Farm Advisory Service

National Advice Hub
T: 0300 323 0161
E: advice@fas.scot
W: www.fas.scot

News in brief

October 2019

Trade challenges post Brexit

The UK received a timely reminder of what life outside the world's largest trading bloc (the EU) could be like post Brexit. In response to apparently illegal EU subsidies for Airbus the US is planning to impose $7.5Bn of tariffs on EU goods. These include a 25% tariff on a key Scottish export; Scotch malt whisky with potentially negative impacts on whisky exports and demand. Combatting this type of damaging trade action is tough enough for the EU; the world's largest trade bloc; how difficult will it be for the UK outside the EU?

Maintaining EU and soon to be UK standards for food safety outside of the EU bloc will also be more difficult. DEFRA are reportedly facing strong pressure to loosen regulations on food standard from the UK Department for International Trade. This could pave the way for a trade deal with the US to permit imports of US food products produced to lesser standards.

Preparing for a No Deal

Given that nobody really knows what will happen with Brexit or when – this leaves many farm businesses understandably unclear about what they could or should be doing.

When you cannot control what is going on around you then the best course of action is to focus on the things you can. Looking at the farm business in this light reveals a number of actions and some outside help for those who seek it.

Scottish government have recently announced up to £1,000 for specialist support and advice to help farm businesses review and develop a resilience plan. See this week's Policy section; page 2, for details of funding for resilience planning.

As part of the Scottish Government's Farm Advisory Scheme SAC Consulting have also identified a number of no-regret actions farm businesses can take to prepare for a No Deal. These are outlined in this month's Management Matters section on page 8 – No Deal Brexit Actions.

Next month – winter feed update

Contents

This month's editor:
Julian Bell

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

SAC CONSULTING

Scottish Government
Riaghaltas na h-Alba
gov.scot

Funding for farm resilience planning

Up to £1,000 of specialist support and advice is available to farm businesses to help them review their business and develop a resilience action plan.

This funding has been made available by the Scottish Government, via the Farm Advisory Service (FAS) in response to Brexit and current market uncertainty. The review will:

- Look at the business's strengths and weaknesses
- Review key performance indicators for financial resilience
- Analyse enterprise exposure
- Assess profitability, cash flow and the 'health' of the balance sheet
- Identify appropriate resilience measures
- Develop a practical implementation plan

Unlike the other specialist plans available via FAS, there is not a requirement for a prior Integrated Land Management Plan (ILMP) to have been prepared.

Interested in taking advantage of this funding? Farming businesses can apply at: https://www.fas.scot/specialist-advice/ with applications being accepted until 31st March 2020.

CAP schemes

Beef efficiency scheme (BES)

Participants in the BES are reminded that their year three carbon audit needs to be done by the end of December. Financial assistance is available to help towards the costs of a consultant doing this work; for a follow up carbon audit this is now £250 and can be applied for via FAS at: https://www.fas.scot/carbon-audits/

During October to December there is also a further round of meetings on cow fertility and health which a business representative must attend.

Greening guidance for 2020

The greening guidance for 2020, which becomes effective from 1st January, is available on the Rural Payments and Services website at: https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/greening-guidance-2020/

There are no new requirements for next year, which will help with cropping plans.

As a reminder, below are the greening rules for 2019 that must be adhered to until the end of the year:

- EFA green cover must be established by 1st November and maintained until 31st December
- EFA catch crop must be maintained until 31st December
- EFA margins must be identifiable and distinguishable until 31st December
- Plant protection products cannot be applied to EFA green cover, catch crop or margins, except for spot herbicide application for injurious or invasive weeds on EFA margins

Climate Change Bill passed

The Climate Change Bill, which aims to have all emissions offset by 2045 was recently passed by 113 votes to 0 at Holyrood. In addition to this, an interim target of 75% reduction by 2030, compared to 1990 levels, was also agreed.

This new legislation, aimed at tackling climate change means that Scotland now has the world's most ambitious statutory targets. The net zero target for Scotland is also five years ahead of the date set for the whole of the UK. All sectors, from energy and transport to agriculture, will have to play their part to ensure these targets are met.

With respect to agriculture, the Scottish Government intend to create a new Agricultural Transformation Programme for farming and food production focused on sustainability, simplicity, profitability, innovation, inclusion and productivity, while also reducing greenhouse gas emissions. Although funding for this package of actions will be considered as part of future rural support work will begin this year to:

- Develop pilot schemes to reduce greenhouse gas emissions from agriculture
- Encourage more tree planting across Scotland including woodland integration and agro-forestry on Scottish farms
- Promote the multiple benefits of good grassland management to more livestock farmers
- Encourage more farmers to invest in renewable energy, including bio-energy, to meet their energy needs
- Support an evidence-based approach to crop production and selection and strategic development of organic farming
- Explore the development of models to demonstrate and promote carbon neutral farms

gillian.inman@sac.co.uk, 07803 222362

Prices rise, UK good value

World cereal markets rose a little in the last month with both US and French milling wheat prices rising around £3/t while UK wheat prices rose £6/t. World markets have gained on crop problems in Australia and poorer outlook for the French maize crop and cereal crops in Kazakhstan. UK prices have benefited from strong export demand as buyers respond to low prices; UK wheat, feed and malting barley are currently amongst the world's cheapest.

In its September report the USDA cut 2019 world wheat production estimates by 2.5mt to 765mt, use fell by 2.9mt to 756.3mt and 2019/20 end stocks rose by 1.1mt to 286.5mt and remain 11mt up on the year (277.2mt in '18/19). The EU wheat crop is expected up 10% (14mt) on 2018 to 151mt.

For coarse (feed) grain such as maize in 2019 the USDA cut production 2.4mt to 1,396.4mt, use fell by 1.3mt to 1,416.2mt and 2019/20 end stocks fell slightly by 0.2mt to 336.2mt and remain 19.8mt down on the year (355.6mt in '18/19).

Rapeseed prices strong

A smaller EU rapeseed crop has already boosted UK rapeseed values which are around £15/t higher than a year ago at £228/t delivered Scotland. Underlying world oilseeds markets are also now being supported by lower than expected US soyabean stocks and declining yield estimates for US soyabeans. The US soya crop was planted very late and harvest so far is late and yield potential is seen as declining.

UK crop and export surplus rises

The latest DEFRA estimates indicate that UK cereal yields and output are well up on recent years. The 2019 UK wheat crop is seen at 16.3mt, up 20% or 2.7mt on 2018 and the largest in four years. The UK barley crop is seen at 8.18mt, up 26% or 1.67mt on 2018 and the largest in 31 years. UK grain demand is currently weaker due to lower livestock usage (good silage crop) and lower ethanol use. Put these together and the UK surplus for export is expected up sharply on recent years. This heightens the impact of a No Deal outcome on the 31st October, particularly for barley which is highly dependent on EU export markets.

In Scotland good yields have also been reported leading to increased production estimates for wheat and barley. This has led to lower premiums for both wheat and malting barley this season compared to UK values. – *see page 9 for a Scottish harvest roundup.*

Cereal market outcomes on 31 October

No Deal – weakening of the pound is expected which in isolation would be positive for UK cereal prices. In practice, this price impact could be partly or wholly offset by the loss of frictionless access to EU markets; vital given the large UK cereal surplus.

Deal – if the UK and EU agree a Deal in the next few weeks then the UK would enter a transition period where little would change but this is looking extremely unlikely at present.

EU extension until at least 31st January 2020 – in the absence of a deal "legally" this is the most likely outcome. If this happens it would give the UK another three months to ship much of its wheat and barley surplus to EU markets. This is likely to support UK grain prices. The problem is that nobody knows whether or not the UK government will get round the Benn law requiring them to seek an EU extension in some as yet unspecified way.

US tariffs on Scotch malt whisky

In response to apparently illegal EU subsidies for Airbus the US is planning to impose $7.5Bn of tariffs on EU goods. These include heavy tariffs on a key Scottish export; Scotch malt whisky. From 18th October the US are planning on imposing a 25% import tariff on single malt Scotch whisky worth £344m in 2018. This follows 25 years of zero tariffs. With Scotch whisky exports to the US totalling £1Bn in 2018 and representing 22% of whisky exports by value, this comes as a major blow to the Scotch whisky sector.

julian.bell@sac.co.uk, *07795 302264*

Indicative grain prices week ending 29 September 2019 (Source: SACC/AHDB/trade)
'* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Sep 2019	Oct 2019	Nov 2019	Jan 2020	May 2020	Nov 2020
Wheat	Ex-farm Scotland	131.00	132.00	134.00	136.00	140.00	142.00
Feed barley	Ex-farm Scotland	116.00	117.00	118.00			
Malt. barley - distil	Ex-farm Scotland	130.00					
Malt. barley - brew	Ex-farm England#		122.00	127.00	130.00		
Oilseed rape*~	Delivered Scotland	328.00	329.00	330.00	332.00		

Beef

No let-up for cattle prices

A marginal price improvement at the end of August gave hope that confidence could be returning to the beef industry however, beef prices are now back where they started – at a five year low. At 335p/kg deadweight, finished cattle prices are back 50p/kg/dwt in comparison to September 2018. Finishers are receiving £182 less than this time last year for a 364kg carcase. To regain margin the inevitable action is to pay less for stores.

For week ending 14th September, cattle prices continued on a downwards trajectory with Scottish base price for R4L grade steers sitting around 330-335p/kg/dwt. Heifers recorded sharper declines compared with steers. It was a similar scenario south of the border with the Southern England base price also muted at 330-335p/kg/dwt.

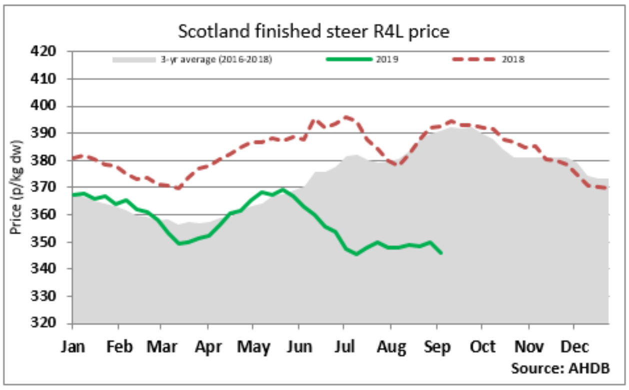
AHDB predictions that production would tighten at the end of summer due to fewer cattle being available based on fewer calf births over the last two years (down 0.5% in Scotland) has not came to pass. August slaughter numbers were on par with August 2018 at 160,000 head.

Cull cow price has held up fairly well however it has softened in recent weeks due to higher throughput. AHDB report that cow slaughtering's rose by 3.6%. This follows the seasonal trend as winter housing approaches and breeding decisions are made. It is expected that more cows are likely to come forward in October, which potentially will push the cull cow price downwards further. Also worth noting that average cow carcase weight is up 10.7kg on the same week (25th September) last year. Markets report good demand for cows with well fleshed beefy types seeing the best of the trade, with plainer dairy types harder to cash.

Store cattle resilient so far

Store cattle prices have not fallen by as much as feared, despite the pressures associated with finished cattle. Stores are at 200p/kg (30p less than this time last year). Marts have reported a good attendance ringside at early store sales however, the major stores are just about to get underway.

Winter 2019 sees far cheaper grain and straw prices than in previous years and with good availability of forage ahead of the major stores sales about to start will finishers pay more for stores with an increase in cheaper feed available?



Weather dampens consumer demand

The beef industry continues to be plagued by low market prices and confidence. The beef sector is feeling the pain of market forces and uncertainties around Brexit coinciding with consumer preferences driving prices down. The beef industry has much to counter regarding public/media perceptions over climate change.

A cooler wetter summer has not helped lift consumer demand for beef (BBQ's in particular) in comparison to last year and has altered the balance of beef sales with higher sales of roasts and stewing beef up by 22% and burgers down by 18%. Steak (frying and grilling) also saw a decline.

Increases in carcase weights have not helped a recovery in prices – ADHB report an increase of 7.1kg (2%) in carcase weight compared with the same month last year. This estimated 1.1m kg of beef entering the supply chain does nothing to help when consumer demand is well down.

sarah.balfour@sac.co.uk, 01343 548787

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
31 Aug 19	**349.7**	1.5		**346.8**	1.8	13.7	332.2	5.8	268.8	247.5
07 Sep 19	**345.8**	-3.9		**346.5**	-0.3	15.2	329.7	10.5	270.1	246.2
14 Sep 19	**346.3**	0.5		**343.7**	-2.8	16.6	324.2	2.0	269.6	250.0

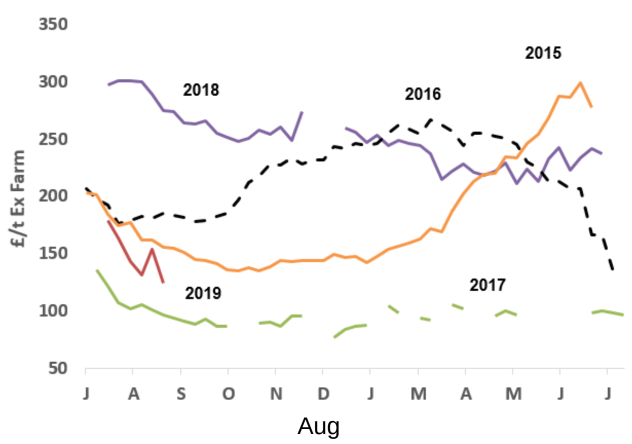
The finished cattle base price quoted by a buyer may be significantly different from the national average deadweight price presented above as these are averages of both commercial and premium cattle, reflect variation between processors and any bonus payment differences.

Market price update

- *The GB Weekly Average Prices for the week ending 14th September was £149.84/t for free-buy and contract purchases, and £124.19/t for free-buy purchases.*
- *Compared to the previous reported figures on 7th September, contract and free-buy purchases were down by £9.39/t and free-buy purchases were down by £29.40/t.*

Crop Year 2018/19 Sep	14 Sep	7 Sep	31 Aug
Average Price (£/t)	149.84	159.23	160.58
AVP change on week (£/t)	-9.39	-1.35	-9.51
Free-Buy Price (£/t)	124.19	153.59	131.17
FBP change on week(£/t)	-29.40	22.42	-11.77

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



Trading Season July - July Source: AHDB

Market Overview

Domestic demand has remained steady in recent weeks with packers and processors focussing on contracted material over free-buy. This explains the £29.40/t drop in free-buy prices between w/e 14th September and 7th September. Lifting across England is reported to be going well with growers now lifting into store. There are some reports of damage and bruising in particularly dry regions. Lifting in Scotland is well underway and there are reports of some Scottish material being sold into English markets due to a lack of local demand.

In England, Grade 1 Maris Piper is trading around £140/t ex farm with particularly good stocks being purchased around £185/t ex farm. Grade 1 Whites are trading around £145/t ex farm with a high of £185/t ex farm reported this week. Reds are trading around £200/t ex farm, up by around £25/t ex farm on last week.

In Scotland, Grade 1 Piper is trading around £120/t ex farm, down by around £35/t ex farm on last week. This drop in free-buy price is due to supplies having to be sold south of the border. Similarly, Grade 1 Whites are down £35/t ex farm on last week, now trading around £140/t ex farm.

In the bagging market trade remains slow with orders generally remaining consistent but small. In the East of England, Agria is trading around £140/t ex farm, Sagitta £120/t ex farm and chipping Piper around £130/t ex farm. In the West, Cabaret, Caesar, Piper and Sagitta are all trading around £90/t ex farm. In the South, chipping Agria, Caesar, Daisy, Sagitta, and Piper are trading around £160/t ex farm with downward price pressure coming from competition in the West. There are no prices reported for Scottish material.

Export trade has picked up a little with movement onto the continent recommencing but is unlikely to continue at pace. Maris Piper, Markies, Sagitta, Miranda and Ramos to Ireland is trading around £100/t ex farm. Exports of Piper and Whites to Belgium are trading around £60/t ex farm. There are reports of material being sold to the Canary Islands. King Edwards are trading around £290/t ex farm, Estima and Nectar around £155/t ex farm, and Picasso around £185/t ex farm.

NEPG Potato Harvest Estimates

The NEPG (North-Western European Potato Growers) estimates that the 2019 potato harvest among the 5 leading potato growing countries (GB, France, Belgium, Germany, and the Netherlands) will be between 27 and 27.3M tonnes. This is a 3% increase on the 5 year average and 12% up on last year. Estimates are based on trial digs however, they give a good indication of expected yield. Across the NEPG countries the average yield is estimated to be 44.7 t/ha, slightly lower than the 5 year average (47.1 t/ha), and an increase from 40.9 t/ha recorded last year. The anticipated rise in volume is primarily due to an increase in planted area. All NEPG countries, except Great Britain, planted more potatoes with a large increase reported in France, up by 14% on the 5 year average.

calum.johnston@sac.co.uk, 07917 263256

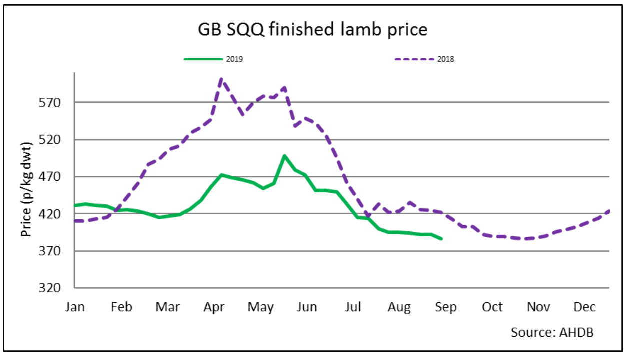
Finished lamb price slipping

The finished price has weakened in the past couple of weeks with the Scottish base starting October in the 350-360p/kg dwt range, meaning a R3L 19kg lamb is now grossing under £70/hd. While well back on this time last year, nowhere near as bad as the 320p/kg dwt base that lambs reached in autumn 2015. High slaughterings of over 300,000 lambs a week explain the price slide, as demand has been underpinned by decent home consumption and higher exports.

The cull ewe price is faring relatively better and is slightly ahead of this time last year. But need a decent level of flesh to beat the £52 average.

A Halloween Brexit less likely?

Thanks to the Supreme Court's decision that the UK government's suspension of parliament was illegal, the chances of a no-deal Brexit on 31st October have lessened. Despite the frustrations in Brussels, they are likely to grant an extension if asked with the end of January suggested.



If so, the finished lamb price may fair surprisingly well in November and December. Market reports suggest that fewer lambs in the pipeline will become obvious in October. If access to the EU market remains open, other things being equal, the lamb price should strengthen. Perhaps the main unknown is New Zealand lamb imports. Despite the Kiwis diverting a lot of sheepmeat to China, the Christmas UK leg market remains a high value market for them. For long keep store finishers, the crystal ball remains very unclear. A no deal Brexit in mid-winter will be troubling, but less of one given that fewer lambs are about at that time.

The Australian sheep industry

If we do lose access to the EU sheepmeat market we will be competing in a world dominated by the Kiwis and Aussies. Below are some facts and figures about the Australian sheep industry [recent comparative UK figures in square brackets].

- At February 2019, the number of breeding ewes was just over 40m [14.1m], down 5% on the previous year thanks to drought.
- Consequently, the 2019 lamb kill is expected to be 7% down at 21.2m [12.5m], and culls down 16% to 8m [1.7m].
- The average lamb carcase weight was 22.4kg dwt [19.3kg], slightly down because of the dry weather. But to reduce grazing pressure, the extra lambs killed meant lamb production was maintained at 510,000t [289,000t for the UK including mutton]. The outlook is for lamb production to fall to 475,000t before recovering.
- Production is ultimately governed by the fickle Australian climate, but booming lamb prices will drive expansion. The lamb price averaged 681c/kg dwt for 2018, 28% higher than the five-year average! That's 374p/kg dwt at today's exchange rate.
- The Aussies like their lamb but even their consumption has fallen to c.7.5kg per capita [4.6kg] as high prices reduce consumption.
- Australia is the biggest sheepmeat exporter globally with an estimated 502,000t in 2018. Together with New Zealand they dominate international trade accounting for 70% between them. The UK is 3rd at 90,000t and Ireland 4th.
- Growth in export demand is driving Aussie optimism with shipments to its three biggest markets – USA, China and the Middle East – all breaking records in 2018.

kev.bevan@sac.co.uk, 01292 525029

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
31 Aug 19	391.8	-2.2	-1.4	5.8	173.40	0.3	8.0	2.5	57.95	58.92
07 Sep 19	392.1	0.3	-2.9	7.1	164.60	-8.8	3.3	1.8	55.56	55.37
14 Sep 19	386.7	-5.4	-2.6	6.0	159.10	-5.5	9.5	1.9	50.28	53.64

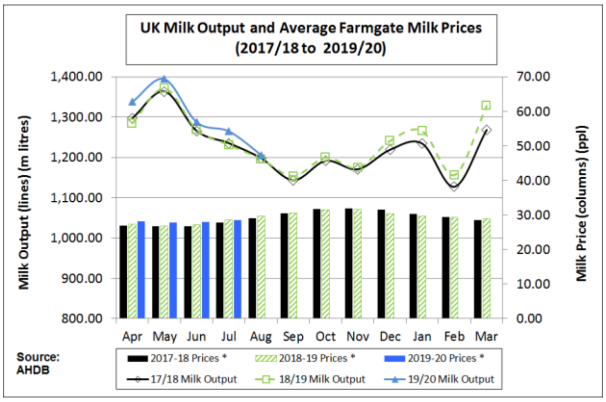
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS

UK production growth slows in August

The most recent AHDB data suggests a slowdown to production growth in the UK during August 2019. The UK levy body estimates that UK monthly milk output for August 2019 is estimated at 1,205.89m litres (before butterfat adjustment). This is only 9.86m litres above milk output for August 2018. Cumulative UK production until the end of August 2019 is now estimated at 6,492.80m litres. This means that cumulative production for 2019/20 is 140.36m litres higher than the cumulative total at the same time last year. UK milk production has been higher than last year during every month of the new milk year (starting April), however, the latest production figures for August represent the lowest year on year increase to date during 2019-20. As UK production continues to expand however, so too does the downward pressure on farmgate milk prices (see following section, below).

The UK average milk price for July 2019 is estimated at 28.50ppl (up 0.51ppl from the June 2019 average, 27.99ppl). The average milk price for July 2019 is 0.05ppl lower than the average price received in July 2018.

- *EU production for April – June 2019 is 40,981m litres, up 162m litres (0.40%) on the same time last year*
- *UK farmgate milk prices are coming under pressure*



Prices starting to reduce in October

The main price announcements for October 2019 are summarised below:

- Müller Direct – reduction of 1.00ppl from 1st October 2019 prices for its Direct suppliers.
- Yew Tree Dairy – reduction of 1.25ppl on A litres. This takes the liquid standard litre price down to 25.50ppl.
- M&S – small reduction of 0.033ppl from 1st October 2019. This takes the liquid standard litre down from 33.36ppl to 33.32ppl.
- First Milk –a hold on September prices going into October 2019 (see table below).
- Arla Foods amba – hold its conventional milk price for October 2019. The liquid standard litre price remains at 29.05ppl, whilst the manufacturing standard litre (4.20% b/f and 3.40% protein) remains at 30.22ppl.
- Arla's organic milk price remains at 40.33ppl and 41.97ppl for the liquid standard litre and the manufacturing standard litre, respectively.
- Lactalis (Fresh Milk Company) – Lactalis are due to review their farmgate milk price for October. There's no news as yet. Lactalis has maintained a minimum guaranteed price of 27.13ppl since April this year.
- Sainsbury's – a 0.79ppl price increase for SDDG (Sainsbury's Dairy Development Group) members from 1st October 2019. This takes the liquid standard litre up to 30.94ppl.

Annual Average milk price estimates for October 2019 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1, (subject to review for October)]	27.13
First Milk Liquid [1, 2]	27.45
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	28.37
Müller - Müller Direct [1, 3]	25.75

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 *FM prices include 0.25ppl Member Premium.*

3 *No monthly supplementary payment included in the price estimate. Includes 0.50ppl Müller Direct Premium.*

Wholesale prices in need of a lift

There's been little change to dairy wholesale prices reported during the last month. During August, butter and cream prices have edged further down whilst SMP has edged upwards £40/t. AMPE and MCVE reduced slightly in August, reflecting the further softening of prices within the UK market during the late holiday season.

UK dairy commodity prices (£/ tonne)	Aug 2019	July 2019	Mar 2019
Butter	3,030	3,150	3,510
SMP	1,850	1,810	1670
Bulk Cream	1,400	1,410	1,510
Mild Cheddar	2,830	2,830	2,840
UK milk price equivalents (ppl)	**Aug 2019**	**July 2019**	**Mar 2019**
AMPE (2014)	27.66	27.86	28.27
MCVE (2014)	29.93	30.03	30.81

Source: AHDB

Currency fluctuations continue to have a significant impact upon product prices and are largely responsible for the small increase to SMP value. With only one month left before the UK's departure from the EU on 31st October, exchange rates will continue to have a significant impact upon dairy trade volumes in the coming months.

alastair.beattie@sac.co.uk, 07771 797491

Management Matters – No Deal Brexit Actions

Potential No Deal Brexit approaching

With only a few weeks to go before the UK may depart the EU; with or without a deal it is important farm businesses understand the potential impacts and take what steps they can to prepare.

No Deal – weakening of the pound is expected which in isolation would be positive for UK commodity prices as well as pushing up the cost of imported inputs. In practice, this price impact could be partly or wholly offset by the loss of frictionless access to EU markets for export led sectors.

Deal – if the UK and EU agree a Deal in the next few weeks then the UK would enter a transition period where little would change but this is looking extremely unlikely at present.

EU extension until at least 31st January 2020 – in the absence of a deal "legally" this is the most likely outcome. If this happens it would give the UK another three months of status quo to prepare for whatever came next. The problem is that nobody knows whether or not the UK government will get round the Benn law requiring them to seek an EU extension in some as yet unspecified way.

Priority actions for a No Deal

Understandably, many farmers have been reluctant to take action given the lack of certainty about what may happen, when it may happen and how it could affect them. Below are a list of 'no regret' actions that farm businesses should consider to prepare.

Financial

1. Do a cash-flow budget and monitor it monthly or weekly – if you are not doing so already get help now.
2. Cash remains king – ensure you have access to sufficient cash – put some aside, defer capital investment if necessary to build reserves.
3. Assess your current lending – speak to your lenders – move as much credit to long-term as possible – fix rates where feasible.
4. Do credit checks of all your buyers and review the main ones regularly.
5. Separate out your income streams and categorise; high, medium or low risk – prioritise accordingly, diversify away from the highest risk enterprises where possible.
6. Manage currency risk – hedging of BPS and key inputs – speak to your bank.

Supply chain

7. Map your supply chain working with suppliers of inputs and buyers of produce.
8. Speak to your suppliers and end users to identify issues and solutions.

Production

9. Determine your production Points of No return (PNR's) put them on your calendar – how many ewes do you put to the tup and when, how much land to sow to wheat/keep back for spring malting barley?
10. Identify what your main production risks are – labour, market access – and consider whether and how changes to your enterprise mix could reduce these risks.

Transport and logistics

11. Identify the key transport movements on and off farm – when, where to, tonnages?
12. Identify critical input "show-stoppers" – fuel, specific agrochemicals, seeds, dairy cleaning products, machinery spares – that could stop production.
13. Consider stockpiling. Where storage is limited prioritise most critical.

Workforce

14. Help your EU national employees to apply for EU settled status.
15. Identify back-up help where labour is short.

julian.bell@sac.co.uk, *07795 302264*

Harvest review and outlook

Wet harvest, good yields

The relatively warm and dry winter and early spring allowed for good establishment of cereal crops early in the year, and few losses or issues with weeds, pest or diseases.

Oilseed rape was finished by the end of August with yields around average across Scotland, 9-13% moisture content, and oil content around 45%. A largely wet August and September has meant a slow and damp harvest (minus the last week of August), although not as slow as two years ago. Overall, yields have been good, averaging 15-25% up on last year, and lots of straw.

Lodging and brackling have been common across Scotland this year, particularly in oats with up to 60% lodged towards the tail end of harvest in the South West. This has proved challenging to lift flattened crops, and there has been a noticeable effect on quality and pre-germination, with some farmers advised to harvest around worst areas of fields to avoid contamination of the crop and impact on price. Final harvests were a race to maintain as much quality as possible.

SAC Consulting have prepared initial yield and production estimates based on regional reports in the table below. These provide an indication of trends but should be treated with caution. The first Scottish Government cereal production estimates are due in October.

Spring barley has performed particularly well this year with yields averaging around 6.8t/ha. Increased yields of barley this year means that maltsters are reported to be being more particular about quality (though more in deductions rather than rejections) than last year, when they had much less to choose from.

Wheat has also had good yields of grain and straw this year, with average regional yields reported at or above 9.0t/ha.

Sowing

Winter oilseed rape drilling began in late August/early September, with flea beetle identified early on as an issue. The last couple of weeks have seen winter cereals being sown, with the seedbeds warm and wet so quick progress has been made.

What is the market looking like?

Overall, UK wheat and barley prices are lower on the year driven by larger UK and EU harvests. The UK also faces the risk of a No Deal Brexit on 31st October forcing increased export pace. In Scotland, relative cereal prices are lower versus the rest of the UK. Scottish delivered wheat premiums over LIFFE futures at £4-6/t compared to a premium of £10-12/t last year. Scottish malting barley for distilling is at a much lower premium over English malting barley for brewing than last year at around £5-8/t premium down from £17/t last year.

Current low cereal prices are stimulating domestic demand with increased use of wheat in distilling as it is cheaper than imported maize and potentially greater domestic purchases of malting barley.

julian.bell@sac.co.uk, 07795 30226

Scottish cereal area, yield and production estimates (SAC Consulting, Scottish Government)

	Wheat	Winter Barley	Spring Barley	Total Barley	Oats	Total Cereals	OSR
Scotland				***Area (k ha)***			
5yr average	106	46	246	292	32	429	33
2018	99	37	250	287	32	420	34
2019	103	43	239	282	36	421	31
Change	*4*	*6*	*-11*	*-6*	*4*	*1*	*-3*
				Yield (t/ha)			
5yr average	8.4	7.4	5.8	6.0	5.9	6.6	3.8
2018	6.8	7.1	5.5	5.7	5.5	6.0	4.2
2019	9.1	8.6	6.8	7.1	6.2	7.5	3.8
Change	*2.3*	*1.5*	*1.3*	*1.3*	*0.7*	*1.5*	*-0.4*
				Production (t)			
5yr average	885	341	1,419	1,760	189	2,836	125
2018	676	264	1,385	1,649	175	2,512	143
2019	937	370	1,625	1,995	223	3,156	118
Change	*261*	*106*	*240*	*346*	*48*	*644*	*-25*

The Farm Management Handbook 2019/2020

Key economic data

General Indicators	
Base interest rate	0.75% (0.50% Aug '18)
ECB interest rate	0.00% (0.05% Mar '16)
UK (CPI) inflation rate	1.7% (target 2%)
UK GDP growth rate	-0.2% (Q2 '19)
FTSE 100	7,183 (2 Oct '19)

Price indices for July 2019 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	126.64	Seeds (all)	103.6
Barley	126.63	Energy	124.5
Oats	146.25	Fertiliser	103.5
Potatoes	150.45	Agro-chemicals (all)	103.5
Cattle and Calves	98.24	Feedstuffs	116.3
Pigs	117.24	Machinery R&M	108.6
Sheep and Lambs	107.13	Building R&M	112.4
Milk	116.36	Veterinary services	115.2

SAC Consulting 2019. SAC Consulting is a division of Scotland's Rural College (SRUC)
This publication is funded by the Scottish Government and EU as part of the SRDP Farm Advisory Service

SAC Consulting, Rural Business Unit publication
Annual subscription: free on-line at www.fas.scot or £50 for printed copies
Contact: janis.forrest@sac.co.uk or 0131 603 7525