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News in brief

October 2020

Out of the frying pan……

The coronavirus pandemic has provided both a distraction and disruption for much of 2020, but as we move into Autumn the subject of Brexit begins to emerge again into the policy debate. The self-imposed deadline by which the UK must have made a final agreement with the EU to put in place measures to avoid a No Deal Brexit approaches on the 15th October, determining the extent of the impact to trade and markets as of New Year's Day.

Meanwhile the 'return to normality' has been paused or reversed in many parts of the UK, limiting the ability for food service and retail trends to recover as much as was hoped. This indicates quite an unusual upcoming Christmas; with smaller social gatherings and little seasonal entertaining looking possible, it poses the question of whether people will be buying and eating as much, or the same types of food as usual. Will people continue to cook a turkey or opt for other meats like beef and lamb that might be more suitable for smaller households? Will the market see the same upsurge in the market with Christmas shopping, or greater pressure on supermarket supply while restaurants suffer?

Depending on the outcome of October's Brexit negotiations, December may see more than just a Christmas stockpile as the country leads up to leaving the EU, although previous deadlines have not shown the surge in stockpiling as were predicted. Nevertheless, it would be a good time for producers to think ahead to December to anticipate ways to strengthen their relationships with buyers, and assess opportunities and possible risks, to be as resilient as possible to what are looking like quite uncertain markets, both due to Covid and Brexit.

The Farm Advisory Service website provides a checklist for farm businesses to consider their resilience ahead of a No Deal Brexit.

Next month:

- Scotland's Food and Drink Agency.
- Adding value to meat cuts

Contents

This month's editor:
Anna Sellars

The European Agricultural Fund for Rural Development
Europe investing in rural areas
SAC CONSULTING
Scottish Government
Riaghaltas na h-Alba
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Sustainable Agriculture Capital Grant Scheme

The Sustainable Agriculture Capital Grant Scheme (SACGS) which provides 50% grant funding (60% in the Highlands and Islands) for farmers and crofters to purchase specific items of agricultural equipment closes to applications on 11 October 2020.

The capital items that can be applied for have been chosen for their effectiveness in reducing greenhouse gas emissions as well supporting sustainable farming, by improving land and livestock management. Eligible items include cattle and sheep handling and weighing equipment, calving and heat detection equipment, EID recorders, cameras, sward lifters, pasture meters, GPS guidance, variable rate controllers, slurry spreading equipment, slurry store covers, dairy equipment and tyres. The full list of eligible equipment, including minimum specification and details of how to apply to the scheme can be found on Rural Payment and Services at: https://www.ruralpayments.org/topics/all-schemes/sustainable-agriculture-capital-grant-scheme--sacgs-/

If an application has been approved by the Scottish Government, all items must be purchased and claimed by 31 March 2021.

Greening in 2021

While greening will continue in 2021, crop diversification i.e. the two and three crop rules will be removed. The permanent grassland and Ecological Focus Area (EFA) requirements will be retained. Although EFAs are to be retained in the short term, they will be considered as part of a wider review of greening to ensure they play a part in helping farmers deliver action on climate change and the environment which better meet Scotland's needs.

Details of greening for 2021 can be found at: https://www.ruralpayments.org/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/greening-guidance-2021/

Pilot agri-environmental trial

A new points-based agri-environment scheme is being trialled on farms and crofts across Scotland and will run up to 2023.

The pilot scheme, Piloting an Outcomes Based Approached Project in Scotland (Pobas), is being delivered by NatureScot, formerly Scottish Natural Heritage, on behalf of the Scottish Government.

It will offer payments to participating producers who make a positive environmental impact on their land. With an initial development phase spend of £150k, the project will see farmers being paid for managing nature rich areas on dairy farms in South West Scotland, developing flower-rich habitats in Argyll and Skye, and managing habitat for wading birds in Strathspey. Basically, the farmers decide how to achieve a positive environmental result on their land, and their fields' environmental quality is scored. The more the land supports nature, the higher the score and consequently the higher the payment.

The aim of the pilot is to develop a fully tried-and-tested approach to agri-environment payments that could be part of a new support system following the phase-out of the Common Agricultural Policy after 2024.

Regarding wider support for agri-environment management between now and 2024, an announcement is still to be made by the Scottish Government.

Scotland's Green Recovery

Last year the Scottish Government set out a Green New Deal to rethink the investments they make and how they make them to meet net zero emissions by 2045. The Scottish Government has now expanded its commitments with a package of additional measures, forming the basis of their Green Recovery. Examples of the commitments include:

- £1.6bn in transforming homes and buildings.
- £100m over the next five years to a new Green Industry and Jobs Fund aimed at supporting businesses which provide sustainable and/or low carbon products and services to develop, grow and create jobs.
- Over £500 million over five years in active travel, including reallocating road space in favour of walking, wheeling, and cycling, encouraging active travel for shorter everyday journeys.
- Additional £130m to expand Scotland's national forests and land, with 18,000 hectares of new woodland planted per annum by 2024.
- £20m to increase nursery stocks and ensure a resilient supply for tree planting in Scotland.

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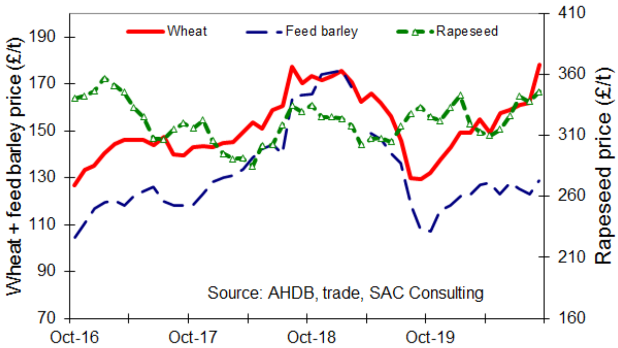
World prices rise as US stocks tighten

UK wheat prices have risen £14/t to £175-£180/t in the last month on global factors and currency.

The major factor pushing world grain prices higher has been a tightening of grain stocks in the US as yields have disappointed and export demand has been brisk. When one looks at world grain stocks they are falling for feed grains and rising for wheat. However, a steadily growing share of world cereal stocks are held by China, while cereal exporters stocks remain low or are declining. Why are the Chinese stockpiling? Whatever their reasons, rising cereal stocks afford China a substantial buffer against adverse crop conditions or geopolitical instability. When the “Trumps” are down, China may be left holding all the cards!

In their current report the IGC expect world 2020/21 grain stocks-to-use to fall marginally from 104 days of supply to 103.4 days. World grain output is set to rise 46mt and use up 39mt. The US maize crop has been pared back further; supporting prices while better harvests are seen in Australia, Russia &Brazil.

Scottish spot ex-farm grain and oilseed prices



Scotland cereal harvest up in 2020

In contrast to the UK as a whole, Scottish 2020 cereal production is expected to rise 2% on last year’s bumper harvest. This is down to an estimated 15% (232kt) rise in spring barley and 19% (36kt) rise in oat output. Further details of the harvest results are given on page 8. Spring barley yields in Scotland appear to be much better than first feared and despite some quality issues; overall malting barley supply looks sufficient to meet currently depressed demand levels. As a result, the premium for Scottish malting barley over feed at harvest appears to be relatively weak at around £10/t so far though only a small tonnage of sales have yet been recorded by the AHDB Corn Returns.

In the latest release from DEFRA, UK barley use by UK brewers, maltsters and distillers fell by 9.8% on 2019 levels in August to 141kt. UK distilling wheat use in August 2020 was 25% lower than the same period last year at 50kt. While wheat and barley use both remain down on last year, the gap is narrowing compared to the early part of the lockdown.

Poor spring malting barley prices at harvest are disheartening to producers and given the great autumn conditions at present the temptation is to sow more winter wheat. With wheat trading on the spot market at a £30-40/t premium over malting barley and £50/t over feed barley then wheat looks very attractive in comparison. The table below indicates relative crop outputs changes between 2020 and 2021 harvest based on current market conditions. Actual outcomes may vary widely so selling a proportion of winter wheat forward at planting helps justify any increase in sowings.

		Yield (t/ha)	Price # (£/t)	Output (£)
Spring barley	2020	6.5	£150	£975
	2021	6.5	£170	£1105
Wheat	2020	9.0	£165	£1485
	2021	9.0	£150	£1350

#Average price return estimates based on a mix of pre-harvest, harvest and post-harvest sales

Plan for another new maltings

Simpsons Malt have announced plans to build a new maltings with storage near Rothes on Speyside, subject to planning and market conditions. The objective would be to supply the distilleries on Speyside with locally grown and malted barley. This is at an early stage with no timeline stated. If it does proceed this would be positive for barley producers particularly in the north of Scotland.

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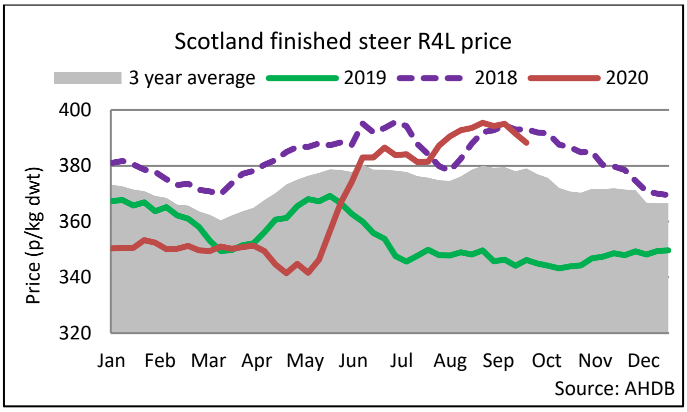
Indicative grain prices week ending 1 Oct 2020 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Sep ‘20	Nov ‘20	Jan ‘21	Mar ‘21	Nov ‘21
Wheat	Ex-farm Scotland	178.20	179.00	180.00	181.00	150.00
Feed barley	Ex-farm Scotland	128.80	129.00	130.00	131.00	120.00
Malt. barley- distil	Ex-farm Scotland	140.00				170.00
Malt. barley- brew	Ex-farm England#		147.00		149.00	
Oilseed rape*~	Delivered Scotland		346.00			339.50

Beef

The last 12 months has been a rollercoaster for beef prices, having experienced so much volatility over the periods, many farmers are asking, can the good times really last? Although we have seen a slight reduction in price in the last 2 weeks, this has been driven by a seasonal increase in supply, with grass finished cattle and cull cows reaching the end of their grazing season, kills have increased by 8%. However, this increase is not expected to last; cattle numbers are tight across the country. This would suggest that for the coming months, the beef trade should remain on a positive footing.



With recent analysis highlighting a 20% increase in demand for beef throughout lockdown, it will be interesting to see what happens in the coming weeks as stricter lockdown restrictions come back into force. Panic buying habits seem to be returning, so the coming weeks will be interesting to see whether this lockdown will mirror the previous one or whether consumer attitudes will differ. As an optimist, I expect that people being more confined to their homes at this time will lead to more home cooking, utilising high quality fresh ingredients. Here's hoping that is the case.

As furlough comes to an end, the next question is what will happen with consumers budgets. If redundancies continue, it is likely that many consumers will find their budgets under real and in that case, how much can we expect them to pay for beef? With a hard Brexit looking increasingly likely and lockdown leading to increased consumption there is reason to be optimistic for domestic beef prices in the short term. However, that should be tempered with the fact that beef demand is elastic and a change on price on the shelf leads to dramatic alterations in demand.

Will carcase limits last?

With relatively high beef prices, one could be forgiven for thinking that the obvious thing to do is to remove the carcase weight limits and get more out of each carcase. However, the reality is that demand for high value cuts from big carcases is low. Particularly with subdued demand from the hospitality sector. Many supermarkets are moving away from selling over a butcher's counter and instead selling everything off the shelf, where uniformity and consistency are key. Carcase weight limits are here to stay and those who are constantly battling to finish cattle in spec need to look to adapt their system and produce what the market wants.

Communication is the key to success

The longer-term future for the beef job contains many and varied challenges and making predictions for post-Christmas is particularly challenging. The one thing we do know is that we need to strengthen our beef supply chain. A lack of communication among breeders, finishers and processors is a real problem for the industry. With less opportunity to socialise and meet people at present, perhaps now is a good time to open up a dialogue with those you supply or those that supply you. Simply discussing how cattle have done and what else a finisher might be looking for would be a real advantage to you, them and the industry as a whole.

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Scotland prime cattle prices (p/kg dwt) (Source: Drawn from AHDB and IAAS data)

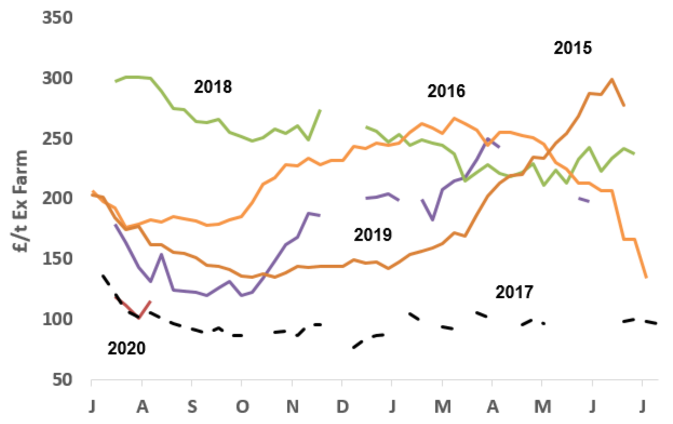
Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
5-Sep-20	**394.2**	-1.2	11.8	**394.6**	-3.3	18.0	380.4	3.8	310.2	285.2
12-Sep-20	**395.0**	0.8	10.2	**389.9**	-4.7	14.3	380.9	14.5	302.1	274.2
19-Sep-20	**391.5**	-3.5	9.5	**389.0**	-0.9	10.3	381.1	8.9	296.4	266.2

Market price update

- *The latest GB Weekly Average Prices for the week ending 12th September was £158.57/t for free-buy and contract purchases.*
- *The latest GB Weekly Average Free-Buy price reported on 12th September was £97.24/t.*

Crop Year 2018/19	12 Sep	5 Sep	29 Aug
Average Price (£/t)	158.57	156.33	170.41
AVP change on week (£/t)	+2.24	-14.08	+3.17
Free-Buy Price (£/t)	97.24	-	115.84
FBP change on week(£/t)	-	-	+14.40

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



Trading Season July - July Source: AHDB

Potato Market Overview

The majority of potato movement across all sectors is on contract with free-buy trade remaining low week on week. Favourable weather conditions over the past few weeks has, at least until this last weekend, allowed cereals growers to finish combining and make good progress with potato lifting. With free-buy demand low, growers are lifting into store in the hope that demand and prices will rise over the winter.

Buyers are continuing to honour contracts before looking to source stocks from elsewhere in the market. There is now growing uncertainty over tighter lockdown measures which is resulting in buyers forward-purchasing lower volumes to minimise their financial exposure, if hospitality businesses were to close again in the forthcoming weeks. It is hoped that the school holidays will help to boost sales in the chipping sector providing outlets can continue trading.

There have been some reports of bruising and greens present in samples which could be a result of the dry sunny weather across many regions. There are no major quality concerns or long-term storage issues. Stocks are being routinely monitored and used if required although these cases are very low and at a local level.

There are reports of strong export demand to the Canary Islands with top quality stocks returning good prices. This may continue over the next few weeks but cases of Coronavirus are rising across many countries, and governments are carefully making plans for what is likely to be a difficult winter for everyone.

Prices by sector

Prices reported on Friday 18th September 2020

In the English packing market, Grade 1 Maris Piper is trading around £130/t ex farm with a high of £160/t ex farm. Grade 1 Whites are trading around £80/t ex farm, with highs of £130/t ex farm reported for particularly good stocks. Maris Peer 45mm down is trading around £290/t ex farm with a high of £330/t ex farm.

In the Scottish packing market, Maris Piper is trading around £125/t ex farm with a high of £150/t ex farm (prices reported 11th Sept). There are no prices reported for Whites or any other varieties.

In the East of England chipping market, Agria is trading between £125/t and £140/t ex farm, Maris Piper is trading between £120/t and £140/t ex farm, and Sagitta is trading between £110/t and £120/t ex farm. Other Whites in the East are trading between £85/t and £130/t ex farm.

In the West of England, Sagitta is trading between £80/t and £100/t ex farm, with other Whites varieties trading between £70/t and £100/t ex farm.

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

In the processing market, peeling Piper is trading between £45/t and £80/t ex farm, and Whites are trading between £40/t and £60/t ex farm.

Whites destined for the Canary Islands are trading around £155/t ex farm, with top quality stocks for niche packing markets reaching highs of £280/t ex farm.

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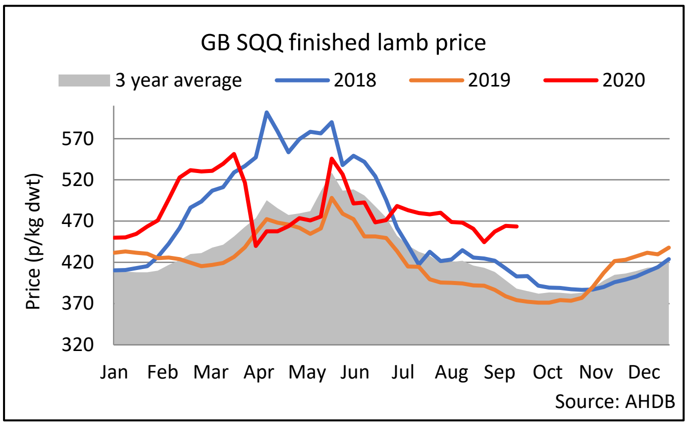
Phenomenal sheep trade

Sheep trade has been remarkable over the last month, in all classes of stock. Many centre records have been smashed for markets across the country particularly so for breeding lambs and gimmers. There is still high demand for smaller export lambs, but potential local, National and European Covid-19 restrictions in the service and tourism sector could impact this. Giving producers an opportunity to off load some of these light lambs, before forage supplies become tight.



Interestingly while our prices are flying high, New Zealand and Australia's lamb farm gate price is decreasing. Our exchange rate will determine if we see an increase of these imports coming in or not, if they do, there is no doubt we will see a price deduction for the UK product.

A no deal Brexit is looking extremely likely, with no EU trade agreements being in place yet, we have until mid October for these to be reached. A no deal would result in EU food imports and exports possibly having supply chain issues and a premium price, with tariffs being in place from 1st January 2021. But will they? Will the process for tariffs be agreed in this time, will the correct paperwork be in place?!

All of this uncertainty makes it extremely difficult to know when best to market stock. Many store lamb finishers are paying a premium for lambs at the moment and many are questioning why marketing of lambs post Brexit seems to have become somewhat similar to a night in the casino, with all the uncertainty around us; it is a gamble, and currently we don't know if it will pay or not. However, in the casino we know our odds e.g. 50/50 chance between red and black!

Christmas is not cancelled!

It is impossible to second guess what is coming in front of us with the twin uncertainties of Covid-19 and Brexit. A recent poll from YouGov has shown that only 48% of people have confidence that our industry and the supply chain is prepared for this second wave and only a third of people believe we are prepared for trade interruptions following Brexit. This is concerning, bearing in mind Christmas is less than 100 days away, when people naturally panic and bulk buy without the added challenges of a pandemic and Brexit!

With restrictions in place large festive family gatherings will be restricted and many may choose to have many smaller events, increasing the amount of premium food and drink products they require in this holiday period. This may mean that red meat may replace the traditional Christmas turkey at some of these gatherings – an opportunity for premium lamb cuts.

Strong Wool Action Group

The New Zealand Government issued a Wool Report, and has since appointed a group to oversee a clear and detailed strategy for the industry. The aim to collaborate, and find a customer based solution for the use of wool, to boost the market. Seeing the wool included as part of the 5th quarter.

The group includes people who represent existing wool companies, people involved in marketing and innovation and four red meat processing and marketing companies. These processors have given initial funding ($50,000 each ~£26,000) for the group alongside funding from the Ministry for Primary Industries ($200,000 ~£104,000).

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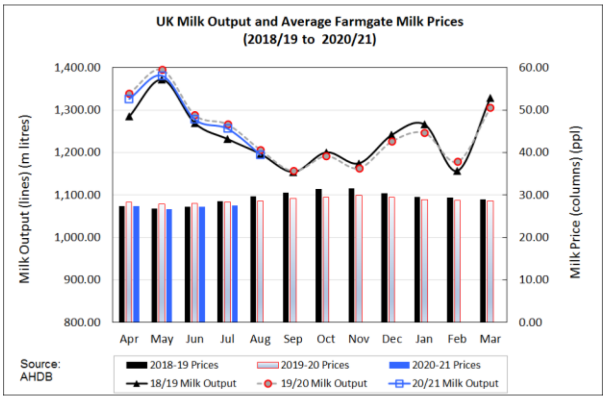
Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish	Ewes (£/hd) Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
5-Sep-20	455.2	11.8	-9.7	-0.2	214.60	7.4	8.9	9.1	64.36	63.59
12-Sep-20	464.2	9.0	-3.6	0.8	213.90	-0.7	5.2	5.4	61.96	63.82
19-Sep-20	463.5	-0.7	-4.6	1.2	208.60	-5.3	4.5	5.6	60.19	63.14

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

Milk output mirroring 2019/20

- *UK milk output for August 2020 is estimated at 1,194.74 (down 11.45m litres on the same month last year).*
- *Cumulative milk production for the current milk year is down by an estimated 59.07m litres on last year.*
- *The average UK farmgate milk price for July 2020 is estimated at 27.56ppl (up 0.41ppl on June 2020).*

UK monthly milk output for August 2020 is estimated at 1,194.74m litres (before butterfat adjustment). This is 11.45m litres lower than August 2019 output when UK production for the month stood at 1,206.19m litres. Cumulative UK milk production for 2020/21 now stands at 6,436.05m litres (before butterfat adjustment). This is 59.07m litres lower than at the end of August 2019.



The UK average milk price for July 2020 is estimated at 27.56ppl. This is 0.41ppl higher than the average price for June 2020 and 0.81ppl lower than the average price for July 2019.

Farmgate price update - October 2020

Price announcements for October 2020 include:

- Arla Foods amba – Arla is to increase its member milk prices from 1st October 2020. The manufacturing standard litre price increases by 0.50ppl to 29.76ppl whilst the liquid standard litre price increases by 0.49ppl to 28.66ppl. Similar price increases apply for Arla's organic suppliers with the organic manufacturing price rising by 0.50ppl to 38.12ppl and the organic liquid standard litre rising by 0.49ppl to 36.70ppl.
- First Milk – FM has announced a hold on member milk prices for October 2020. This means that the liquid standard litre price is maintained at 27.25ppl whilst the manufacturing standard litre remains at 28.15ppl.
- Müller – Müller has announced a hold on its milk price for Müller Direct members in October 2020. This means that suppliers in Scotland receive 26.00ppl for the liquid standard litre.
- Graham's Dairies – Graham's suppliers will receive a 0.50ppl price increase from 1st October 2020. This takes the liquid standard litre price up to 26.00ppl.
- Sainsbury's – members of Sainsbury's Dairy Development Group (SDDG) will receive a reduction of 0.06ppl from 1st October 2020. This takes the liquid standard litre price to 30.85ppl for Müller Milk Group SDDG suppliers, whilst Arla members of SDDG will receive 30.73ppl (the Arla milk price including 0.12ppl haulage charge).

Annual Average milk price estimates for October 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	27.00
First Milk Liquid [1, 2]	27.25
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	28.15
Müller - Müller Direct - Scotland [1, 3]	26.00

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. The member premium increases to 0.50ppl from April 2020.*
3 *No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium and additional 0.25ppl haulage charge for Scottish suppliers.*

2020 review of AMPE & MCVE

AHDB Dairy is now using a revised methodology for the calculation of AMPE and MCVE. The figures reported in this edition of ABN are based on the new methodology which takes account of higher milk compositional quality and higher production costs. Figures shown in the table below (next section) relating to earlier months have been updated retrospectively.

Wholesale prices & dairy trade

- *Fat prices continue to improve.*
- *Brexit looms ahead. Uncertainty remains – will the UK government strike a trade deal with the EU?*

Price reports during September 2020 indicate a further strengthening of butter and cream markets, with prices now at their highest level since November 2019. Cheddar prices remain unchanged (£2,920/t) and SMP prices have also recovered some ground during September 2020, following a small reduction during August triggered by hot weather on the continent and lower demand for SMP.

UK dairy commodity prices (£/ tonne)	Sep 2020	Aug 2020	Mar 2020
Butter	3,180	3,080	2,920
SMP	1,940	1,860	1,990
Bulk Cream	1,530	1,480	1,280
Mild Cheddar	2,920	2,920	2,910
UK milk price equivalents (ppl)	**Sep 2020**	**Aug 2020**	**Mar 2020**
AMPE (2020) *	29.54	28.24	28.98
MCVE (2020) *	31.59	31.54	31.60

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

Source: AHDB

As we enter the final quarter of the calendar year, the terms of Brexit and all its possible repercussions for international trade are up for negotiation with the EU. Let us hope the trade talks can deliver some good news for Scottish dairy farming.

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Surprising 2020 UK harvest trends

With wetter weather in the south and a warm Indian summer, the general pattern for 2020 harvest has seen the north perform better both with grain and straw with drier weather over harvest compared to further south. The south of Scotland has fared better than England where wheat harvest has been pronounced as disastrous, but the north of Scotland struggling less than the south in bringing in the harvest, with fewer torrential spells and longer and warmer dry spells.

Winter cereals have suffered this year as a result of last year's difficult and boggy harvest conditions, delaying sowing of winter crops and affecting crop establishment. Despite heavy rains in mid-July and intermittent heavy rain further south, Scotland has had a reasonable summer for weather, with difficultly of getting machinery into fields more localised and temporary than 2019.

Good yields, but variable quality

Winter wheat has seen average to good harvest in Scotland, despite what has been labelled the worse wheat harvest in England in several decades. While the wet harvest season has hugely impacted wheat south of the border, the south of Scotland has had better harvest weather than England, albeit still intermittent heavy rains, and the north of Scotland better still.

Barley yields have been very variable this year, particularly winter barley, with some yields reported as low as 5 tonnes per hectare. Winter barley has performed very poorly and well down on last year's bumper crop of up to 8.7 tonnes per hectare. Spring barley yields have ben variable but overall are expected to be higher than last year aided by exceptional yields in some areas.

There has been little lodging overall, but quality issues highlighted with various cereals; high screenings in wheat and barley, higher nitrogen and some cases of high skinnings in barley, and lower germination, at 85-90% in places. The subsequent effect on prices is still being determined as buyers are still weighing up the quality available, but indications are that maltsters are being particular, with some rejections due to nitrogen levels and skinnings, and reductions in price by low germination. Laureate in particular, has been noted as common for skinning issues this year, and less frequently with Diablo, with Sassy performing better on yield and quality. The estimated 15% rise in spring barley production from last year has pressured malting premiums lower.

Oat yields overall have been similar to spring barley, and a little above average at around 6.6 tonnes per hectare, with lower yields at 5 tonnes per hectare further south. Oilseed rape has likewise performed averagely this year.

Straw plentiful but prices weak

Straw yields for barley have been average to large, with good crops producing good yields 20-25 bales per ha (3.7-4.0 tonnes per ha). Due to better yields prices are subsequently quite low, at £55 per tonne in some areas, and even lower in others, and as a result there is less of an incentive for farmers to bale.

Sowing progress

Winter cereal sowing is beginning, primarily winter barley, though not enough to indicate whether it will be more or less than normal; winter wheat sowing has not yet begun. Oilseed rape is now emerging nicely, despite the initial worry about slugs and flea beetle, and only small-scale damage below threshold level.

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Scotland cereal and oilseeds; area, yield and production

	Wheat	Winter Barley	Spring Barley	Total Barley	Oats	Total Cereals	OSR
Area (k ha)							
2019	107	49	242	291	32	421	32
2020	94	43	259	302	34	421	31
Change	-12%	-12%	7%	4%	6%	0%	-3%
Yield (t/ha)							
2019	8.7	8.2	6.4	6.7	5.9	7.3	3.9
2020	8.6	7.3	6.8	6.9	6.6	7.4	4.0
Change	-1%	-11%	6%	4%	12%	2%	3%
Production (t)							
2019	937	399	1,544	1,943	189	3,069	124
2020	807	317	1,776	2,093	225	3,125	123
Change	-14%	-21%	15%	8%	19%	2%	-1%

Source: Scottish Government

Sustainable Agricultural Capital Grant Scheme (SACGS) Closing Soon

The pilot Sustainable Agricultural Capital Grant Scheme (SACGS) opened for applications on the 7th September 2020 for 5 weeks. The deadline to submit applications is midnight on Sunday 11th October 2020. The scheme is designed to help Scotland deliver the statutory climate change targets to improve air and water quality as well as animal welfare. The £10 million pilot is open to all farmers and crofters with a business reference number (BRN). Farmers and crofters can receive 50% of standard cost items with those in the highlands and islands area receiving 60% grant support. The grant amount is capped at £20,000.

The application process is very straight forward with the form requiring your business details, the type of farm, area and livestock numbers. After this you are required to select the options you intend to apply funding for. The applications will be scored after the deadline with green points awarded if you have completed and submitted a carbon audit, nutrient management plan and vet health plan between 1st March 2017 and 1st March 2020. The green points will only be awarded if the capital items you are applying for are relevant to the plan submitted. For example, if you submit an animal health plan from the vet and apply for GPS for a tractor it is unlikely you will receive any additional points. Grant support will be prioritised based on the highest scoring green point applications. This will be considered based on the following criteria, reduction in greenhouse gas (GHG) emissions, impact on sustainable agriculture, impact on land use/nutrient budget, impact on health & welfare and impact on efficiency.

The objectives of the scheme are to protect and improve the natural environment, reduce greenhouse gas emissions from farming operations and support sustainable farming and land use. With this in mind you can find the capital options on the link below which is split into five categories covering cattle equipment, sheep equipment, general livestock, precision farming equipment and general agricultural equipment. You should read through all of the items, descriptions and specification thoroughly before deciding to apply. Decide what options you think would benefit both the farm and have the greatest impact on the aims of the scheme. Bear in mind it is likely that applications will be approved based on scoring. Think if the option you are selecting is going to have a significant reduction in greenhouse gases or a benefit to health and welfare. The scoring criteria will be unknown until all the applications are submitted and processed.

The standard costs are set, so if your item costs more than the standard cost you will only receive 50% (non highlands and islands rate) of the standard costs. For example, if you purchase an eligible manual squeeze crush at a cost of £6,000 you will only receive 50% of £5,000 (standard cost), i.e. £2,500. Similarly, if your crush costs £4,000 you will receive 50% of the lower cost i.e. £2,000.

Taking slurry management as an example. With cattle typically housed in the winter producing slurry which is often pumped into an uncovered tower there is a significant source of methane CH_4 and ammonia NH_3 being released to the environment. Good practice would see slurry spread in the spring time to a growing crop when there is growth and demand for nitrogen. Options under the scheme to improve GHG emissions would firstly start with covering of the slurry store either with a floating cover or raised tank cover to reduce NH_3 emissions. This could be further improved by looking at spreading systems and adopting a dribble bar or shallow injection system. Combined with a slurry flow meter and GPS guidance slurry would be applied accurately to the growing crop needs minimising loss of nutrients as much as possible. Slurry flow meter would be more relevant in umbilical systems. With flotation tyres there would be increased benefits of maintaining soil health and reducing compaction. However, selecting all the mentioned systems would take you well beyond the £20,000 limit so choose options which would deliver the best and most practical benefit to the farm.

The full specification of eligible grant items, scheme guidance and application form can be found at https://www.ruralpayments.org/topics/all-schemes/sustainable-agriculture-capital-grant-scheme--sacgs-/.

The specification in Annex B covers all of the items eligible. If the item is not on the list it will not be funded under the scheme. If you have any questions on the eligibility of certain items in the scheme please contact ATP@gov.scot.

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Key Economic Data

General Indicators		Price indices for July 2020 (Defra 2015 = 100)			
		Output Prices		**Input Prices**	
Base interest rate	0.1% (0.75% Mar '20)	Wheat	138.80	Seeds (all)	104.2
ECB interest rate	0.00% (0.00% Sep '18)	Barley	114.87	Energy	107.8
UK (CPI) inflation rate	0.2% (target 2%)	Oats	123.11	Fertiliser	87.5
UK GDP growth rate	-20.4% (Q2 '20)	Potatoes	147.42	Agro-chemicals (all)	128.2
FTSE 100	5,899 (29 Sep '20)	Cattle and Calves	108.93	Feedstuffs	115.3
		Pigs	125.26	Machinery R&M	111.3
		Sheep and Lambs	124.58	Building R&M	111.7
		Milk	112.53	Veterinary services	113.5

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