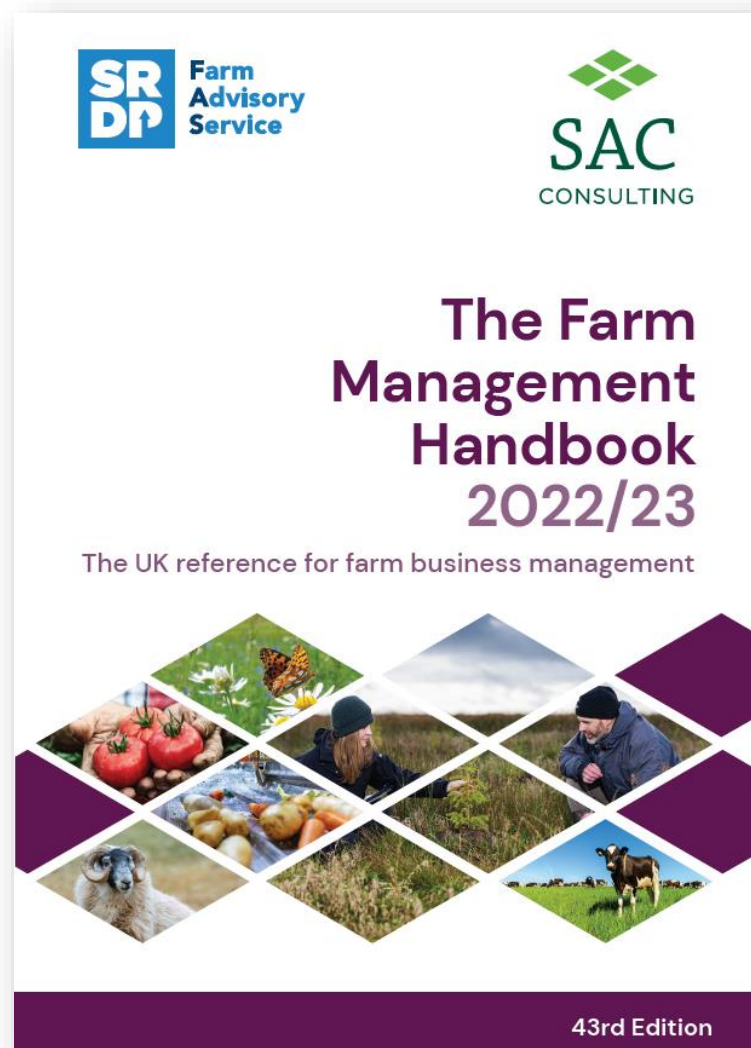
In the last UK recession (2009) turkey sales were reported to have increased, with the premium bronze birds seeing an increase in sales for many producers. With some good cooking skills, a turkey can provide many nutritious meals for families, by using the whole carcass and maximising the meat yield through making curries, soups, pies and many more family favourites. With less than 54 days to Christmas, make sure you have your turkey on order!

[Kirsten Williams](#); 07798617293

SAC Farm Management Handbook 2022/23

With the importance of forward budgeting and seeking to minimise carbon emissions by maximising technical efficiency, the 43rd Edition of the SAC Farm Management Handbook (co-funded by the Scottish Government) is now available to download free on the Farm Advisory Service website at <https://fas.scot/publication/fmh2022>

To own your own hard copy of this comprehensive and up-to-date source of farm and rural business management information, please visit www.sac.co.uk/fmh or contact us on 01835 823322 or email the FMHB team on fmh@sac.co.uk



This year's handbook includes:

- Gross margins and technical details for livestock, crop and organic enterprises,
- Information on Direct payments (Basic Payment Scheme, Greening, Grant Schemes) and Rural Development Programmes,
- The Carbon section which discusses the main greenhouse gases in agriculture, explains how the carbon footprinting process works, identifies mitigation measures, and provides farm benchmarks, and
- Guidance on diversification, building and machinery costs, renewable energy, farm woodland, crofting and small farms, new entrants, finance, taxation and much more.

Management Matters

From a Banker's Perspective

Getting the economics right towards a sustainable food system

It is fair to say the events of 2022 has led to the reckoning of the modern industrial food system. Businesses in the UK agriculture sector are facing inflation of over 25% and price hikes in the region of 200% for fertiliser, gas and fuel, and a raft of other cost pressures on feed, electricity, and seeds, as a result of the combined impacts of inflation, Brexit, and the War on Ukraine on supply costs to the industry. The record-breaking heatwave this summer has put further stress on crops that rely on rainfall, such as cereals, and require more careful water management of crops reliant on irrigation, such as potatoes. These geopolitical and climate shocks have drastically diminished farmer's profit and loss margins, threatening the financial viability of farms that are carbon-intensive and vulnerable to climate change.

Well before these crises forced their economic reckoning, the modern food system needed to reform its existing practices. The UK is ranked in the [lowest 10%](#) of countries globally when it comes to biodiversity, impacted by centuries of agricultural intensification which have taken a large ecological toll on our natural systems – depleting soils of nutrients, polluting rivers and degrading habitats. Indeed, the very methods that made agricultural areas productive such as field amalgamation, and a move away from mixed farming with the use of artificial fertilisers – now face serious challenges in terms of their long-term economic and environmental viability.

To support farmers through these inflationary challenges, NatWest confirmed a £1.25billion lending package for farmers this summer through a range of measures including favourable loans, asset finance and increased overdraft limits, taking our total lending capacity to the agriculture sector to over £6.7billion.

Our lending support also aims to help farmers fund their transition to more sustainable practices, through the bank's Green Loans that will help farmers access low-carbon equipment and adopt more sustainable practices at low interest rates.

Though green loans are meant to reduce farmer's long-term costs on fossil fuel inputs, farmers are reticent to take these loans when it is still unclear whether and how they will be able to repay them. Farmers are unable to pass the full magnitude of their inflationary costs to their buyers to cover their operational costs, let alone taking more debt to cover new capital equipment. The proposed agricultural subsidy reforms are still unclear on whether they will provide sufficient financial incentive for farmers to change their farming practices to become more sustainable.

There are essential ingredients needed to get the economics right for a sustainable food system transformation. First, a common set of metrics that defines the environmental outcomes farmers need to achieve must be adopted across the food system – from farms, food manufacturers and retailers, policy incentives and financial solutions. Second, farmers need to be financially rewarded for achieving these environmental outcomes. Agricultural subsidy reforms should be structured at levels that give farmers the confidence to buy equipment and adopt sustainable, regenerative agricultural practices. Food manufacturers and retailers' procurement and payment terms should also reflect the willingness to pay for these environmental outcomes. Finance from banks but also more [innovative financial instruments](#) can more easily be deployed to farmers when there is clear investment case to pay for environmental outcomes. We are working with farmers, government, businesses, financial institutions, and civil society to get the economics aligned to support the transition to a net zero, environmentally sustainable and healthy food system for the UK.

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Key economic data

General Indicators		Price indices for Aug 2022 (Defra 2015 = 100)			
		Output Prices		Input Prices	
Base interest rate	2.25% (1.75% Sept 22)	Wheat	217.9	Seeds (all)	123.8
ECB interest rate	1.50% (0.75% Sept 22)	Barley	231.3	Energy	204.9
UK (CPI) inflation rate	10.1% (target 2%)	Oats	199.3	Fertiliser	296.4
UK GDP growth rate	-0.2%% (Q2 '22)	Potatoes	138.2	Agro chemicals (all)	158.5
FTSE 100	7,045.90 (28 Oct 22)	Cattle and Calves	134.4	Feedstuffs	173.3
		Pigs	150.4	Machinery R&M	125.2
		Sheep and Lambs	140.5	Building R&M	159.5
		Milk	190.7	Veterinary services	117.8

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