Farm Advisory Service

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October 2018

News in brief

All Treaties may cease to apply….

The probability of the UK leaving the EU with "No deal" next March is probably higher than at any point to date. With less than six months to go before the UK's planned exit there is no sign of a plan that would satisfy both the EU and a UK parliamentary majority. The UK and EU are meant to have an agreement on the table by 18 October. Maybe there will be either; a deal, a fudge or a miracle; either way they all take time.

The UK is party to 750 EU Treaties covering every conceivable aspect of commercial, private and civic life. On 30 March 2019 unless a withdrawal agreement is signed with the EU all 750 will cease to apply to the United Kingdom. It is hard to over-emphasise how catastrophic such an outcome would be for so many UK businesses; leaving them void of legal contracts and regulations in many areas and facing unprecedented delays at ports. There is precious little sign that the UK government is on track to have suitable alternatives in place should a no-deal scenario result.

For a farm business planning in such situations is hard, however there are some positive steps farmers can take to bring some control to the situation. The immediate priority is how will the farm fare in the first few months of April and May 2019 when we expect to have left the EU? Are there any critical inputs that could readily be bought sooner rather than later such as; feeds, chemicals, animal health products, machinery spares? Are there any livestock / crop sales scheduled for that time at risk of disruption that could be moved forward or back? Can overdrafts be transferred to a long term loan to free up working capital?

Which if any of these mitigation measures could be worth taking now depends on the individual circumstances. Thinking through how the business could adapt to control these risks is likely to be time well spent even if hopefully such planning is not needed.

Next month - Energy storage on farm.

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Post Brexit Agriculture

The Agriculture Bill, detailing the UK governments' plans for farming post-Brexit, was introduced to the House of Commons last month. Although this has got various stages to go through before becoming law, its direction of travel is clear – from 2028 onwards there will be no Direct Payments, but money will be paid for delivery of public goods instead.

While having a commonly agreed UK framework for future payments in the form of a Bill is needed to preserve the integrity of the UK internal market, it has also raised concerns that the needs of the devolved administrations i.e. Scotland, will not be fully met. Full details of each administration's proposals can be found on their respective websites, a brief summary is included below.

England

From 2020 to 2027 there will be a transition period whereby Direct Payments will gradually be phased out. Payments may also be "delinked" from the requirement to farm land, aimed at helping to get new entrants into the industry and to give recipients the freedom to spend the funds on what they wish e.g. pension provision. During the transition funds will also be released so that new environmental land management contracts can be introduced and to help farmers build capacity to manage risk, improve productivity and deliver public goods.

Until 2020 the Basic Payment Scheme will operate broadly the same as at present, with Defra having committed to maintaining the same level of funding until the end of this parliament, expected to be 2022. The level of funding after this period will be down to the next government.

Scotland

In Scotland, Basic Payments will continue in 2019 and in 2020 to 2023 there will be a transition period whereby payments will continue to be made within the CAP framework but with some possible changes; for example, capping of payments, streamlining applications, changes to inspections, etc.

Voluntary coupled support schemes and greening will continue under CAP rules until 2020. From 2020 to 2023 many SRDP Pillar 2 schemes will continue but changes maybe made to improve policy outcomes.

Details of what is proposed beyond 2024 have not yet been published by the Scottish Government but their "Stability and Simplicity" consultation indicates that a new domestic policy will be developed. The Scottish Government may also decide to deviate from what has been proposed in the Agricultural Bill and have their own Scottish farming bill to explain how direct payments should be policed.

Wales

The Welsh Government has proposed a transition period from 2020 to 2023 whereby there will be a phased withdrawal of Basic Payments. From 2024, there will be a new Land Management Programme including an economic resilience scheme that will provide investment for improvements in business resilience and productivity, and a public goods scheme.

Northern Ireland

In Northern Ireland, DAERA intend to seek legal authority to maintain the status quo until 2022, effectively meaning that Direct Payments would continue as if they were still under EU rules. From 2022 funding may be progressively reduced from area based payments to other options, such as farm income insurance measures, environment payments and interventions for co-operation and collaboration within the supply chain. Some level of direct support is expected to continue to provide income support and act as a measure against market volatility.

Although details on future support payments maybe lacking, change is on the horizon and less funds will be available – is your business prepared?

CAP 2018 £ - euro rate stable – set at £0.89281 to the euro for September 2018 almost unchanged on last year's rate of £0.89470.

Greening update

2018: Due to a derogation, EFA Green cover can be established without sowing a mixture of crop species, provided that the crops sown are grasses or any herbaceous forage and the establishment window has been extended to the end of December with no limitations on harvest or grazing within the calendar year.

2019: The Greening guidance for 2019 has recently been published by the Scottish Government and is available at: https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/greening-guidance-2019/

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World crops stable, prices fall

World grain markets eased in the last month as the world supply outlook stabilised. A strong rise in US maize output (+6mt to 376mt) was forecast which coupled to stable wheat and feed grain production estimates elsewhere brought stability. However, rising global grain demand meant that global grain stocks were little changed on last month and remained sharply down on last year.

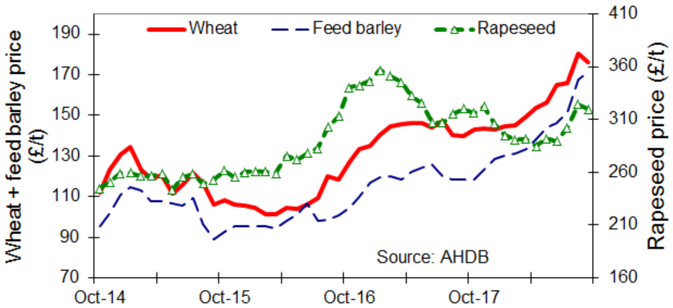
Russian wheat prices continued to undercut US and EU values despite expectation that export volumes would start to ease due to a drought restricted crop. The Russians still have a large wheat export surplus (35mt), just not as large as last year (44mt).

The drought in Australia continues to threaten supplies with much of Eastern Australia still under severe drought stress. With better crops in South and Western Australia overall grain production may be very close to last year; the difference is that lack of fodder has greatly boosted domestic demand for feed cutting supplies for export.

Good crop conditions in the US are boosting prospects for both maize and soyabeans. This has led to a further decline in world oilseed prices.

UK wheat futures prices have moved to an even higher premium over French maize than last month at £21/t higher (£18/t). UK grain prices remain at risk from imports taking feed demand away.

Scottish spot ex-farm grain and oilseed prices



In the last month, Scottish ex-farm wheat prices fell -£12/t to £172/t ex-farm and barley prices were almost unchanged (-£0.20) at £170.80/t ex-farm for September 2018. Rapeseed prices fell -£20/t to £315/t delivered November 2018.

UK grain balance remains tight

The latest UK harvest estimates based on ADAS harvest survey and AHDB data suggest a UK wheat crop of around 14.15mt (+/- 270kt). At the same time UK wheat demand is expected to drop due to the indefinite closure of the Vivergo ethanol plant at the end of September. This indicates that the UK will enter its third season as a net importer of wheat.

UK wheat supply and demand estimates

'000 t	2016/17	2017/18	2018/19
Open Stocks	2,787	1,754	1,718
Production	14,383	14,837	14,154
Imports	1,855	1,793	1,719
Available	**19,025**	**18,384**	**17,591**
Human Use	8,110	7,816	7,500
Animal Feed	7,236	7,515	7,500
Seed etc	355	352	356
Domestic Use	**15,701**	**15,683**	**15,356**
Exports/surplus	**1,438**	**446**	**535**
End Stocks	**1,755**	**1,718**	**1,700**
Net trade	*-417*	*-1,347*	*-1,184*

Source: AHDB '16/17, '17/18, SAC '18/19

Malting barley harvest

Despite repeated rain delays the Scottish spring barley crop was finally brought in and despite these delays in most areas was finished several weeks ahead of last year. Grain nitrogen levels are clearly higher than usual and yields are generally around average levels. While there have been some very poor crops on light land and where establishment was difficult, overall yields have been better than expected. Crops that were barely knee-high appear to have put enough of their energy into the grain to support yields. Specific weights are also high and screenings low. Malting barley prices at harvest have been in the £215-230/t range with some deductions bringing the net price down into £210-£220/t range. Given that on many contracts typically 50% was priced before harvest in the £160-£200/t range then final average prices could be around the £200/t mark. Financially this should leave average returns ahead of last year for most. *See page 8 for more details of the harvest.*

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Indicative grain prices week ending 21 September 2018 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Sep 18	Nov 18	Jan 2019	May 2019	Nov 2019
Wheat	Ex-farm Scotland	172.00	177.60	178.50	181.00	163.00
Feed barley	Ex-farm Scotland	170.80	175.00	176.00	178.00	143.00
Malt. barley - distil	Ex-farm Scotland	216.40				
Malt. barley - brew	Ex-farm England#		205.00	210.00		175.00
Oilseed rape*~	Delivered Scotland		315.00			312.00

Rebound

Supply of prime cattle slowed in mid-August as a result of grass regrowth persuading producers to hold, and allowing price to rebound. As at week ending 21st September, a Scotland base price of 385-388p/kg deadweight plus any bonus payments looks reassuring on the month. It maybe 3p down on the year but it remains 2p up on the 3-year average. Price looks close to peak (for now) as heading towards housing and supply increases from both GB and Ireland. Although Christmas procurement will pick up the pace again, in a few weeks.

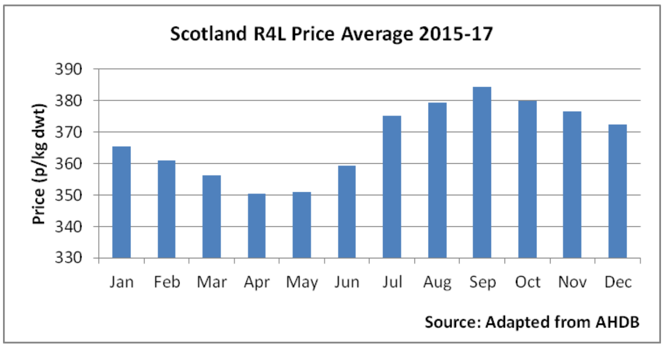
Meanwhile, price across England and the general forecast mirrors the above but is running 15p lower in Southern England for R-grade cattle.

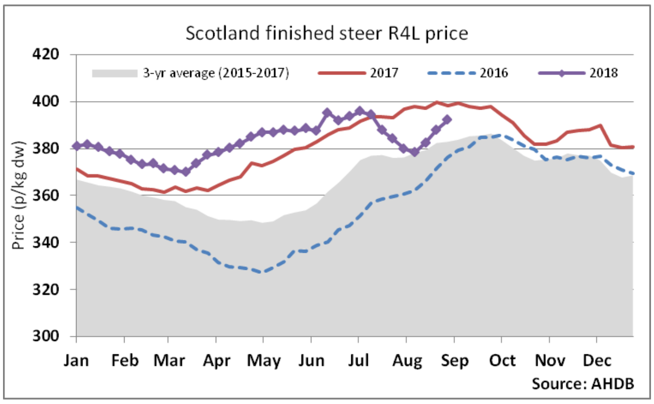
Return of the Autumn Calf Sales

At the time of writing a semblance of normality had returned after worrying midsummer sales. Trade has been averaging £30-40 per head lower on the same weight to mid-Sept., although last autumn was strong. Cattle are lighter too but the average price is hiding a split in the market. While there is always a top and lower end, it is starker this year; a function of how management, system, genetics and farm coped with the dry grazing season? As a result, there is big variation within sale.

Forward store cattle (>550kg) have met a stronger trade, albeit the average remains £20/hd back on the year, which is reassuring if slightly at odds with the calendar. These cattle are unlikely to catch the Christmas trade. From 1st October there are 85 days until Christmas Eve less (at least) a 21-day maturation period leaving not more than 64 growing days. At an average of 1.4kg DLWG, there is potential to add 90kg beef. Accepting variation in breed and type, this means anything less than 550kg will be sold into the post-festive financial hangover that is January and February.

The difference between a November and February kill is around £60 at 680kg liveweight based on the three-year average, see below chart. Being nearer £25-30/hd between December and January. Is this a reflection on reducing cattle availability, speculation of a hard Brexit favouring short-term GB beef prices in the ensuing hiatus, or favouring types for a quicker throughput to use less feed and bedding. The latter is a challenge impeding trade in younger cattle.





Cull Cow Throughput

In the two-month period, July/August, there were 12% more GB cows culled than in the same period of either 2017 or 2016. This was firmly a result of the dry summer. Furthermore, the seasonal rise in autumn supply has started slightly earlier in September and already involves higher throughputs. The optimist might propose that this is simply a result of producers reacting to market signals and getting culls off farm more quickly, which does look like a good call.

This will be partially true but some worrying stories of low conserved forage supplies and a predicted higher barren rate suggests higher availability will continue. This may lead to many more heifers being retained as replacements but the figures do not back this up at present.

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
1 Sep 18	**392.1**	4.2	11.2	**390.1**	5.2	19.1	**378.5**	23.1	290.3	261.3
8 Sep 18	**392.7**	0.6	12.6	**389.2**	-0.9	172	**383.3**	34.2	298.8	267.7
15 Sep 18	**394.5**	1.8	8.7	**391.0**	1.8	12.9	**385.6**	31.2	294.8	273.1

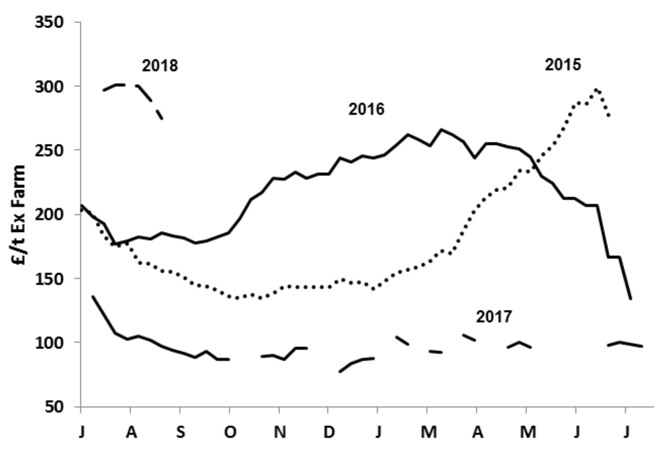
Market price update

- The GB Weekly Average Prices for the week ending 15th September were £197.81/t for free-buy and contract purchases, and £274.52/t for free-buy purchases.

- Compared to the previous reported figures on 8th September, contract and free-buy purchases were down by £1.68/t and free-buy purchases were down £14.39/t.

Crop Year 2017	15 Sep	8 Sep	1 Sep
Average Price (£/t)	197.81	199.49	205.12
AVP change on week (£/t)	-1.68	-5.63	-6.74
Free-Buy Price (£/t)	274.52	288.9	299.54
FBP change on week(£/t)	-14.39	-10.64	-1.09

GB Weekly Average Free-Buy Price (2015-2018 crop years)



Trading Season July - July Source: AHDB

The Scottish packing market was described as being relatively "quiet" in recent weeks as there has been a delay in starting the new crop harvest. This is primarily due to packers continuing to use up old-crop supplies. Lifting of early Saphire, Manhattan, Sylvana and Maris Piper is now underway in East Lothian and parts of Fife, with free-buy stocks entering the market at a strong price. Grade 1 free-buy whites are trading between £280-300/t and grade 1 Maris Piper is trading between £300-315/t.

Prices in the English packing trade have remained steady with free-buy grade 1 whites including; Nectar, Marfona, Estima and Lanorma trading around £270-300/t. Free-buy Maris Piper prices also remain strong this week trading around £300-320/t ex farm. Salad crops Charlotte and Maris Peer are trading between £400-450/t ex farm. Prices for Reds remain flat with Mozart trading between £180-200/t ex farm and Camel trading around £250/t ex farm.

The bagging trade was reported to be in a seasonal lull as chip shop demand has slowed slightly in the south. Chipping crops Sagitta and Cabaret are trading between £300-340/t ex farm whilst Agria is trading around £400/t ex farm. In East England, Maris Piper and Agria are trading around £280-350/t ex farm with Sagitta trading around £300-380/t ex farm.

Seed yield good despite dry conditions

Local reports suggest that seed crops in Aberdeenshire, the Black Isle, Angus and Fife are looking very good and will achieve a near 'normal' yield. This is despite initial concerns over quality and yield due to unfavourable planting and growing conditions earlier in the season. The situation for ware crops is more varied. Reports indicate that irrigated crops are looking well with clean skins and good tuber numbers, but non-irrigated crops on light land have suffered and may struggle to meet reasonable yields. With the majority of ware crops planted 2-3 weeks later than normal this spring, there is a temptation to delay desiccation and harvest to make up for any potential yield loss. With quality and skin finish being the main factor in crop marketability, it may be worth sacrificing some yield in order to ensure a good quality finished crop in store.

Seed Industry Event – 15th November

The AHDB Seed Industry Conference will take place on **Thursday 15th November at the Fairmount Hotel, St. Andrews**. This year's event will focus on the future of the seed trade post-Brexit and how to make the most of the global export market opportunities. The programme also includes a keynote presentation from Gerry Sadler, Chief Plant Health Officer for Scotland and Head of SASA discussing his role and the new Centre of Excellence for Plant Health in Scotland. For more information and to register click here:

https://potatoes.ahdb.org.uk/events/seed-industry-event

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Is the slide ready to bottom out?

The price is around 380-400p/kg dwt direct to abattoir. The live market price for medium weight lambs was around 184p/kg across GB at the beginning of September but has continued to slip. By the end of the second full week in September the average was nearer 171p in Scotland and a couple of pence higher in England and Wales. Daily market reports for week ending 21st September suggest the market price is stand on for the week.

It is too early to say if this is a sign of things bottoming out - it is only the end of September - but usually when the markets start 'seesawing' supply and demand are finding a balance. Price dropped at least £5/hd average between the first and second weeks of September as a result of significantly more lambs becoming available. Consignments reduced and price only softened slightly further in the following week. And while supply (for w/e 15th September) increased on the same week last year, it was again down on the week, impacted by storms. See table:

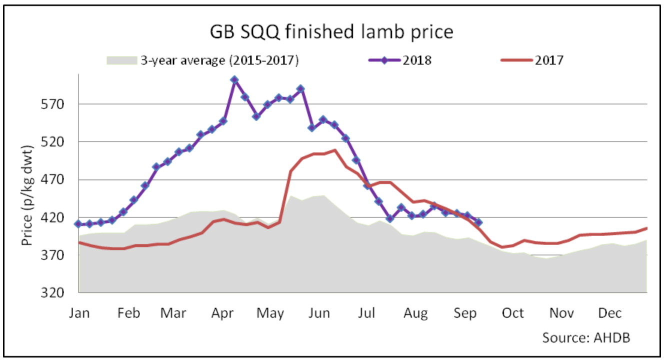
GB supply	Lambs (,000hd)	Difference on the week	Difference on the year
01-Sep-18	254.6	-11.4	-50.3
08-Sep-18	283.8	29.2	31.6
15-Sep-18	282.0	-1.8	14.2

- *Lambs off lush wet pasture must be clean*

Exports bolster market

Most recent available data from Defra indicates lamb carcase weights are marginally heavier for July and August compared with the same months since 2007. It is a minor change but interesting nonetheless, provided cutting specification allows a like for like comparison.

Lambs looked well in the sun and with relative freedom from a big worm challenge, until recently, but it seems unlikely flock average daily liveweight gains will reflect higher weights. Lambs have been on farm for longer, as slaughter data shows.



Heavier weights are more likely a result of the weak pound encouraging weights that satisfy the northern European market. Again, the differences are small but heavy lambs (45-52kg) are receiving a good trade in the live ring and there was not a big difference between R3H and R2 lambs at week ending 21st September either.

While HMRC data shows overall exports for May to July are 15% lower (-2,786t) on the 3-year average – France being particularly and most significantly sticky – that is a result of tight UK supply. UK production over the same period was 6% back on the year (-6,400t). The reduction in exports is significant but considering the real terms downward shift in production without an upward lift in price suggests domestic demand has been lower. This most likely reflects a fall in new season lamb retail promotions and a corresponding reduction in consumption. High prices last year and in early season have left supermarkets smarting and reluctant to self-impose any further reduction in margin upon themselves this year.

The exchange rate was £0.89/€ by week ending 21st September. Party conference tub thumping season at the end of September followed by an EU summit in mid-October and, in all likelihood, an emergency EU summit in November will all influence currency valuations but, for now, it only looks likely that exports will continue to benefit from a favourable exchange rate – something that will fortunately bolster this year's lamb crop sales.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd)	
									Scottish	Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
1 Sep 18	**425.0**	-3.3	0.2	9.0	**185.10**	7.1	4.8	4.2	53.37	55.21
8 Sep 18	**422.8**	-2.2	0.6	7.5	**178.90**	-6.2	9.6	4.4	54.33	53.61
15 Sep 18	**412.7**	-10.1	0.5	7.2	**170.90**	-8.0	4.2	3.7	54.13	49.87

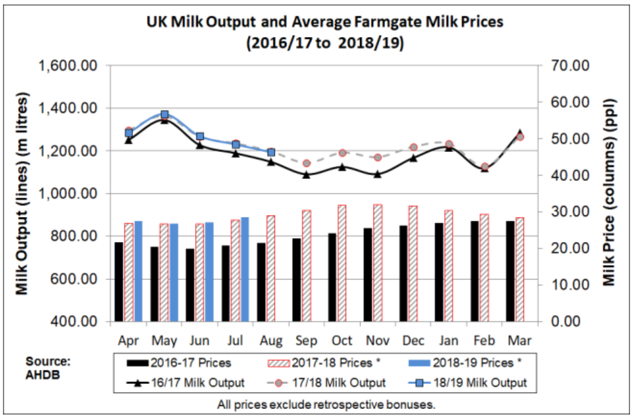
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB

August milk output down

UK monthly milk output for August 2018 is estimated at 1,193.65m litres (before butterfat adjustment). This is 4.21m litres lower output compared against August last year. Cumulative UK production between April and August 2018 is currently estimated at 6,349.99m litres; this is 9.10m litres behind last year's figure of 6,359.09m litres.

The latest DEFRA statistics show that the UK average milk price increased by 1.39ppl between June and July 2018 taking the average price for July up to 28.56ppl. The UK average milk price figure for July 2018 is 0.70ppl above the average price for July 2017 (27.86ppl).

- *According to AHDB daily milk delivery data, UK milk production for August 2018 came in at 1,193.65m litres which is 4.21 litres below August 2017 production.*
- *Although weather conditions were more typical during August 2018, forage stocks on farms remained well behind normal at this point, raising concerns for 2018 production.*



First Milk makes profit again

- *Results for the year to March 2018 reveal that First Milk has made a profit for the second consecutive year.*
- *Turnover has increased but the level of profit has decreased on a year-on-year basis.*
- *The latest annual results for First Milk show net a profit of £3.2m.*

First Milk has published its annual results for the year to March 2018 showing that the business is continuing to make positive progress. Although turnover was reported to be up 22% to £252.7m, operating profit was down 43.6% to £6.6m. Net profit was reported at £3.2m (down from £6m last year). Net bank borrowings increased to £44.9m (compared with £38.6m the previous year).

Few price moves during Oct '18

There's little movement reported on milk prices as we head into October, with only the following announcements confirmed to date:

- M&S – Müller M&S suppliers will receive a 0.57ppl increase from 1st October 2018. This takes the liquid standard litre to 31.41ppl.

At the time of writing, all of the prices reported within our monthly price estimates table, below, remain unchanged from September going into October.

Annual Average milk price estimates for Oct 2018 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	29.00
First Milk Liquid [1]	28.00
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)*	28.95
Müller - Müller Direct [1, 2]	29.50

[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.*

Global milk supply ahead of last year

World milk supplies are currently running ahead of last year according to reports from AHDB. This is in spite of the hot weather across the EU during the early summer and in spite of low milk prices in the US. Nonetheless, the hot summer has had an impact; although global milk supplies are up on last year, the rate of growth has slowed with world output for July 2018 showing only a 1% increase on July 2017. The table below illustrates the position with respect to the US and the EU.

Monthly Production (m litres)	US 2017	US 2018	EU-28 2017	EU-28 2018
April	8,075	8,104	13,251	13,444
May	8,349	8,424	13,848	14,133
June	7,956	8,066	13,078	13,270
July	8,047	8,083	13,014	13,186
Total	**32,427**	**32,677**	**53,191**	**54,033**
% increase		**0.77%**		**1.58%**

As global milk supply continues to increase, dairy product prices have softened further via the GDT (Fonterra) online auction. The auction on 18th September 2018 left the weighted average price across all products at US $2,934/t. This is the eighth consecutive auction in which the weighted average price has reduced; the last time that the weighted average price showed an increase being on 15th May 2018.

UK dairy commodity prices (£/ tonne)	Aug 2018	Jul 2018	Mar 2018
Butter	5,080	4,880	4,220
SMP	1,380	1,340	1,150
Bulk Cream	2,230	2,150	1,930
Mild Cheddar	3,050	3,050	2,900
UK milk price equivalents (ppl)	**Aug 2018**	**Jul 2018**	**Mar 2018**
AMPE (2014)	33.18	31.80	26.68
MCVE (2014)	33.62	33.37	31.05

Source: AHDB

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Management Matters: Harvest review & outlook

2018 harvest

For harvest 2018, initial establishment in autumn 2017 was wet and delayed by the late harvest leading to a fall in winter sowings; particularly wheat and winter barley. The winter was cold and the spring one of the coldest and latest in recent years with successive 'Beasts from the East' bringing heavy snowfall through to early April. But then temperatures rose sharply to herald an extremely dry and warm late spring and summer with many arable areas only receiving 30-40 mm of rain between April sowing and early/mid July. Crops were generally extremely short in height raising early fears about grain and straw yield potential. Variations in sowing conditions and soil types have led to a wide variability in crop yield and quality. The harvest itself has been around three weeks earlier than usual and could have been largely brought in by early September if not for a protracted wet spell.

The Scottish Government's initial harvest estimates detailed below indicate that national grain yields per hectare are around 6% down on average and last year. Yields for winter barley are seen as 5% above average, oilseed rape close to average and wheat 5% below. Spring barley has shown the biggest expected fall at 9% below the 5 year average. Be aware that these are early estimates and final figures may bring significant revisions.

Provisional Scottish cereals: area, yield and production.

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
Scotland				***Area (k ha)***			
2017	109	48	244	291	33	434	34
2018	100	37	250	288	32	420	33
Chng.	-10	-10	7	-3	-1	-14	-1
				Yield (t/ha)			
5yr av.	8.5	7.3	5.8	6.1	5.6	6.7	3.8
2017	8.1	7.4	5.9	6.1	5.7	6.6	4.2
2018	8.1	7.7	5.3	5.6	5.6	6.2	3.8
vs. 5yr	-5%	5%	-9%	-7%	0%	-7%	1%
				Production (t)			
2017	889	352	1,433	1,785	185	2,859	144
2018	807	287	1,329	1,616	180	2,603	125
Chng.	-82	-65	-104	-169	-5	-256	-19

Source: Scottish Government

Malting barley quality has been good in terms of high bushel weights and low screenings but generally higher nitrogen levels. Maltsters have typically raised upper Nitrogen limits from 1.65%N to between 1.70% and 1.80%N.

The weather at harvest has been wet on and off but generally not sustained enough to cause major disruption, just delays. This has also enabled a higher proportion of straw to be baled in response to the high straw prices (typically £80-£100/t + ex-farm) depending on location.

Local market situation

- Spring malting and feed barley – the crop is seen 104kt down on last year and even further down on earlier estimates due to the lower yield and lower area than originally forecast. AHDB projected an area of 274k ha so the latest estimate of 250kha is down 9% on initial estimates. The available crop has been sought after by the maltsters and they have proven willing to accept below specification barley (with deductions) helping make the most of what is available. Feed barley availability is reduced more sharply led by the large drop in winter barley area with total barley availability 169kt down on last year. Given the forage shortfall generated by dry conditions earlier in the summer, demand is high for feed barley and barley prices are now trading much closer to wheat than usual.
- Wheat – Scotland has harvested a fairly average wheat crop but still down 9% down on las year. Wheat prices are currently at a £5/t premium to English values suggesting that supply and demand are finely balanced in Scotland. What impact the loss of wheat demand in northern England from the recent closure of the Vivergo plant remains to be seen.
- Forward grain prices for harvest 2019 are lower than spot values; £10/t lower for wheat, £30/t lower for malting barley (English 1.85%N) and oilseed rape prices are £3/t lower. With good autumn sowing conditions this season the area of winter crops may rise, keeping downward pressure on the area of spring barley for next year.

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Sector Focus: Input costs

Commodity	Price for bulk delivery (£/t)	Commodity	Price for bulk delivery (£/t)
Soyameal	325	Dairy Compd.18%	249
Rapemeal	259	Beef Blend	205
Sugar beet pulp	225	Lamb Finisher Pellets	255
Maize/Wheat Dark Grains	N/A	Pig Grower	276
Maize Gluten	218	Pig Finisher	269
Soya Hulls	210	Dry Sow	258
Stockmol 20	198		
Pot Ale	N/A		
Draff	N/A		

Animal health	Product Detail	(£ ex VAT)	Fodder	Ex farm
Pour – On Wormer	Ivomec 2.5ltr	58.00	Hay (4×4)*	£30/bale
Drench Wormer	Panacur Sheep 10. 1ltr	65.00	Silage (4×4)*	£20/bale
Inj Wormer	Ivomec Supercattle 500ml	124.00	Straw Squares	£100/t
Magnesium (bottle)	Mg Sulphate 400 ml	5.50	Straw Rounds	£95/t
Calcium (bottle)	Ca + M40 400 ml	5.50		
Flukicide	Fasinex 240 0.8ltr	80.75		

Note: the above prices are for early winter at time of writing (mid Sept), based on 29t loads, they are a guide only and may vary from region to region. *Wide variation in prices depending on the area and quality and type. Finished feeds are estimated.

Straight feed prices for the winter are all looking much higher year on year, those who forward bought early in the summer would have got some commodities at a more attractive price for the winter than the price of spot loads are currently. Our normal staple cereal barley is harder to come by and expensive, with full loads delivered around £189/t before processing costs. A more attractive alternative for many is imported maize. Maize which is estimated to be around £190/t (+£10 for grinding), making it very competitive as an energy source. Maize and wheat have similar starch contents and although maize is slightly safer to feed (starch is less rumen degradable) caution still needs to be taken with the higher starch and lower protein content, compared to barley.

The Vivergo bioethanol plant is currently closed due to difficult trading conditions (wheat price) this may have taken up to 0.35mt of wheat dark grains off the market and up to 1mt of wheat (not all UK grown) will now not be used there that previously was. The Ensus bioethanol plant is still running for the time being. The animal feed industry is losing out on contracts for co-products such as draff and PAS to AD plants, this is a new normal and an issue that is not going to go away. Other European countries are holding on to a lot of material for their own use, much of imported dark grains available this winter will be meal from the U.S.

The traditionally good quality cheap feeds that we normally rely on such as barley, distillers, draff, bread and biscuit meal are either expensive or not available (sold early on). Soya and maize look to be the better buys for protein and energy this winter respectively. Blends and compounds are reported to be up £25-45/t this winter depending on previous contracts and ingredients.

Volatility in the feed markets is here to stay, we need to manage this by making the most of homegrown forages (know the quality and quantity) and forward plan requirements help to mitigate large price swings in bought in feeds.

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Key economic data

General Indicators		Price indices for July 2018 (Defra 2015 = 100)			
		Output Prices		**Input Prices**	
Base interest rate	0.75% (0.50% Aug '18)	Wheat	127.03	Seeds (all)	103.7
		Barley	124.64	Energy	121.4
ECB interest rate	0.00% (0.05% Mar '16)	Oats	115.80	Fertiliser	98.2
UK (CPI) inflation rate	2.7% (target 2%)	Potatoes	116.57	Agro-chemicals (all)	104.2
		Cattle and Calves	102.81	Feedstuffs	110.6
UK GDP growth rate	0.4% (Q2 '18)	Pigs	113.97	Machinery R&M	106.8
		Sheep and Lambs	112.32	Building R&M	110.1
FTSE 100	7,550 (27 Sep'18)	Milk	116.62	Veterinary services	114.6

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