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October 2023

News in brief

U-turns turning heads

While Margaret Thatcher famously said in 1980, “This lady is not for turning”; fast forward to 2023 and political U-turns seem to be the order of the day. It could be argued that with the current UK Government pushing back the ban on the sale of petrol and diesel cars from 2030 to 2035, and the ban on gas boilers from 2025 also to 2035; it paved the way for a subsequent U-turn on commissioning new oil fields, starting with the new Rosebank field, 80 miles north of Shetland.

From an economic liberalisation standpoint, the U turns are being justified on the basis of creating new jobs in a currently flagging oil industry and reducing pressure on families struggling with high energy costs. From a more cynical point of view, with car manufacturers still faced with the requirement that 80% of all new car sales must be electric by 2030, is the UK political focus more on next year’s elections rather than on the pledges made during COP26 to meet Net Zero Targets by 2050?

Following the announcement that the rate of inflation had fallen to 6.7% in August, the Bank of England’s decision to keep the base rate at 5.25% was welcome news for farming businesses. However, with crop and milk prices having dropped sharply since last year; bank balances are still under pressure across the industry as we head into winter.

While tight supplies in the beef sector are bolstering prices both in the prime and store markets; the continued fall in suckler cow numbers remains a concern for the industry. Compared to the same period last year, the number of calves registered in the first half of 2023 fell to 1.53 million, a fall of 2.1%. Analysis of the registrations showed a rising number of calves from native breeds at the expense of continental breeds; a trend to watch for at Bull sales next spring.

In the face of a new ‘Aussie’ branding and a new global marketing campaign by Meat & Livestock Australia, this month’s sheep article highlights that we need to shout more about our high welfare, fully traceable and biodiversity boosting Scotch Beef and Lamb!

Next month:

- Soil Health
- Land Values

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This month’s editor:
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Housing Policy Changes

Tenant Protection Law Final Extension

The Scottish Government have announced that the [Cost of Living (Tenant Protection) Act] introduced in October 2022 to protect tenants against the impacts of rising costs will remain in place until March 2024.

This will mean that in-tenancy private rent increases will continue to be capped at 3%. However, private landlords can apply for increases of up to 6% to help cover certain increases in costs in a specified time period where these costs can be evidenced.

Enforced evictions will continue to be paused for six months except in a number of specified circumstances. Increased damages for unlawful evictions of up to 36 months' worth of rent will continue to apply.

Going forward, there are plans to introduce a new Housing Bill to deliver a New Deal for Tenants, including the introduction of long-term rent controls for the private rented sector, minimum housing standards and allowing tenants greater flexibility to personalise their homes and keep pets.

Short Term Lets Licencing

The Short Term Lets Licencing scheme was introduced by the Scottish Government to ensure short-term lets in Scotland are safe and meet consistent quality standards, including having gas certificates and suitable electrical equipment.

From the 1st of October 2023, all existing short term let accommodation must have applied for a licence. New hosts need to apply for a short term let licence from their local council before they can accept bookings.

There are 4 types of licence:

- '*Home Sharing'* means you rent out all or part of your own home while you're living there.
- *'Home Letting'* means letting all or part of your own home while you're not there, for example while you're on holiday
- '*Secondary Letting*' means letting a property where you do not normally live e.g., holiday let
- *'Home Letting and Home Sharing'* means you let out all or part of your own home both while you are living there and also at times when you're not there.

Short term let licences last for three years. In addition to a licence, operators will need to have all the requisite safety certification (gas, electricity, and water safety) plus an EPC Certificate.

Some properties may also require a building warrant and subject to location, some may require planning permission. You do not need a licence if you rent out part of your house under the ['Rent a Room Scheme'].

Agri Environment Climate Scheme

The next round of the Agri-Environment Climate Scheme (AECS) will open for applications in January 2024 with the targeted support focusing on the Agri-environment, slurry and digestate storage and seeking to double the amount of land under organic management.

For the 2024 round, funding for heather cutting, chemical and mechanical treatment of bracken, restoring of drystone or flagstone dykes and pond creation and restoration for wildlife (limited to 2,000m^2 per application) will be reintroduced. In addition to which, the option for creation of hedgerows will be increased from 500 metres to 1,000 metres per application.

The application windows for the respective funding sectors are:

	Opens	Closes
Slurry Stores	Will open in early 2024, details still to be announced.	
Organic conversion and maintenance (Stand-alone)	1 February 2024	31 July 2024*
Agri-environment	1 February 2024	10 June 2024

* If you are applying for Organic conversion and maintenance as part of a single application with Agri-environment management it must be submitted by the 10 June deadline.

For further details, see online at https://www.ruralpayments.org/topics/all-schemes/agri-environment-climate-scheme/

Potato Exports to N. Ireland Resume

While Brexit saw the loss of the Scottish Seed potato export market with the EU; the [Windsor Framework], has paved the way for trading seed potatoes to resume from the 30th of September 2023. Pre-Brexit, Scotland sold an estimated 2,500 tonnes of seed potatoes into Northern Ireland.

Unfortunately, this is a singular agreement, with the trading channels for seed potatoes to the rest of the EU remaining firmly blocked.

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Harvest Roundup

With harvest all but concluded in Scotland, the early consensus is that wheat has had the better year of all the crops and whilst adrift of 2022 harvest output, yields have been respectable-to-good. There are positive markers too against specific weights and Hagbergs but proteins have been reported as lower, although sufficient to satisfy the trade's lower-grade milling requirements. Winter barley has also achieved the standards required in what has been described as an average-to-good season. The Spring barley yield average has declined as harvest progressed with notable regional differences on quality; Northern Scotland samples appear to have less high-nitrogen issues compared to Southern Scotland, although the reverse holds true for skinning levels. Oilseed rape yields have been reported as average at best and oil content is lower than last season

At UK level, wheat harvest production estimates currently lie in the region of 14Mt, down1.5Mt on last year. Despite the rise in opening carryover stocks, the projected drop in production will lead to contracted domestic availability. While there may be a knock-on effect for import requirements for high protein milling wheats, the demand from the livestock sector is likely to continue to be subdued through this year and into next. Pertinent to Scotland, the distilling sector requirement remains strong as increasing processing capacity continues to come online.

On-farm audit process

Cereals assurance body Scottish Quality Crops is introducing a new rolling certification model effective from 1st October this year as part of an improved auditing process. The change, which moves to a 'product specific' certification, will provide rolling certification over 12 months and so allow grain passports to be issued to growers earlier in the year and well ahead of harvest. All growers will still be required to have an annual assessment which is carried out by Food Integrity Assurance on behalf of SQC.

Market movements

UK feed wheat futures for Nov-23 closed at £192.75/t (Nov-24 futures closing at £203.00/t) as at 27/9/23. Twelve months ago, Nov '23 futures stood at £287.35, a 33% decline in value therefore over the year. Fig 1 overleaf.

Fig 1 Wheat Futures Source AHDB

Global markets are currently supported to an extent by concerns around wheat production out of southern hemisphere heavyweights, notably Australia and Argentina. Overriding this however, is the continuing downward price pressure from competitive Black Sea supplies, although a weakening £ against the US dollar has recently softened falls here. Longer term, both quantity and quality of global wheat supply will continue to be front and centre and at a time when global maize supply looks to be increasing this year, that in itself, is bringing a bearish sentiment to both UK wheat and barley values.

European Union

On 18th September, EU Commissioner, Janusz Wojceichowski alluded to regulatory changes with the planned introduction of 'Third country' certification and checks, due to start in January 2024. Notwithstanding his comment at the time, that the UK is still 'the most important destination for our exports', appears somewhat counterintuitive.

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Indicative grain prices week ending 28th September 2023 (Sources: Frontier,SAC,ODA,ADM,AHDB)

£ per tonne	Basis	Oct '23	Nov '23	Mar'24
Wheat	Ex farm Scotland	192	195	199
Feed Barley	Ex farm Scotland	174	176	180
Malt. dist. Barley	Ex farm Scotland	240	245	
Wheat	Ex farm Scotland	192	195	199

Beef Prices Strengthening

Since the start of September beef prices have strengthened after two months of tumbling trade. Warmer weather at the start of the month, back to school demand and a continuing tightening of supplies have led to processors increasing prices in order to secure cattle.

Prices have been increasing steadily since the start of September, with finishers receiving an increase of approximately 20p to 30p kg/dwt. Currently prices are sitting around 493p/kg deadweight, with reports that certain processors are offering more in order to secure supply.

Numbers are tight so finishers who can supply the right numbers of cattle to the right spec can get £5/kg deadweight.

Prices being driven by Supply

Shortage of supplies continue to be a driver behind the finished beef price. As the Scottish beef herd is declining, so too are finished cattle supplies. The reduction in young cattle in England and Wales has continued strong demand for Scottish born calves, with stores sales strongly supported by English buyers, contracting cattle numbers available for slaughter in Scotland further.

Reports suggest on the back of the falling beef price throughout the summer months that finishers offloaded their 'September supplies' early, further reducing availability. Going forward it is highly likely that finished prices will continue to increase as processors compete in order to secure cattle with Christmas now on the horizon.

With rising prime cattle prices, store cattle prices have also risen in recent weeks, with prices up around 45p/kg liveweight from this time last year. Trade for store cattle has been strong, as finishers invest their returns in the store ring. .

Going forward it is anticipated that store trade will continue trending upwards and is already moving in the direction of the high levels witnessed in the spring.

Markets have reported a buoyant trade for weaned calves in recent weeks, with Aberdeen & Northern Marts, Thainstone, reporting a sale average of £1419.92 (up £245.51 compared with 2022) for their first weaned calf sale. It is anticipated with the beef price rising and feed prices less this year that suckled calves will be in greater demand, after a depressed trade last year.

Cull Cows

Cull cow trade has also come back up in recent weeks. Warmer weather at the start of the month and the Rugby World Cup have increased demand for BBQ meat after weakened demand throughout the summer. Prices may not improve further, as numbers generally pick up at this time of year ahead of housing and weaning. Those with cows to go would be advised to sell now and take advantage of the current price.

Breeding Numbers

Falling suckler cow numbers remains a concern for the industry. UK numbers falling on average by 1% each year. England has ~ 750,000 cows and Scotland has ~ 400,000 suckler cows (a reduction of 2.5% since 2018). France now has more pure bred Charolais cows, than the total UK beef cow herd!

Recent data released from BCMS shows that suckler born registrations have fallen this year by 3.5%, highlighting the importance of beef from the dairy herd in beef production.

With registration of Limousin X, Charolais X and Simmental X calves showing ; reductions of up to 7%, in comparison to breeds such as Aberdeen Angus X and British Blue X who continued to grow in numbers; it will be interesting to see at the Autumn Bull sales if breed sale averages are less for the breeds with falling calf registration numbers.

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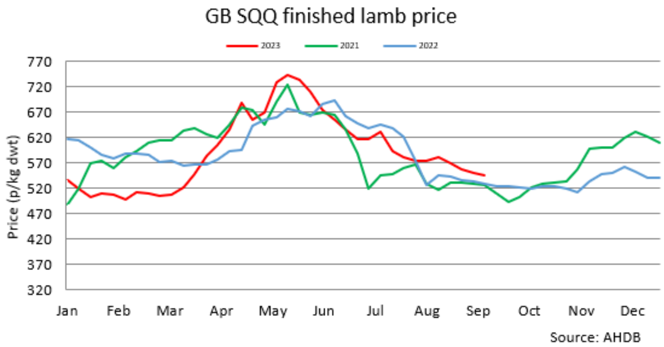
Scotland prime cattle prices (p/kg dwt) (Source: drawn from AHDB and IAAS data)

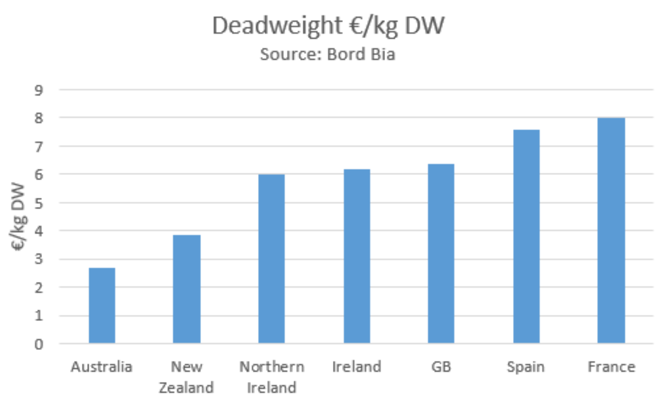
Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bulls -U3L		Cull cows	
		Change on week	Diff over North Eng.		Change on week	Diff over North Eng.		Diff over North Eng.	R4L	-O3L
02-Sep-23	**481.9**	5.0	8.3	**482.8**	5.3	11.2	470.7	7.2	391.2	344.7
09-Sep-23	**487.6**	5.7	11.6	**490.6**	7.8	11.7	475.0	3.7	392.3	349.5
16-Sep-23	**493.7**	6.1	12.1	**496.6**	6.0	9.0	484.5	8.2	406.4	359.6

Sheep

Prime sheep sales are starting to pick up pace after a slow start, with lambs taking longer to finish this year. The price is currently above that of the previous two years for lambs, with it being forecast for the price to be sustained, given the shortage of well fleshed lambs south of the border due to drought conditions in the summer.



The price of our finished lamb is currently well ahead compared to the Australian and New Zealand lamb. With their lamb price being so low, their product is very attractive to importing countries such as China and the EU. A recent report from Meat and Livestock Australia forecasts the Australian lamb to grow in value by 4.5% to the end of this year. This increase will still give the price advantage. The below chart shows the deadweight €/kg for various countries for the week ending 16th September 2023.



As well as the price of the product, the geography of the product, combined with supply and demand and global currency exchange dominate the trade for lamb. With the UK product being geographically closer to the EU makes the freight and logistics more attractive. For Australian and New Zealand lamb, they have targeted closer markets to home e.g., China and the Middle East.

While the New Zealand flock has been decreasing in the last five years with an estimated 200,000 ha of sheep and beef farms being sold into forestry; their exports have not decreased, as the domestic demand for sheep products have also declined.

Between January and June this year (2023), compared to last (2022) the import volumes to the EU from NZ have increased by 20%, while imports to the EU from the UK have increased by 19%. In contrast, imports to the EU from Australia have decreased by 33%. Interesting, from a country undergoing flock expansion it demonstrates how they are currently targeting developing markets closer to home.

Aussie Beef, Lamb, and Goat Brand

The Australian meat levies have rebranded their promotion from the *True Aussie Beef and Lamb* brand to the *Aussie Beef, Lamb, and Goat* brand. The refreshed brand seeks to focus on key attributes to a global customer with the following words featuring heavily in their marketing – genuine, trustworthy, safe, nutritious, and tasty. Their graphics have been updated to highlight green pasture, clean water, sunshine, and fresh air.

This new branding will be targeted globally, and with the trade agreement now in full force we will see it here in the UK, with an ultimate goal of increased orders driven through our retailers and food service industry. This demonstrates how we need to shout more on our fully traceable, high welfare, biodiversity boosting British product!

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Imports & Exports

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**
02-Sep-23	**555.8**	-12.7	-5.1	-2.5	**250.80**	-0.6	11.8	4.2	72.77	81.21
09-Sep-23	**551.1**	-4.7	-3.1	-1.2	**244.90**	-5.9	5.9	5.1	73.90	76.88
16-Sep-23	**549.9**	-1.2	-1.9	0.7	**247.60**	2.9	9.2	3.4	68.48	77.99

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

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

Science-Based Targets Links to Farming Activities

The number of companies committed to reducing greenhouse gas emissions by adhering to the Science Based Targets initiative (SBTi) has increased by 87%, with over 410 companies with land-intensive operations setting emissions reduction targets. Almost half of these companies are now publicly reporting their Greenhouse Gas (GHG) emissions.

Both large and small corporations are taking steps towards reducing their carbon footprint by committing to reducing both direct (scope 1) and indirect (scope 2 and scope 3) GHG emissions, aligned with 1.5°C for scopes 1 and 2, and well below 2°C or 1.5°C for scope 3, engaging with their suppliers to establish a baseline and working with them to identify changes that can be made to reduce emissions from their indirect value chain.

GHG emissions from crop products on specific pathways such as wheat include:

- carbon emissions from land-use change
- from drained peat soils,
- carbon and nitrous oxide emissions due to fertiliser production,
- direct and indirect nitrous oxide emissions from soil due to fertiliser application,
- nitrous oxide emissions from crop residue, and
- methane and nitrous oxide emissions from agricultural waste burning and carbon emissions from machinery on farms.

Standards and Protocols

There are specific standards in place that outline a protocol for Agriculture, Forest and Land Use (**AFOLU**) or Forest Land and Agriculture (**FLAG**) and specific FLAG sector pathways for ten agricultural commodities such as beef, maize, rice, and others for companies that have diversified FLAG emissions.

FLAG Science-Based Targets have great potential as they could implement both **emission reductions** and **removals**.

FLAG emissions include carbon emissions associated with **land use change**, **land management**, and **carbon removal and storage**.

- **Land use change** includes deforestation, forest degradation, conversion of coastal wetlands, and peatland burning.
- Emissions from **land management** practices include those such as biomass burning, soil management and tillage, agricultural waste burning, fertiliser use, nutrient and manure management, crop residues, machinery use and transport of biomass.
- **Carbon removals and storage** include activities like forest restoration, silvopasture, agroforestry and enhancing soil organic carbon.

Supply Chain Collaboration

Food and drink companies that engage in agricultural activities on their supply chain are collaborating with farms to promote the adoption of regenerative practices, ensure healthy soils, reduce emissions at the farm level, and encourage the adoption of practices that promote sustainability.

To meet their sustainability goals, multiple companies have launched diverse initiatives to get farmers involved in their efforts to reduce the environmental impact. These initiatives include:

- carrying out annual soil health evaluations to monitor land quality,
- identifying alternative feed proteins for livestock,
- tackling enteric emissions and reducing methane emissions from manure,
- offering incentives to encourage farmers to reduce their carbon emissions,
- pinpointing significant sources of GHG emissions, and better-implementing water management strategies, and
- implementing environmental sustainability practices to ensure long-term sustainability.

Sustainability is a key concern for agri-food businesses, with consumers becoming more aware of environmental impacts. Science-based targets increase stakeholder engagement and resilience against regulations. Companies adopting science-based targets embrace innovation in agricultural practices and on-farm technology, potentially leading to bottom-line savings.

Although the impact on agriculture is not direct, it is playing a significant role, and it will become increasingly important as more manufacturers and retailers adopt and promote smart and sustainable agricultural practices to improve on-farm environmental performance.

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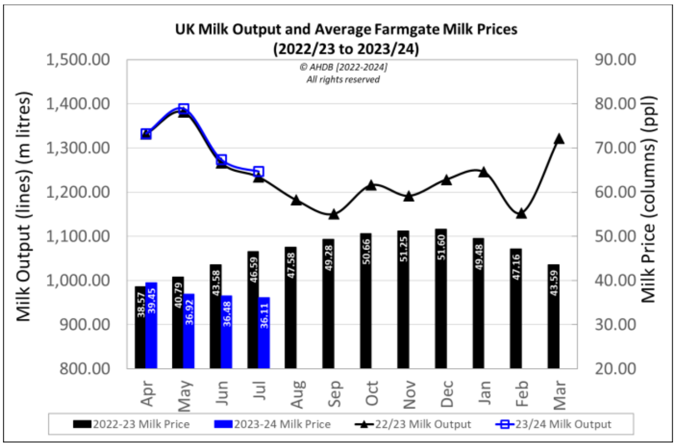
Positivity in dairy markets but will milk prices respond?

- *Milk volumes are now past the trough and will continue to rise until the flush.*
- *Dairy commodities are showing positive movements in price, both domestically and in the GDT auction.*

Milk production data

The latest milk production data from AHDB shows that GB milk output for August 2023 was 997m litres, 2.2% less than the previous month and 0.8% more than August 2022 volume. Daily deliveries in August were 32.2m litres as of the week ending 9th September, 0.1% above the previous week and 0.8% (or +0.27m litres a day) more than the same week in 2022. UK production for August was 1,193 litres as shown below – down 4.2% on July 23 but 1% higher than August 2022.



Farmgate prices: October 2023

Milk Prices for October 2023 Scotland	Standard Ltr ppl	
First Milk Manufacturing *(4.2% BF & 3.4% Protein)*	Oct	36.85
Müller - Müller Direct - Scotland [1, 2]	Oct	36.75
Grahams[1]	Oct	36.00
Arla Farmers Manufacturing (4.2% BF & 3.4% Protein)	Oct	35.21
Lactalis / Fresh Milk Co.[1]	Oct	35.50
Yew Tree Dairy[1,3]	Oct	36.00

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 *Includes 1.00ppl Müller Direct Premium + additional 0.25ppl haulage charge for Scottish suppliers.*

3 *Liquid standard litre price for A volume litres.*

While the main Scottish milk buyers have all held their milk price for October, there have been further cuts by processors south of the border.

The Defra average UK milk price for August 2023 was 36.11ppl – up 0.09ppl from June but 23% lower than July 2022 (August price not announced at time of writing).

Grass growth

Grass growth rates are still just above the 4-year average at 58.4kg DM/ha as of the w/b 18th September (GrassCheckGB). Average grass crude protein content across dairy, beef and sheep farms is still very good at 20.3%, with an ME of 10.8MJ/kg DM.

A 650kg spring-calving dairy cow is predicted to eat 10.5kg DM of grass in October, and at 10.8ME, this will support just M+7.2 litres of milk from grass alone.

On a wet day, it is likely that grass is supporting little more than maintenance so make sure you are taking into account weather conditions and the dry matter content of the grass if cows are still outside grazing.

Dairy commodities & market indicators

There was little movement in the average price of dairy commodity products traded between 28th August and 22nd September. However, price movements for butter, cream and SMP were slightly positive, up 2%, 1% and 1% respectively compared to the previous month.

Increased export demand for butter due to lower EU stocks helped bolster the butter price. Only mild cheddar fell by 2%, impacting the market indicator MCVE which dropped 0.75ppl from August, while the positive price movements in butter and SMP results in AMPE increasing by 0.21ppl.

UK dairy commodity prices (£/tonne)	Sep 2023	Aug 2023	Mar 2023
Butter	3,710	3,680	4,060
SMP	1,860	1,850	2,230
Bulk Cream	1,648	1,623	1,610
Mild Cheddar	3,260	3,330	3,670
UK milk price equivalents (ppl)	**Sep 2023**	**Aug 2023**	**Mar 2023**
AMPE	28.82	28.61	34.55
MCVE	33.39	34.14	39.35

The latest GDT auction (19th September) rose by 4.6% from the previous event to an average of $2,957/t. This is the second rise this month, ending a spell of negative price movements since mid-May, adding some much-needed positive sentiment to the markets.

Skim milk powder was up 5.4% to $2,400/t and butter increased by 3.8% to $4,723/t.

Looking forward/global outlook

According to Rabobank (bankers and dairy analysts), global milk supply and demand remains in balance, with slowing global output and luke-warm demand growth in most of the main milk producing regions.

Supplies have been reducing in most regions, including the US, EU, and New Zealand on the back of lower milk prices and Rabobank have reduced their milk production growth forecast for 2023 from 0.5% to 0.3%, compared to 2022 volumes.

Looking forward into next year, global growth is predicted at just 0.4%, well below the yearly average increase of 1.6% seen from 2010 to 2020.

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Focus on What you Can Control!

While the milk price and many input costs are out of our hands; there are still opportunities to reduce costs in areas we can control. As cows transition to being housed, it is a good time to review herd nutrition, as feed accounts for up to 30% of total production costs. However, be cautious about cutting costs just to save money. Think how it will impact milk output, cow health and fertility. There may be more scope to make savings in youngstock, so consider all opportunities.

Feed costs

Review all rations with recent forage analysis to see if purchased feeds can be reduced. Are there areas where you can utilise more forage? This might be more applicable in a low yielders group or with in-calf heifers. For example, there is less need for quality bypass protein in youngstock diets and so rapeseed meal could be more cost-effective compared to soya to make up any protein shortfall in forage. Currently, rapeseed meal is the most cost-effective protein source per percent protein. However, this does not consider protein quality (i.e., level of bypass, rumen undegradable protein which is of increasing importance in higher yielding cows).

Changes to feeding management could help improve forage intakes to drive more output. For example, more regular push ups or better management of feed refusals (aim for 3-5% in the milking herd). Alternatively, can concentrate levels be reduced slightly? It is important to consider how a reduction in concentrate costs could affect milk output and overall income.

For example, 1kg of dairy cake on an energy basis is equivalent to 2 litres of milk. If cake costs £340/T, that's 34p/kg or 72p worth of milk at 36ppl. Replacing 1kg of cake with the same dry matter from silage (3kg of silage at 30% DM, and £40/t or 4p/kg), saves 34p on cake and costs 12p on silage, a total saving of 22p. If cake is 13ME, and silage 11.5ME, the reduction in energy intake is only 1MJ, equivalent to 0.2 litre (or 7.2p worth of milk).

The response in yield will depend on the quality of the silage and whether the protein content of the ration is impacted significantly. It is best to seek nutritional advice on concentrate feeding rates and where opportunities lie for savings. Cutting concentrates too much has risks for body condition and fertility in early lactation and this strategy would be better suited to mid-late lactation cows that are confirmed in calf. This can reduce the risk of overfeeding concentrates (and some feed additives) to lower yielders that could produce more milk from forage. Alternatively, savings could be made by reformulating rations with a slightly lower protein content, rather than reducing concentrate levels.

Cashflow & Creditors

Think about how the Bank of England base rate increases over the last few months (held at 5.25% as of 21st September), will affect debt payments and cash flow if your interest rate on repayments is not fixed or is coming up for renewal. The amount of debt the business has, and the term of the debt will affect how much payments will increase, and the longer the amortization period, the greater the impact.

Speak to those you owe money to. If creditors are aware of your financial situation, they may be able to offer a solution by spreading the cost of payments, restructuring debt or a temporary postponement of loan payments. It is best to have these conversations earlier rather than later to see whether there are opportunities to alter current payment schedules, which will also reduce stress levels.

Monitoring your cash flow regularly will help to have a better understanding of where the peaks and troughs in income and expenditure are. Milk income will vary with the calving pattern and future monthly milk output can be forecasted with the calculator:

https://ahdb.org.uk/milk-forecasting-calculator

Know your costs

Milk price isn't everything though. When looking at economic performance, previous work by AHDB has shown that the top 25% of all-year-round calving herds made 12ppl more margin compared to the bottom 25% and their costs were 10.5ppl less. The more profitable herds had lower replacement costs and spent less on feed and forage, power and machinery and unpaid labour. You can benchmark your costs against other similar herds https://www.fas.scot/rural-business/business-tools/whole-farm-benchmarks-tool/ or do a simple gross margin/output analysis to help identify where costs are higher than the target percentages below:

Financial measure	Target %
Gross output (GO)	100
Variable costs	30-40
Gross margin	60-70
Labour	15-18
Power	15-18
Overheads	4-6
Gross profit	Min 30
Rent and finance	Max 15
Net profit	Min 15
Drawings as % of GO	Max 15

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Feed Market Update

Monitoring the feed market and buying at the optimum time is vital to managing variable costs in any successful livestock production system. The feed market has been volatile for the last couple of years with prices consistently fluctuating towards record highs. However, this summer we have witnessed a downward trend as the markets begin recovering from earlier turbulence.

Cereals

After a challenging harvest due to changeable weather, the cereal harvest is nearing completion with predominantly spring barley remaining in Scotland at the time of writing (late September).

Table 1: Nutritional Value, relative and approx. costs of common feed ingredients (cost accurate at the time of writing - subject to change).

Feed	DM %	ME MJ/kg DM	CP %DM	RFV FW £	Approx current delivered price £/t
Grass Silage	25	11.2	140	47	40
Wheat	86	13.6	10	163	210
Maize	86	14	10	167	242
Soybean meal	89	13.8	56	402	460
Wheat distiller's dark grains	90	13.5	33	287	310
Maize distiller's dark grains	89	14	31	279	297*
Sugar beet pulp	89	12.5	10	160	270
Soya hulls	90	12	12	167	230

Note: relative feed value calculated using barley as an energy source at £170/t and rapeseed meal for protein at £310/t.

Malting quality has reportedly been variable with many Scottish maltsters having to raise rejection cut-offs to fulfil contracts. The main reason for this has been due to high levels of skinning and small grains from secondary growth. This has increased the availability of feed barley for livestock. However, the quality of the feed barley must be considered particularly if it has been retained from malting stock due to lower protein requirements for malting.

With the availability of both wheat and barley plentiful, worldwide prices are significantly back from this time last year with wheat currently sitting around £210/t from £260/t and barley around £170/t from £262/t delivered. At the time of writing, the market remains bearish, but prices are starting to see a slight rise as feed demand increases as we approach housing. Worldwide availability has also increased as the first boats have been loaded from Ukraine following the opening of the Black Sea corridor.

Proteins

The protein market is currently also back from this time last year, with soya bean meal currently around £440/t ex store. This is largely due to the US crop of soybeans being better than initially anticipated. However, there is some uncertainty due to a spell of high heat in the US that may affect the projected supply, turning the focus onto the Brazilian crop. Brazil's exports have increased over the year following a record crop last harvest and has also been helped by a strong demand from China for Brazilian soybean meal. Rapeseed is very likely to follow the soybean market in the short term and is currently sitting at around £310/t delivered. Long-term supplies look to be healthy despite a reduction in yield from both the EU and Canada leaving the market bearish for now.

Other protein sources such as distiller's grains have also followed a similar trend and are back on this time last year, currently sitting at around £297/t for maize distillers and £310/t for wheat distillers (delivered). Although it is worth speaking to suppliers as some good deals are too be had when supply is plentiful. The relative feed values (Table 1) of distillers are currently sitting close to cost, making them a good buy currently.

Silage

Initial samples going through the lab are showing on average that silage quality is good. However, we are early in the season for analysis and averages are likely to change as more samples come through the lab. Dry matter, energy and protein continue to be variable with a wide range and this should be considered when making decisions on winter ration depending on the class of stock and on-farm performance goals.

Table 2: Average grass silage quality 2023 (to end Aug.)

Nutrient	Dairy	Beef & Sheep
Dry Matter -DM (%)	29.5	36.7
Metabolizable Energy – ME (MJ/kg DM)	11.5	11.1
Crude Protein – CP (% DM)	12.9	11.1
Fibre – NDF (%)	45.3	48.4

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Cash is King

Bank balances are under pressure across the industry. Crop and milk prices have dropped sharply since last year, while input costs for all producers have not returned to levels enjoyed a pre Covid. As for farmers carrying sizeable debt on overdraft or unfixed loans, the ratcheting up of the Bank of England base rate is hurting.

Levers for manipulating cashflow

The levers available depend on the size of the problem. At the easy end of the scale, simply retiming a purchase or sale can plug the deficit. But if there is a big hole in the cashflow, structural changes to the business may be needed. The trick, of course, is knowing "what (cash) is coming". Anyway, broadly your levers are:

- *Introduce savings* – if you have cash in a savings account paying very little interest, add them in.
- *Shop around* – get quotes for medicines, fuel, fertiliser and concentrates before buying.
- *Pay just in time* – Quite a few farmers pay bills early. If you do, simply defer payment to when due. But don't exceed credit terms as supplier interest charges will normally be high.
- *Sell outputs sooner* – crop farmers that store crop have the option to sell a tonnage earlier if it is uncommitted. Livestock farmers can cash in youngstock and culls earlier, saving the cost of feed foregone by these animals too, though selling youngstock early obviously reduces income later.
- *Defer non-essential input spending* – farmers that use the good years to top up soil reserves, sort the farm road or replace a dodgy bit of march fence, can cut spending in tough years.
- *Bid less* – finishers with a tight bank situation should reassess what they can offer. Clearly, not good news for farmers selling crops and stock but charity starts at home. Spring grazing and longer-term rental and contract farming agreements also warrant prudent budgeting.
- *Reassess capex* - Monthly payments to finance machinery, including farm vehicles, are a deadweight in many farm cashflows. There are often better ways to save tax.
- *Asset sales* – if sale of surplus assets doesn't undermine farm productivity, this option can slash the financing of hardcore debt. But consult your accountant to avoid a surprise from the tax man.

Traps to avoid

- *Chasing production* – if your marginal litres of milk are returning less than their marginal cost, trimming production is the smarter move.
- *Slashing use of key inputs* – cutting inputs that cause a disproportionate drop in yield, growth rates or quality generally outweighs any short term cashflow benefits.
- *Rescheduling debt* – can be part of the solution but is often not the panacea, as moving debt from an overdraft to a loan typically commits you to regular repayment of capital.

The value of budgeting and talking

A cash(flow) budget just deals with estimating what cash is coming into and out of the bank in the coming months. No need for valuations, splitting capital from trading items, listing debtors, creditors, etc. Recent bank statements provide a starting point.

Making Tax Digital means many farmers now have a lot of income and expenditure detail, thanks to using software like Xero. Bespoke budgeting tools like Figured can be bolted onto such packages. A cheaper option is to download the free cashflow budgeting tool from the SRDP website (it includes a helpful example). By putting your numbers into the computer, you can think through and test the impact of using the levers listed above, before acting.

If you think that current cashflow difficulties require a deeper look at your finances, specialist grant funding is available to explore the options. Application details are on the FAS website.

Finally, don't go into your shell. Avoiding your bank manager and suppliers solves nothing. Keep communicating with business partners, family, and friends. RSABI are also there to help.

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Key Economic Data

General Indicators	
Base interest rate	5.25% (5.0% 22 June 23)
ECB interest rate	4.0% (3.75% Aug 23)
UK (CPI) inflation rate	6.7% (target 2%)
UK GDP growth rate	0.2% (Q2 2023)
FTSE 100	7,601.85 (29 Sept 2023)

Price indices for July 2023 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	123.9	Seeds (all)	106.6
Barley	129.4	Energy	153.3
Oats	139.9	Fertiliser	158.3
Potatoes	149.4	Agro chemicals (all)	125.2
Cattle and Calves	133.0	Feedstuffs	142.0
Pigs	141.0	Machinery R&M	117.6
Sheep and Lambs	125.7	Building R&M	140.7
Milk	126.3	Veterinary services	106.4

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