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September 2022

News in brief

Unprecedented times continue

While Scottish produce has always been highly valued by consumers, with inflation rising at unprecedented levels month on month, some supermarkets are having to security tag ‘everyday’ products like butter. With some tubs of branded butter now retailing at the same price as Cornish clotted cream, it is not surprising that the same brand of well-known butter is being traded on eBay for a further 50% premium – presumably to cover the cost of the ‘free’ postage!?’

As product prices continue to climb consumers are looking to see where they can cut costs whether this is looking to move to cheaper brands; cheaper cuts of meat, or to stop buying certain products. As highlighted in this edition of Agri Business News, the impact of this is already being seen in the livestock sector resulting in a slowing of demand for products or the easing of wholesale prices in the dairy sector.

While, after a rocky start, the agreement with Russia to reopen Ukrainian ports has eased the crisis in the grain sector; the body blows to the Agricultural sector have continued with a succession of extreme weather events across the main growing season affecting both Europe and America. This, coupled with the escalating energy crisis and rising interest rates means that costs of production will continue to rise. While the trade deal allowing 12,000 tonnes of New Zealand beef into the UK during the first year of the free trade agreement might relieve some of the inflationary pressure from a consumer perspective, UK farmers will be significantly more exposed than their European counterparts.,

With no let-up of these ‘unprecedented’ times currently on the horizon, the underlying theme of this month’s articles is the importance of planning ahead for the coming winter to ensure that production targets continue to be met as efficiently and profitably as possible.

Next month:

- Global update
- Woodland Market Upland

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Scottish Agricultural Bill Update

The next stage in making Scotland a global leader in sustainable and regenerative agriculture has been launched. A series of online and in-person events to gather the views from stakeholders and members of the public will form the basis of the consultation process.

As the new Agriculture Bill (expected in 2023) will underpin Scotland's Future Agriculture Support Regime from 2025 onwards and will focus on the Scottish Government's commitment to reducing agricultural emissions by 31% by 2032; the consultation covers a range of key themes including:

- Production of high quality food,
- Protecting food and health quality,
- Ensuring a fair income for farmers,
- Environmental care with powers and other mechanisms to allow future payments to farmers, crofters, and land managers to support delivery of national climate change adaptation objectives,
- Nature restoration and protecting biodiversity,
- Fostering knowledge and innovation, and
- Developing resilient and vibrant rural areas and island communities.

Given the importance of livestock within Scottish agriculture, the consultation process is seeking views on making subsidy payments that establish minimum standards for animal health and welfare.

Proposals to ensure Fair Work conditions, including a real Living Wage are applied to all Scottish agricultural workers are also part of the consultation process as well as looking at financial support for rural development and the rural economy.

As part of the overarching Net Zero targets, the consultation also explores measures to modernise tenant farming to allow tenant farmers to play their part in supporting biodiversity and undertake mitigation and adaptation measures.

The consultation process opened on the 29th of August and closes on the 21st of November. For further details and access to the online consultation please click here.

Islands Bond

The Scottish Government has announced that following analysis of the responses to the consultation process which ended in October 2021, the proposed Islands Bond will not go ahead.

The Island Bond was proposed under the A Fairer, Greener Scotland Programme for Government 2021/22 could have provided up to £50,000 each for up to 100 households by 2026 to remain in their community, or to encourage people to move there.

While the greater focus on the importance of addressing population decline was welcomed by the islanders, as well as the commitment to work with communities to develop local solutions; the island respondents raised concerns about the proposed approach and whether it would achieve the objective of reversing population decline.

Going forward, the proposal, as part of the National Islands Plan is for the Scottish Government to work in collaboration with island communities to develop an Action Plan to address the issue of depopulation, with a draft publication expected in 2023.

Carbon Audits

Due to very high demand for carbon audits this year, the carbon audit grant of £500 per business is no longer available through the Farm Advisory Service (FAS). With the increasing focus on improving efficiency and reducing carbon footprints, applications for carbon audits through the FAS increased from just 99 for the whole of 2018 to 484 in the first half of 2022.
Carbon Audits will now be provided solely through the National Test Programme. Details on how to access new carbon audits can be found here.

Scaling up Nature Restoration

Grants of over £250,000 are available to larger-scale initiatives that restore and protect habitats and species, including freshwater and coastal and marine areas, control invasive non-native species, and reverse the loss of lowland biodiversity in urban areas.

The multi-year Nature Restoration Fund is open to projects that help Scotland's species, woodlands, rivers, and seas back on the road to recovery.

More information on the Nature Restoration Fund and details on how to apply can be found on the NatureScot website: Nature Restoration Fund - How to Apply | NatureScot

Key Date - Scottish Upland Sheep Support Scheme application window opens on 1 September 2022. For more information, click here

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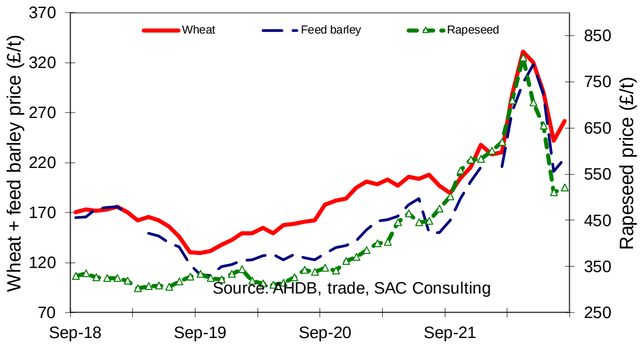
Cereals and Oilseeds

Maize concerns underpin global prices

Good harvest progress and better than expected yields across most of Europe and the UK led to a sharp price drop in cereal prices in July.

More recently, concerns have grown over the later maize harvest in both the EU and USA, this has helped underpin the wider grain market. UK grain prices recovered in the last month with Nov '22 LIFFE wheat futures up £2.90/t to £260.20/t in the last month.

Cereal and oilseed prices (Scotland)



Source: USDA, IGC

While the severe drought and regular hot spells across Europe came too late to seriously affect wheat and barley crops, they have come at just the wrong time for the later maize crops. EU MARS crop reports forecast EU maize yields at 6.6t/ha (16% lower than the 5-year average) due to the hot dry conditions. If realised, this would leave total EU maize output at 60mt; the smallest crop since 2015.

In the US, more hot weather has affected maize production, with crop conditions reported at just 55% in good to excellent condition.

Ukraine grain exports deal holds

The deal to open Ukrainian ports for grain exports appears to be holding for now and export volumes are rising. Given the backlog of 20mt from 2021 harvest plus this year's harvest, it will be many months before much of this grain will reach world markets. Nonetheless, these exports have helped ease supply concerns and global prices.

Although there are concerns that Russia may not continue to support the agreement; Russia gains considerably from the deal directly and indirectly.

Most OPEC oil exporters are major grain importers and if Russia had continued its blockade of Ukraine, they were threatening to turn the taps on, risking crashing the oil price that Russia depends on. Also, with a large wheat crop itself this year, Russia needs concessions on accessing shipping and insurance.

While this deal provides near term supply to world grain markets; the fact remains Ukraine's grain output will be 30mt down this year and probably next year too and the conflict is likely to continue to underpin world grain markets.

UK harvest wraps up

According to AHDB, the UK cereal harvest was 95% complete by 26 August (vs 69% 5 yr av.) reflecting the hot, dry conditions this summer.

Yields have been variable but appear to be around or above average; wheat 8.2-8.6t/ha, w. barley 7.2-7.4t/ha, sp. barley and oats both 5.5-5.9t/ha and rapeseed 3.2-3.6t/ha.

Quality has been good with high bushel weights and clean samples. Malting barley premiums have been around £30/t over feed in England.

Scottish Harvest in demand

In Scotland, with 56% of the spring barley crop harvested, premiums are not yet set. Good harvest conditions and quality so far, yields still to be determined. Demand is expected to rise given new malting capacity in operation, so a larger malting crop is needed. UK malting demand rose 9% in the year to June.

Wheat use in distilling rose 23% in the year to June and rose 44% in June alone. High maize prices especially in drought torn France where distilling maize is sourced are likely to ensure Scottish distillers maximise local wheat use and maintain the strong Scottish wheat premium of £12/t over England.

Feed barley is currently at a typical £5/t discount to England. Again, high world maize prices help support barley demand in feed both at home and for export.

Cereal and oilseed prices – as at 26/8/22

£ per tonne	Sep '22	Nov '22	Jan '23	Nov '23
Basis: Ex farm Scotland / Delivered OSR				
Wheat	255	257	259	245
Feed barley	235	237	239	225
Malt. dist. barley		260-270		
Oilseed rape*~	525	530		525

Source: SACC, AHDB, Graindex

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Beef prices steady up

The finished beef price has steadied this month and currently sits around 448p/kg for a R4L steer in Scotland, with the equivalent worth 443p south of the border. Numbers forward appear to be a bit tighter, with demand from the retail sector slow as the consumer has returned to pre covid habits coupled with summer school holidays. This results in a reduced demand for beef as many families holiday abroad or change their weekly buying habits.

As we move further into September and the English schools return then we may see a return to more normal buying habits.

Carcase balance issues

Whilst finished cattle availability has been tighter over the last few weeks; there has been little appetite from the processors to increase the beef price. It is doubtful that increasing the beef price would bring anymore cattle out, and may in fact, have the opposite effect.

Another challenge facing the beef price is the growing demand for cheaper cuts which results in a drop in demand for some steak and other more expensive cuts. With this carcase imbalance quite often the processor or retailer will have to sell those more expensive cuts at a discount price to shift them, resulting in less money overall for that animal. This puts downward pressure on the beef price.

Cow trade still strong

Cull cows continue to be a good trade, currently around 394p/kg deadweight, with good demand from processors and through the live ring. It is worth early scanning Spring Calvers to get them away before any potential dip in trade that may come pre housing when greater numbers of cows are expected onto the market.

With continued high both global and domestic demand for manufacturing beef, it is difficult to see a significant drop in cull cows price as consumers try to reduce their food bills considering the high levels of inflation the country is experiencing.

The concerns regarding the number of cows being culled and the effect that will have on breeding cattle numbers going forward has been discussed often over the last few months.

Slaughter numbers

The table below illustrates the changes in cattle numbers slaughtered in Scotland for the first seven months of both 2021 and 2022.

Jan – July	2021	2022	% change
Steers	123k	113k	-8%
Heifers	92k	89k	-3%
Young bulls	17k	16k	-6%
Adult cattle	37k	39k	+5%

The drop in prime cattle numbers slaughtered was predicted by BCMS data at the start of the year, it was also predicted then that there would be an increase in cull cow slaughterings but not at the levels shown in the above table.

October and November are historically the months where we see the cull cow numbers peak and so it will be interesting to see whether many of these cows have already been slaughtered or if they are still to come forward.

Store cattle

Demand continues to be high for shorter keep stores whilst smaller stores are noticeably cheaper. With the sales of weaned spring born calves starting soon, there is an apprehension that a glut of these younger, lighter animals will come onto the market as breeders try to reduce mouths to feed through the winter. With uncertainty in the long term finished beef price this may cause a drop in value of these weaned calves. However, with harvest well underway in most areas reports are of good straw and barley yields which should help in the decision making process for those with mixed arable and livestock units.

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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
06-Aug-22	**448.8**	-5.3	0.6	**444.4**	-2.9	-2.1	440.3	-1.2	397.8	370.0
13-Aug-22	**448.8**	0.0	4.6	**444.7**	0.3	1.0	436.6	-3.5	395.6	368.6
20-Aug-22	**448.5**	-0.3	0.9	**447.3**	2.6	2.4	438.2	-5.3	394.8	365.6

As winter approaches, it is vital to have forage analysed to accurately measure the nutritional value and use this information to make the most from forage and plan a feed budget. The nutritional value of silage is determined by several factors such as grass variety, cutting date, weather, wilting period etc. With high purchased feed costs, knowing the nutritional content of the silage allows for targeted feeding and supplementation where appropriate with concentrates.

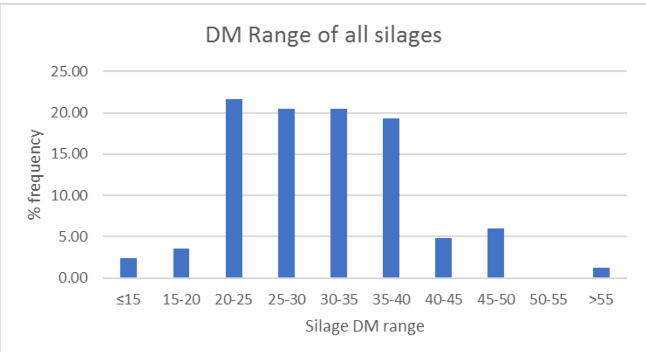
The table below highlights the significant range in the 2022 silages analysed by the SAC lab. The silages analysed so far include 1st cut dairy silages(pit) and beef and sheep 1st cut silages (pit and bale).

2022 SAC Silage Analysis Results

All Silages	Average	Minimum	Maximum
DM (%)	31.2	14.9	57.7
ME MJ/kg DM	11.2	8.7	12.3
CP g/kg DM	129	86	188
PAL (meq/kg DM)	842	691	1,172
NDF g/kgDM	455	357	557
Sugar g/kgDM	73	27	110
SIP	104	77	125
pH	4.2	3.5	4.7

While the average figures are overall quite good for, energy (ME) and protein (CP), at the lower end significant supplementation will be required if productivity is to be maintained.

The average dry matter of these mainly first cuts silages is perhaps not as high as expected with an average of 31.2%. Looking further into the data the chart below shows the overall distribution of silages received, with around 1/3 of silages analysing at less than 25% DM. Catchy weather around cutting time could explain their relatively low dry matter.



It is predicted that this DM average will increase as subsequent cuts are sent in for analysis, however, this shows the importance of having different cuts/stacks of bales analysed as year on year DM is always the biggest variable e.g. If for example you have 50 bales weighing 600kg at 35% DM, this is the equivalent of 525kg of DM, enough to feed 53 dry suckler cows. However, if they analysis is only 25% DM, equivalent of 375kg of DM, this is only enough to feed 38 dry suckler cows – 71% of the herd. Highlighting the importance of knowing the DM both for rationing and for feed budgeting.

In terms of feed costs, prices should be treated as a guide only as they are currently changing often weekly and, in some cases, daily. Delivered costs are based on 27-tonne load, therefore load size and location will alter prices. At the time of writing (end of August) quotes for Hi-Pro Soya delivered are around £495-520/t, rapeseed meal is reasonable value at around £333/t. More people are turning to protected rapeseed meal alternatives as a replacement to soya as they provide a good source of bypass protein.

Other good protein sources subject to availability are distillers grains at ~ £350/t ex distillery (prices depend on location), Maize gluten(20% protein) ~£330-348/t, and pot ale syrup quoted to be a round £100-109/t delivered. Little to no draff available, therefore no prices available.

Feed barley delivered is priced at £225-230/t and feed wheat £251/t, nutritionally feed wheat is worth around £20/t more than barley. Price of bruising is around £15/t and those that have or are considering alkali treating their grain this year to boost protein value are quoting around £35/t for treatment cost. Due to volatility of urea prices however this is likely to fluctuate.

While the guide price for sugar beet pulp is ~ £400/t but supply is very tight. Soya hulls are likely to be the best value fibre source replacement and has good availability with quotes sitting around £318/t for full loads delivered.

The importance of planning ahead

Don't be caught out this winter - forward plan your feed budget, contact your suppliers and sit down with your feed adviser sooner rather than later. The farm advisory service has some excellent resources on how to create a feed budget available https://www.fas.scot/downloads/a-guide-to-feed-budgeting/ and a forage budgeting app available to download at https://www.fas.scot/app/.

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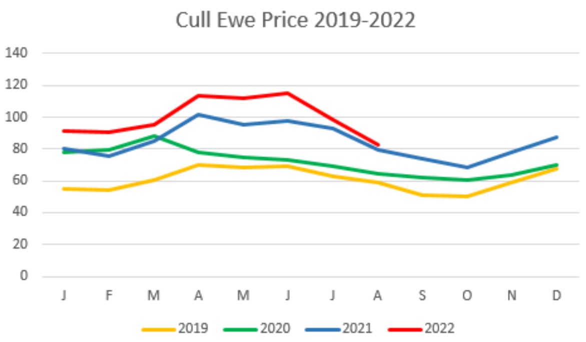
Cull ewe market

Recent figures from AHDB have shown that in the first six months of the year 580,000 ewes were killed in the UK, with a forecast of the 2022 total being in the region of 1.27 million head. A higher kill than we have seen in previous years, due to many producers looking at a harder cull with the escalating cost of inputs. Given that 46% of this kill occurred between January and June, with the phenomenal prices, demonstrates the demand for this product. The speed of ewes coming forward to the market will increase vastly over the coming month, with pre tupping MOTs being performed and with shortages of grazing, in some areas, these ewes will be coming forward leaner than normal, which will dent the average for these ewes. Fleshy ewes could be the commodity in the market over the coming weeks.



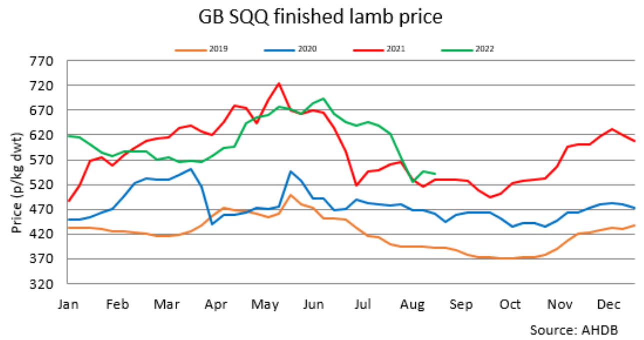
Breeding, Prime and Live Markets

The national flock has increased by 3% largely due to positivity in the industry generated through the firm trade in 2022, as well as the ability to run a low input system. Breeding sales have shown optimism in the industry with sales trading above last years by ~£5-6/head. With potentially more lambs in the marketplace with the DEFRA 2022 lamb crop figures being revised increasing the 2022 crop from 17.5 million head to 17.9 million head.

Prime sales have seen the typical seasonal slide occur with more lambs coming forward from spring lambing flocks. The hot weather and limited grass growth has seen many leaner lambs come to market, which has knocked averages, as well as slowed down the numbers coming forward for slaughter. The increased cost of living has been shown in a drop in the domestic market for lamb, this being the most expensive protein/kg for the shopper.

Across the Water

The UK deadweight SQQ closing in the week ending 13th August on a euro basis was €6.45, compared to the French product which is currently the highest price lamb in Europe at €8.02. This price differential makes the UK product very attractive to our European customers. The Spanish lamb in the same week traded at €6.77. (Data from BordBia).



The Australian trade deal is set to come into force in the Autumn of this year, however, first off we need a new prime minister, with the seat hotly contested between the former chancellor Rishi Sunak and foreign secretary Liz Truss. This trade deal will increase the volume of Australian lamb on our shelves, but with the economic pressures affecting the weekly shop, our domestic demand is going to slip. Meaning our European customers will become more important to us. The key drivers of trade include supply, demand, and the price, we currently have a good supply and a competitive price. In the same week as above (week ending 13/08/22) the Australian lamb was trading at €5.09.

It has been reported by AHDB that lamb retail has decreased 17% on the year. Customers are eating with price and convenience in mind, with legs taking a huge hit in popularity. Cuts such as stewing lamb, mince, and burgers to make easy week meals such as lamb curry, shepherd's pie and moussaka are the most popular on the shelves.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd)	
									Scottish	Eng&Wal
	R3L	Change on week	Diff over R2	Diff over R3H	Med.	Change on week	Diff over stan.	Diff over heavy	All	All
06-Aug-22	**524.6**	-51.1	-6.2	-1.9	**243.30**	1.0	1.1	-0.4	90.05	89.21
13-Aug-22	**545.3**	20.7	-4.1	-1.4	**249.50**	6.2	8.6	1.8	84.50	81.90
20-Aug-22	**543.8**	-1.5	-3.0	0.3	**238.00**	-11.5	4.5	-0.8	75.74	76.88

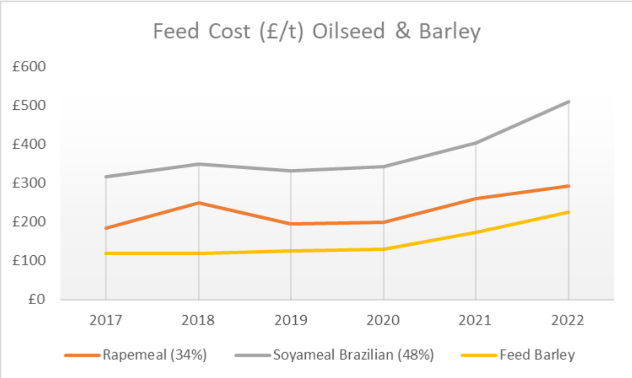
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS

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

Planning forward

Optimising sheep rations to boost performance and keep costs down this winter.

Volatile input prices have continued to put pressure on all areas of livestock production throughout 2022. These do not look set to settle as we approach winter. It is essential in order to boost profitability of flocks over the coming season that we plan ahead and look to increase efficiencies of production.



Source: adapted from AHDB, Cereal and Oilseed Markets

Making the most from forage

To optimise sheep rations for all classes of stock this winter, it is important to know what quantity and quality of forage is available on farm. To assess if there are sufficient stocks to see through the winter months until the re-growth of spring grass. Analysing forage gives an indication of dry matter, energy available and protein content of the forage allowing more accurate calculation of bespoke rations. If grazing forage crops over winter such as forage rape/hybrids, stubble turnips, swedes, or kale, calculating the dry matter yield of the crop can help to not only calculate the required area for the given category and number of stock but also when stock need to be moved to ensure more efficient utilisation of the crop, and thus better results from grazing.

Accurate feed budgeting on farm this winter will allow for optimisation of forage use in the ration. Concentrates can then be used to make up for any shortfalls, potentially limiting supplementary feed costs on farm. For further information on feed budgeting and calculating forage availability please refer to A Guide to Feed Budgeting| Farm Advisory Service (fas.scot).

The table at the bottom of the page, highlights the difference in dry matter required and cost per dry matter intake (DMI) for differing levels of energy in silage, with a difference of £0.012/day between a 9.5 MJ/kg DM and 11.5 MJ/kg DM ME silages. For 500 ewes this equates to £6/day and £540 over the 90-day period from mating to 8 weeks pre lambing, highlighting the importance of forage quality from a profitability perspective.

Optimising protein use on farm

Analysing forage availability whether it is silage, grazed grass or in situ cover crop can allow the calculation of the microbial protein/energy balance in the ration from forage. By balancing protein available for microbial protein synthesis with fermentable energy in the diet, we can enhance potential rumen performance improving intakes, digestibility of the diet and overall protein utilisation. This allows for a more accurate assessment of protein requirements in the diet, limiting the potential need for supplementary protein.

Target stock most in need

Body condition scoring of ewes and lambs can help to manage feed costs throughout the winter, by targeting the stock on farm that are most in need of supplementary feeding. When outwintering ewes or store lambs body condition should be assessed throughout grazing to allow poorer lambs to be separated and fed a supplementary ration keeping lambs in good condition to finish on forage. Similarly, ewes in the early stages of pregnancy that are in good body condition 3.0-3.5 should be fed to meet requirements for maintenance, with leaner ewes <3.0 fed to allow for body condition gain over the winter period to get them to target pre lambing.

Forward planning in terms of assessing grazing availability, feeding good quality forage and accurate rationing can go a long way to mitigate the impact of feed costs this winter while ensuring optimum performance of the flock.

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ME of Silage (MJ/kg DM)	ME required for Maintenance (70kg Ewe) (kg/DM/day)	DM Fed to meet ME requirements (kg)	£/d DM	Cost / MJ Energy (£/MJ/kg DM)
9.5	10	1	0.119	0.013
10.5	10	0.95	0.113	0.011
11.5	10	0.90	0.107	0.010

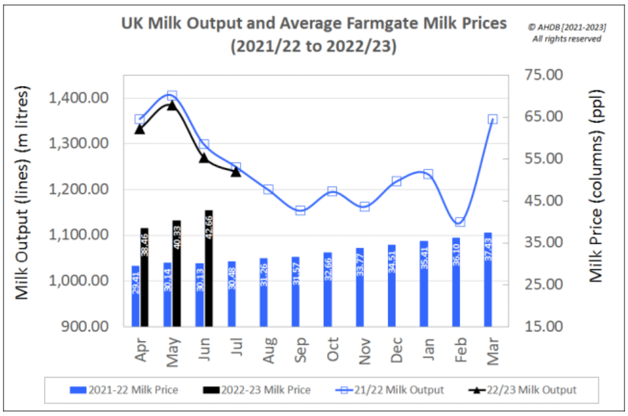
Assumptions: Feeding a 70kg Ewe (BCS 3.5) for maintenance outside, silage at £25/bale 700kg FW = £35.71/t, 30% DM, £119.03/t DM.

Will UK milk prices peak in September?

- *UK milk output is well behind last year. At the end of July 2022, the UK is 82.98m litres lower than last year.*
- *UK milk prices may be about to peak. Signals from the market show that world wholesale prices for dairy products are easing, although EU prices remain high in the face of declining volumes.*
- *The main concern for most dairy farmers is how long will prices remain at current levels.*

The latest milk production statistics from AHDB indicate that output for July 2022 is estimated at 1,238.49m litres (before butterfat adjustment) – a reduction of 11.03m litres compared against July 2021. Cumulative production for the 2022/23 milk year to the end of July 2022 stands at 5,224.98m litres (before butterfat adjustment), which is 82.98m litres lower output compared with the same time last year.

UK milk price for June 2022 is estimated at 42.66ppl. Farmgate milk prices have continued to rise further during July and August and prices are now well above the June average. However, the extent of the various price increases now appears to be slowing and signs from the market suggest that UK farmgate prices may well peak during the autumn – assuming all things remain equal.



Farmgate prices: August / Sept 2022

The main price changes for August / September 2022 are shown below:

- Arla direct supplies – The 1.59ppl price increase (to the liquid standard litre) for August 2022 is revised upwards by a further 0.86ppl. The liquid standard litre for August is revised to 45.89ppl.
- Arla Foods amba – hold milk prices from August into September 2022. The liquid standard litre holds at 48.42ppl. The manufacturing standard litre (4.2%BF & 3.40% protein) holds at 50.35ppl.
- Arla Foods organic – Organic suppliers will also see prices hold from August into September 2022. The liquid standard litre holds at 53.87ppl and the manufacturing standard litre remains at 56.01ppl.
- Müller Direct - Müller Direct milk price will increase by 1.00ppl from 1st September 2022.
- Fresh Milk Company – 0.92ppl increase confirmed from 1st September 2022. This takes the liquid standard litre price up to 47.32ppl (see Milk Price table below). The manufacturing standard litre price increases by 0.95ppl to 49.20ppl.
- First Milk – FM milk price will increase by 2.14ppl from 1st September 2022.
- Yew Tree Dairy – 2.00ppl increase confirmed from 1st September 2022. The 2.00ppl increase is to be applied on all A litres. This takes the milk price up to 48.00ppl for all A litres supplied.
- Co-op – suppliers will receive 0.67ppl increase from 1st September 2022. The Coop milk price tracks Sainsburys (SDDG), Müller Tesco (TSDG), and Müller Milk Group prices. This latest price increase means that the liquid standard litre price for September 2022 moves up to 47.00ppl.
- Sainsburys (SDDG) – confirm a hold milk price for September 2022. Müller members of the SDDG hold at 47.00ppl for the liquid standard litre, whilst Arla members hold at 46.88ppl.
- Tesco (TSDG) – 1.00ppl increase from 1st September 2022. The liquid standard litre for Müller TSDG increases to 47.00ppl, and to 46.75 ppl for Arla TSDG suppliers.

Annual average milk price estimates for September 2022 (ppl)	
Milk Prices – Scotland	**Standard Ltr***
Lactalis / Fresh Milk Co. (No profile or seasonality) [1]	47.32
First Milk Liquid [1, 2]	47.00
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	48.64
Müller - Müller Direct - Scotland [1, 3]	46.75
1 Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.	
2 The FM member premium is set to remain at 0.50ppl from April 2022.	
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.	

Wholesale prices beginning to ease

As evident from GDT (Global Dairy Trade) auctions, prices for dairy products are now easing back slightly. The same trend is now becoming apparent for UK wholesale prices as shown below.

UK dairy commodity prices (£/ tonne)	Aug 2022	July 2022	Feb 2022
Butter	5,850	5,940	4,930
SMP	2,990	3,290	3,030
Bulk Cream	2,774	2,850	2,239
Mild Cheddar	4,700	4,740	3,960
UK milk price equivalents (ppl)	**Aug 2022**	**July 2022**	**Feb 2022**
AMPE (2021)	51.32	54.75	48.66
MCVE (2021)	52.06	53.01	45.81

Cull cow trade

Dairy cull cow prices remain high with cull cows currently making over £4.00/kg DWT. Demand for cheaper cuts is no doubt being driven by the increase to the cost of living.

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Managing costs in the dairy herd this winter

Despite record milk prices, with increasing energy costs and feed prices likely to remain high again this coming winter, maximising technical performance and business efficiency in the dairy herd is more important than ever.

Forage and feed planning

With reports of wet 1st cut silages in the west of the country, and many light 2nd cuts on the back of very dry weather, now is the time to assess forage stocks for the winter and address any potential shortfall. All forages on the farm should be analysed to enable a feed budget to be carried out.

Nutritionists can help work out forage requirements for each class of stock on the farm to calculated total requirements for the winter housing period. Knowing the quality of all forages also allows decisions to be made on what to feed to what stock. If extra forage or forage replacers need to be purchased, it is worth booking ahead to guarantee supplies.

While cereal prices have greatly eased off the highs seen back in July; proteins and fibre sources such as sugar beet pulp or soya hulls are not likely to be much cheaper for the winter period and it may be worth looking to fix a proportion of your winter feed requirements now.

Key performance indicators (KPI's)

Dairy businesses should benchmark their herd's technical performance and compare their figures to previous years and to other herds of comparable size/management system to gauge how well they are performing. Although there are many KPI's, the following are critical for good performance:

Dairy Herds - Key Performance Indicators (KPI)	
All Year Round (AYR)	**Block Calving**
Pregnancy rate	Cows and heifers calved within first 6 weeks
Age at first calving	Herd replacement rate
Total purchased feed costs	Milk solids output/ha
Milk from forage	Milk yield (and solids) from forage
Average daily lifetime yield	Overheads (excluding rent and finance)
Overheads (excluding rent and finance)	Genetic merit
Genetic merit	***Source: AHDB Dairy***

For more detail on KPI targets see: https://ahdb.org.uk/dairy-kpis

Focus on fertility

Fertility is the key driver of profit in the dairy herd, with good fertility and hitting the 100-day in-calf rate target of > 65% helps keep days in milk down and average daily milk yield up. Getting cows in calf at the right time also helps reduce the risk of over-conditioned cows at calving, which can increase the likelihood of transition diseases and poorer performance in the next lactation.

Over the longer-term, think about replacement heifer requirements, particularly if forage stocks are going to be tight. Is all the youngstock on the farm needed or can surplus heifers be sold? While it could be tempting to serve more animals to beef, given the income value from beef calves, this can be false economy in the longer term if there are insufficient heifers available to replace poorer performing cows.

Maximising Margins

From a financial point of view, the crucial financial indicator is cost of production, both the cash cost and full economic cost. As feed accounts for around 70% of variable costs, improvements in milk from forage, margin over concentrates/purchased feed and reducing concentrate use per litre (feeding over 0.4kg/litre is seen to be inefficient) will all help to reduce the cost of production if milk output is not significantly compromised.

With energy prices set to rise even further in October, businesses should conduct an energy audit to identify where savings can be made. Cooling milk, heating water and the vacuum pump account for the majority of energy use, with each of these accounting for between 20-30% of total energy usage.

The cost of production for August was calculated at around 42.5ppl by some of the supermarket aligned producer groups, which suggests that for good performing herds, there is margin to be made. Nevertheless, farmers must continue to focus on controlling costs while maximising output, herd health and fertility in the face of challenging times ahead.

Given the continuing decline in the GDT auction prices of dairy commodities and domestic wholesale prices of butter, cream, SMP and cheese starting to fall, the question concerning everyone now is how long will milk prices continue to hold at the current level?

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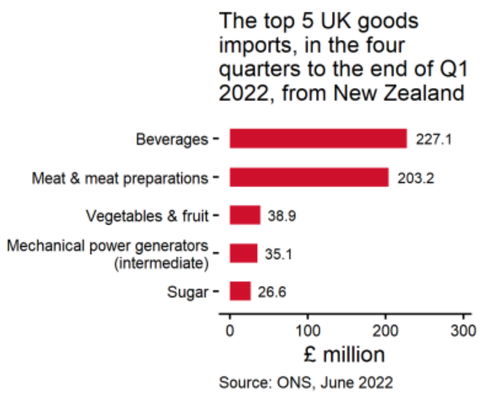
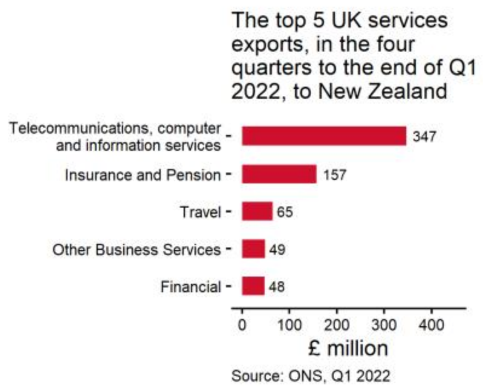
New Zealand Free Trade Agreement

While the Total UK imports (goods and service) from New Zealand (~ £943 million) decreased by 5.1% or £51 million in the year to the end of March 2022 compared to the previous year and the Total UK exports to New Zealand (~£1.6 billion) increased by 30.5% or £374 million compared to the previous year; the Scottish Government has raised concerns that the UK's Free Trade Agreement with New Zealand will allow for much higher quantities of produce to come into the UK tariff-free, leaving "a lack of a level playing field between Scottish and New Zealand farmers.

While New Zealand only ranks as 65th out of all the UK's import partners, the charts below highlights the significance difference in the type of key commodities being imported and exported:





Of the total imports and exports, in the year to end March 2022, Scotland exported ~ £90 million of goods and services and imported ~ £35 million. In 2021/22 Mid-Season Update Report, the UK is New Zealand's third largest export destination for lamb and accounts for 2/3rds of the total sheep meat imports.

While the June 2021 Edition of ABN raised concerns with regards the levelness of the trading playing field for British livestock farmers with regards the Australian Trade deal; in the first year of its free trade deal with New Zealand, the UK will allow 12,000 tonnes of New Zealand beef into the UK, while the EU has agreed to only 3,333 tonnes across all 27 EU countries. By year 15, the UK Government will allow 60,000 tonnes of New Zealand beef into the UK, and after that an unlimited quantity, while the EU will cap imports at 10,000 tonnes, and will apply a 7.5% tariff. With regards sheep meat, the agreement will allow 50,000 tonnes of sheepmeat into the UK by year 15, with no limits on imports after that. In contrast, the EU agreement only allows a maximum of 38,000 tonnes across the 27 member states. In addition to which, unlike the EU agreement, the UK agreement does not recognise Geographical Indications (GI) which are of considerable importance with regards protecting the provenance of Scotch Beef & Lamb,

Although of further concern is that farmgate prices for New Zealand beef at ~ 562 cents per kg are up to 30% lower than Scottish prices; New Zealand is facing the same challenges as UK farmers with rising costs of production, shortage of skilled labour, and in particular, global freight congestion and surging shipping and air freight costs which are challenging exporters shipping timeframes and margins. The latter point is particularly significant for New Zealand's chilled lamb trade. While the Scottish Government has documented its concerns in a letter to the UK Government, as yet, no response has been published.

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Key economic data

General Indicators	
Base interest rate	1.75% (0.25% Dec 21)
ECB interest rate	0.0% (-0.5% July 22)
UK (CPI) inflation rate	10.1% (target 2%)
UK GDP growth rate	0.0% (Q2 '22)
FTSE 100	7,281 (31 Aug 22)

Price indices for June 2022 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	258.2	Seeds (all)	122.2
Barley	244.9	Energy	209.4
Oats	242.9	Fertiliser	279.9
Potatoes	138.2	Agro-chemicals (all)	158.9
Cattle and Calves	136.2	Feedstuffs	177.2
Pigs	140.7	Machinery R&M	125.1
Sheep and Lambs	173.5	Building R&M	160.8
Milk	174.2	Veterinary services	115.9

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