Farm Advisory Service

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October 2021

News in brief

Uncertainty certain to continue

At the risk of creating a mixaphor, there is a certain degree of almost palpable irony that with COP26 just a month away, rising gas prices have resulted in shortages of CO2, with the potential to cause catastrophic house of cards type failure in the Agricultural industry which is most often blamed for its impact on atmospheric CO2. With beef and milk margins already squeezed with higher prices, the meteoric rise in fertiliser prices over the past two weeks will have a significant impact on all grass based cereal and grass based sectors.

While Covid and Brexit continue to impact on the industry, particularly the livestock sector supply chains largely due to lack of staff; the pig and poultry sectors have been significantly affected by the shortage of CO_2 to stun livestock prior to slaughter. While the recent announcement of up to 10,500 temporary visas for HGV and poultry works will help 'save Christmas 2021'; it is obvious that longer term solutions for are need to avoid continuing logistical problems throughout the livestock supply chains.

In other sectors, following the cessation of the AHDB Potato Industry reports, precise up-to-date information for the potato sector is no longer readily available. This season to date, variations in weather patterns across the country/season have created a mixed bag of winners and losers. Last, but not least, this month's sector focus on goats highlights that, as with all enterprises, people and marketing are key to viability.

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Christine Beaton

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SAC CONSULTING

Scottish Government
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Sustainable Agriculture Capital Grant Scheme – Claim date extension

Due continuing supply issues with some items supported through SACGS, which could be affecting the ability to claim grants, applicants to the Sustainable Agriculture Capital Grant Scheme now have until 31st of December 2021, to submit their claims.

Under the terms and conditions of the grant scheme, ScotGov will only pay for the item(s) that businesses have been able to purchase, have delivered and are fully operational by the 31st of December 2021.

Grant claims must be submitted by the 31st of December 2021, accompanied by the correct supporting documents – invoices and proof of payment. The SACGS Guidance notes provide exact details of the information needed to support a grant claim.

Completed claims and supporting documents can be emailed to the local Area Office but care should be taken to ensure that all the necessary documents are received, otherwise claims will not be paid and grant offers will be withdrawn.

Temporary Work Visas

Following an announcement by the UK Government on the 26th of September, up to 5,500 poultry workers and 5,000 drivers will be able to work in the UK in the run-up to Christmas 2021 to mitigate any potential risks to Christmas food supply. However, many non-UK HGV drivers will be wary of the visa expiry date of the 24th of December having spent last Christmas in a lorry park in the UK rather than at home with their families.

Recruitment for additional short-term HGV drivers and poultry workers will begin in October and this route will be valid until 24 December 2021. UK Visas and Immigration (UKVI), working with the Department for Transport and Department for Environment, Food and Rural Affairs, will process the temporary visas.

Scottish Land Court and Lands Tribunal for Scotland to be unified

Two important judicial bodies are being brought together to provide a better service for land-related issues within the justice system.

The Scottish Land Court and the Lands Tribunal for Scotland are to be unified to form an expanded Land Court. The aim is to create a 'one stop shop' in order to make the process simpler, clearer, and easier for those who need. Legislation will be brought forward to enact the change during the life of the current Parliament.

Agricultural Transition Consultation

The Scottish Government has launched the 'Agricultural Transition first steps towards our national policy' consultation'. The consultation provides an overview of the key themes and recommendations emerging from the Farmer Led Group process, setting out a number of key questions to inform wider work on the development of agricultural policy and in particular the replacement to CAP.

The key themes include baselining – good practice, carbon emissions, sequestration, productivity, biodiversity scoring and monitoring, knowledge & skills, research & development, capital funding and supply chains.

Responses to the consultation can be made up until 17 November 2021using the Scottish Government's consultation hub, Citizen Space (Scottish Government consultations). Interested parties can access and respond to the consultation online at Agricultural Transition in Scotland.

Addressing depopulation on Scotland's islands

A consultation has been launched to seeking the views of people from across Scotland on the proposed Islands Bond. As part of the National Islands Plan, the Bond aims to tackle population decline across the Scottish islands.

The Scottish Government aims to provide a total of £5 million across the lifetime of the parliament to support people to buy, build or renovate homes, start businesses, and otherwise make their lives for the long-term in island communities.

Capital funding will be made available to young people and families to stay in or move to islands currently threatened by depopulation. The bond value will be up to £50,000 with the expectation of providing 100 bonds.

The consultation period ends on the 24th of October 2021. Further information is available online at: Development of the Islands Bond consultation

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Challenging Times

The beef industry in recent weeks has been faced with a variety of challenges. Fertiliser plants temporary shutdowns caused disruption to CO2 availability (which is used in the retail packaging of meat to maximise shelf life) and the continuing staff shortages in slaughter lines and boning halls continue to have a knock on effect on kill capacity and processing meat which could well be causing small backlogs on farm which allow prices to slip back.

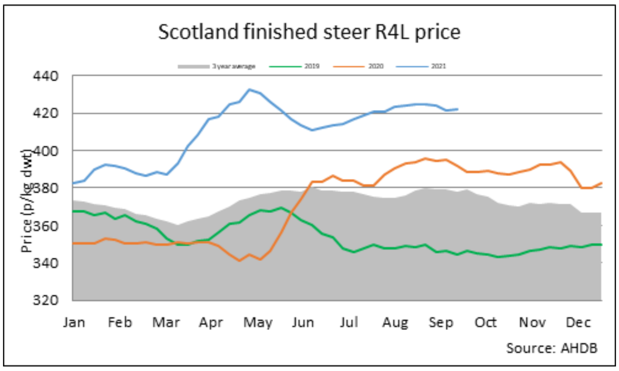
Kill capacity at abattoirs is still linked to staff numbers, with reports that some abattoirs are having to decide between slaughtering prime cattle or cull cows due to staffing shortages. There is a concern that to get more staff labour costs will increase putting pressure on processor margins which may result in further downward pressure on the price (especially at a time of year when more cattle will be available).The ongoing lorry driver shortages across the UK are also having an major impact across all aspects of the supply chain.

Seasonality Effect on Prices

Although we have seen a slight reduction in price in the past few weeks, this has been driven by seasonality when supplies increase when grass finished cattle reach the end of their grazing season. Prices are sitting around 415-420p/kg deadweight which is approximately £0.30 p/kilo (£120) higher than in September 2020.

The number of cull cows coming through generally picks up at this time of year ahead of housing and with the trade for cull cows remaining strong (majority selling above £1,000) farmers will no doubt take advantage of this and cash in on unproductive cows. However, this additional supply coupled with limited supply chain capacity along with processors concentrating on ensuring stocks of prime beef are built up for Christmas could potentially put pressure on price.

The premium for Aberdeen Angus cattle continues to reduce with many processors only offering 7p above general trade, with a good supply of Angus's coming off grass well fleshed. There are real concerns about the future of the premium status as an abundant supply of cattle could well exceed demand with AHDB reporting a 6% increase in Angus sired calves being registered in the UK during the first half of 2021.



The trade of store cattle keeps on a strong footing with the major weaned calf sales about to start in the coming weeks. With grass now past its peak and with wetter conditions as we move into autumn more cattle are likely to come through the store rings in the coming weeks. However, this is likely to have little effect on the price.

With furlough ending on September 30 the next question is what will happen with consumer's budgets? It is likely that many consumers will find their budgets under pressure and in that case, how much can we expect them to pay for beef? Equally, if the availability of CO2 becomes a greater issue and supplies of poultry and pork become less on supermarket shelves (CO2 is used to stun pigs and chickens before slaughter) then consumers may well turn to beef as a protein source.

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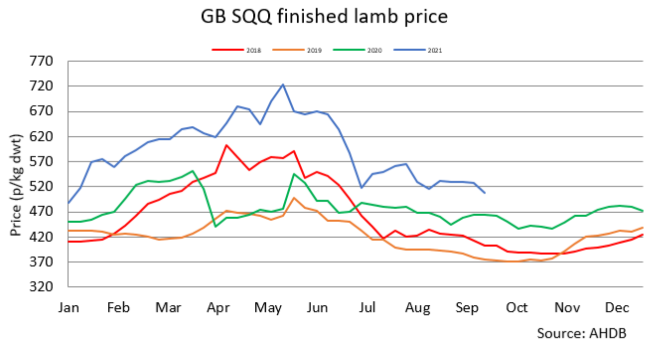
Scotland prime cattle prices (p/kg dwt) (Source drawn from AHDB and IAAS data)

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
4-Sep-21	**423.8**	-0.8	1.9	**423.5**	0.7	-0.8	412.0	-8.3	346.4	315.3
11-Sep-21	**421.6**	-2.2	-1.7	**420.3**	-3.2	-1.7	413.9	-0.3	340.7	309.2
18-Sep-21	**421.8**	0.2	-2.8	**421.1**	0.8	0.0	412.6	-3.5	336.8	308.3

Trade News

Prime lambs are continuing to fall back in price across live and dead markets, but, as demonstrated on the graph below (2021 blue) they are still at a premium compared to the five year average. The week ending 18/09/21 saw a SQQ average for deadweight of 508.4p/kg while the liveweight average for the week ending the 22/09/21 was 218.19p/kg.



The throughput of prime lambs through the abattoirs remains to be behind typical levels, with 11% fewer lambs being killed this year, compared to this point in 2020. With the peak processing of the 2021 lamb crop not being achieved as yet, this will be aiding the price premium. There may be various reasons for this lower lamb kill, including, shortages of staff within abattoirs, specifically the slaughter line and boning hall, the shortage of lorry drivers, the shortage of refrigeration space and a limited demand from the continent.

Cull sales are holding up especially well, with very little change being shown in the average for the last month. This may vary in the coming months, with leaner hill ewes coming down for pre tupping breeding checks, and culls being picked out and marketed.

Export and Global Pricing

The volume of lamb exported to the continent still remains low, with HMRC figures for the year to July showing exports were 25% behind the levels of 2020. With the price slip of the UK lamb, we are certainly a more favourable option for the EU customer, with the week ending 19/09/21, French lamb averaged €6.92/kg and Spanish lamb averaged €5.90/kg, compared to our lamb at €5.05/kg. In the same period, New Zealand lamb traded at €4.08/kg and Australian lamb at €3.93/kg.

These prices do vary quite considerably, which is largely due to economic drivers such as supply and demand, currency exchange and the specific challenges within the supply chain.

Trading with the US

It has recently been announced that UK sheep meat and genetics can be once again imported into the US, following the ban in 1989, which was due to BSE. This will likely take effect from the start of 2022. This means the UK will have market access without a trade deal, although it will incur the WTO Most Favoured Nation Tariff, which is a low tariff (currently 0.70c/kg lamb and 2.8c/kg mutton).

Americans are currently not large consumers of lamb and currently the majority of their lamb comes from Australia and New Zealand. With our product at a premium to theirs, I would imagine Scotch Lamb would be set at the premium end of the market.

Trading of sheep genetics is an interesting aspect, in that there are many sought after breeds and genetics within the UK, which could offer large marketing potential to breeders here.

Wool

The trading of wool has shown a slight increase, now trading at 73p/kg for greasy wool (106p/kg clean wool). This is a positive step, showing an increase from 50p/kg at the start of the year. However, there is still a vast amount of recovery required. Wool sales are showing good clearance rates currently, but there is an additional 1 million kg of wool to be sold this year, derived from those who chose not to sell it last year, who have this year delivered it to depots, along with this year's clip.

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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
4-Sep-21	**527.9**	0.7	-4.7	0.1	**233.70**	-1.3	2.0	1.9	75.50	77.94
11-Sep-21	**525.6**	-2.3	-5.9	1.2	**230.20**	-3.5	1.6	2.4	74.38	75.09
18-Sep-21	**508.4**	-17.2	-2.6	4.4	**217.20**	-13.0	-2.2	0.3	74.79	74.32

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

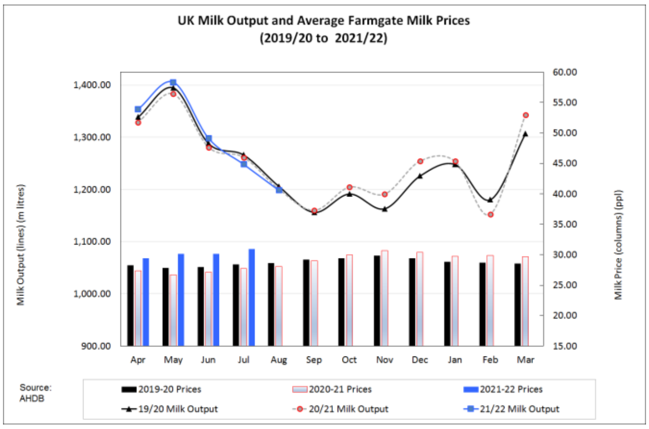
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

UK prices hold up as supplies tighten

- *UK milk output has reduced at a faster rate than usual since the spring peak.*
- *Farmgate prices remain buoyant but rising costs continue to erode margins.*

On a year-on-year basis, UK monthly milk output has reduced for August 2021 with output for the month recorded at 1,198.64m litres (before butterfat adjustment). With this year's spring peak being higher than usual and the subsequent sharper decline during late spring / early summer, seasonality of milk supply appears to be increasingly skewed – a sign that increasing numbers of dairy farmers are making a conscious management decision to produce more milk from grass. Given the current economic climate and the seismic increase to dairy input costs during the last year, this should not come as any surprise. Cumulative UK milk output up until the end of August 2021 stands at 6,505.21m litres. This is 50.47m litres up on the same period last year.

As the chart below illustrates, milk prices have remained stable between May, June, and July with monthly averages of 30.14ppl, 30.13ppl & 30.90ppl, respectively. The UK milk price for July 2021 is 3.17ppl higher than recorded one year ago, at the end of July 2020.



UK dairy commodity prices have strengthened further during September, reflecting lower monthly supplies for July 2021 within the domestic and EU market. UK cream prices are now at their highest level since January 2019 and SMP prices are at their highest since July 2014.

UK dairy commodity prices (£/ tonne)	Sept 2021	Aug 2021	Mar 2021
Butter	3,440	3,290	3,430
SMP	2,230	2,130	2,100
Bulk Cream	1,656	1,563	1,471
Mild Cheddar	3,070	3,000	2,960
UK milk price equivalents (ppl)	**Sept 2021**	**Aug 2021**	**Mar 2021**
AMPE (2020) *	33.85	32.10	32.54
MCVE (2020) *	34.43	33.46	32.96

Source: AHDB

High input costs are no incentive

Even though farmgate milk prices are holding up, rising costs mean that margins remain tight. As reported in last month's article, the milk price to feed price ratio has fallen quite sharply since the start of the 2021. According to AHDB, the milk price to feed price ratio for August and September 2021 was 1.12 and 1.11, respectively – well below the five-year average of 1.25. It is against this backdrop that AHDB suggest that there is currently little incentive to push for higher output when the margins on every litre are so fine. Consequently, the outlook is for monthly output to remain slightly lower than last year.

Farmgate price update: October 2021

Price announcements confirmed by UK milk buyers for October 2021 are shown below:

- Arla Foods amba – Arla has confirmed a 0.50 euro cent price increase from 1st October 2021. The manufacturing standard litre price increases by 0.32ppl to 32.62ppl, whilst the liquid standard litre price increases by 0.31ppl to 31.39ppl.
- Arla organic supplies – Arla's organic milk prices also increase by the same level from 1st October 2021. The manufacturing price increase by 0.32ppl to 40.98ppl whilst the organic liquid standard litre increases by 0.31ppl to 39.43 ppl.
- Sainsbury's – Members of the Sainsbury's Dairy Development Group (SDDG) will receive a 0.18ppl price increase from 1st October 2021. This takes the liquid standard litre to 32.87ppl for Müller Milk Group suppliers. Arla suppliers will receive 32.75ppl after allowing for 0.12ppl haulage charge.

Annual Average milk price estimates for October 2021 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	29.75
First Milk Liquid [1, 2]	29.99
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	31.00
Müller - Müller Direct - Scotland [1, 3]	28.75
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 2021.*	
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.*	

International dairy markets

Whilst milk supplies across the EU show very little change against last year, most other key milk producing countries have witnessed significant production growth in 2021; with monthly production for each month of the current milk year up, on average, by >3% (year on year) in New Zealand, Argentina, and the US. The only exception being Australia, where production decreased by 3.5% during the first month of the new milk production year (July).

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2021 Growing Season

To produce a high yielding and high quality potato crop much of the groundwork is done in selecting the field, obtaining good quality seed, and planting in good conditions.

The start to the 2021 season was difficult, initially excellent seed beds were being produced but the soil remained very cold. Some growers planted in these conditions while other waited for things to improve. However, conditions then turned very wet and remained cold, further planting was delayed and early crop growth very poor with many crops sitting in wet and waterlogged fields.

A poor start to the season, the effects of which could be seen in many fields through May, June and early July with uneven emergence and poor areas of fields very evident. A complex of issues being identified in these areas such as free living nematode damage and rhizoctonia.

But as June turned to July things improved considerably and the resilient potato crop recovered, largely compensated, and the crops generally looked excellent. Continued good weather resulted in a relatively simple growing season for most potato growers with sprays being applied on time. However, the slow ground cover development initially reduced yield potential in a great many crops.

Harvest Report

As AHDB potatoes winds down its activities following the result of the levy ballot, precise data on areas planted, yields, harvest progress and crop prices is unavailable. Therefore, the following harvest update is based on conversations with growers and supply chains.

- Scotland

In Scotland, the maincrop prepack harvest campaign is fully underway with growers now filling stores with long term storage material. Conditions for skin set have been good with warm and generally quite dry conditions resulting in quicker than expected skin set, although with changes to desiccant availability the rate of skin set remains slower than in previous seasons.

Soil conditions are currently very dry resulting in high harvester outputs but with concerns over bruising and damage to skins. Some growers have had the odd day off as they have waited for crops to become into condition for harvesting. Isolated reports of bruising in high cry matter crops.

Quality of ware crops is reported as being good, with common scab being the main issue. This is highly variable between different fields and varieties and overall levels are not a particular concern to supply chains. Yields are reported as 'average' or 'less than average' and in some crops the baker fraction is smaller than ideal.

The salad potato harvest has largely been completed with few issues reported, although the dry condition have been challenging with more tubers being left in the field than ideal.

At the time of writing (24/9/21), the seed crop harvest was 50% or more complete ranging from 1/3 to 2/3rd. Overall yields are reported as 'below average to average', with very few reports of good yields. Harvesting continues at pace but the 'driest ever mid-September' has provided its challenges. Tuber numbers, particularly of some of the shy varieties are reported as low. Overall tuber quality is high with few reports of powdery scab or blackleg. Common scab is more frequent.

- European plantings

The total potato area within the NEPG (North European Potato Growers) zone (Netherlands, Belgium, Germany, and France) has been reduced from 521,985 ha in 2020 to 497,683 ha this season. This was due to decreases in all countries, but most notably in Belgium and the Netherlands. For these countries, it is a change in direction, as the area has generally gone up year on year for the past 20 years.

Production figures for this area will not be available for some time, but yields are not expected to be large and 'a lot of haulm, no tubers' was a common assessment.

Area EU 04 potatoes (excl. starch and seed production)

Crop Year	5 year average	2020	2021x	% Change
Belgium	95210	96985	89053	-8.2%
Germany	178620	189700	183060	-3.5%
France	143908	158590	153840	-3.0%
Netherlands	76314	76710	71730	-6.5%
Total EU 04	494052	521985	497683	-4.7%

Source: NEPG

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Input Costs – Fertiliser

Frightening Rise in Fertiliser Prices

It has been an eventful week with warnings from the energy sector about rapid price increases for gas, collapse of energy suppliers, doomsday forecast on the CO_2 shortage and the escalating issue with HGV driver shortages. These issues all stem back in one form or another to the accumulating consequences of the global pandemic, not helped by the impacts of Brexit.

It is expected we will see the impact of high gas prices on input costs well into next year so the 'suck it and see' approach to farm inputs could well get very expensive.

The fertiliser price is driven by the global Urea trade of which gas is an essential component for production.

Due to lower demand in 2020 during the global pandemic gas supply was in excess so action was taken to reduce gas production before the onslaught of a harsh winter which plunged America in to undersupply, combined with Russia reducing supply and the closure of North Sea platforms for maintenance which was delayed due to COVID-19, resulting in a staggering 250% increase in wholesale gas price since January 2021 and a 70% increase since August 2021.

We are seeing dramatic increases in Urea due to several factors:

- 250% increase in cost of gas.
- China is the largest producer of Urea and the largest consumer and due to rising demand from farming are not exporting to Europe.
- Producers of Urea have cut production due to gas price.
- Increasing demand for Urea in Asia.
- Haulage costs have increased due to rising oil price and driver shortages.

Global factors driving the Urea price are having a direct impact on the UK NPK market. 40% of Nitrogen used in the UK and 60% of the CO_2 supply is produced by one manufacturer in the UK, with the remaining 60% of fertiliser required imported. And as 1/3 of the raw material cost to make Nitram is from gas it is perhaps not surprising that CF Fertilisers ceased production last week.

Government Intervention

A government intervention has encouraged CF Fertilisers to resume CO_2 production to prevent a slaughterhouse and food supply catastrophe. However, they are manufacturing Nitric Acid and Ammonia as part of the process to produce CO_2 and not Nitram or NPK grades so we will not see a sudden oversupply of fertiliser which will bring the price down.

It is not only Nitrogen which has been affected, Muriate of Potash has had a 60% increase on June 2020 prices and a 90% increase in Triple Super Phosphate prices over the same period. This makes organic manures look like money in the bank.

Forward Planning Essential

We have established why the price of fertiliser has increased so rapidly but there are some more added complications to consider when deciding when and what fertiliser to order.

Firstly, most fertiliser manufacturers have had their order book closed due to volatile costs and have simply not been making fertiliser so when order books open fertiliser must be made before it can be delivered. This takes time and although it is just into October, with an annual consumption of 1,038,000 tonnes and a low stock of raw materials in the shed there is significant time and logistics required before the fertiliser reaches a farm.

Secondly, the shortage of HGV drivers could cause added delays to delivery times. Finally, COVID-19 is still having significant impact on all facets of production, directly or indirectly, so it would be remiss to assume we will not see further disruptions from staff shortage, plant shutdowns or increased costs.

Decisions on fertiliser purchases usually centre around farm storage capacity, cash flow and crop requirements – factors all within farm control. It must be accepted agriculture is only a very small part of the global supply chain and to ensure fertiliser is on farm ready for application in optimum conditions early planning is required. With fertiliser prices in Spring anticipated to be at their highest level in the last ten years it is a good opportunity to be very critical about what fertiliser you are buying and how it is being used.

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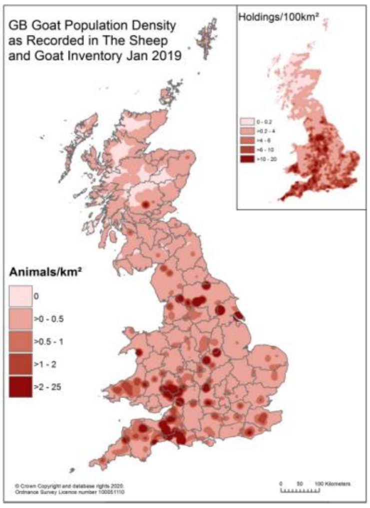
Sector Focus – Goats

UK goat sector

The UK goat sector numbers some 100,000 head kept for dairy, meat, cashmere, and mohair with dairy predominant at 40-45,000 are milking does.

The adjacent map published by DEFRA shows the distribution of goats in the UK, being predominant in the South and West of England and Wales, with high holding densities also found in the north of England centred around urban areas with ethnic markets.



Dairy goat industry

The UK dairy goat sector is more commercially developed than specialist goat meat and fibre production with the average dairy herd running 700 does.

Average yield is around 900 litres/annum per doe, worth 35-55p/l wholesale with a gross margin potential of around £137 per doe*.

The main breeds used for commercial dairy production are the British Saanen and Anglo Nubian breeds. Similar to dairy cattle, these breeds express poor growth and carcass characteristics. Combine this with traditionally little market for goat meat, by-product kids have had limited value. Some are now cross breeding a proportion of their dairy does to Boer bucks to improve terminal traits and marketability to finishers.

Meat goat production

Specialist goat meat production in the UK is based on the Boar breed or its crosses which typically finish at around 6-9 months of age (4-11 months) at an average live weight of 32-40kg realising carcass weights of 14.4–18kg at 45% kill out.

There is no developed supply chain for goat meat in the UK, meaning the producer will be in most cases be responsible for marketing, processing, and delivering the product. Wholesale price being in the region of £9-12/kg to restaurants, farm shops and butchers. Value can be added by selling direct to consumer.

Rearing rates of 150% are typical with kidding rates around 165% and 6% kid mortality.

Gross margin profitability

The below table* outlines gross margin (GM) profitability for a typical meat goat system selling meat from 16kg dwt finished kids at £10/kg and surplus doe kids for breeding at 6 months of age. Around 15 doe kids are retained for replacements per 100 does, which are first served at 18 months. Registered pure Boer bucks typically cost £300-700 and last for 10 years.

Concentrate feeding is based on 30kg per doe with kids consuming 12kg of creep and 36.6kg of finisher feed per head to a total cost of £46 per doe.

100 does rearing 150%	**£**	**£ per doe**
OUTPUT		
Finished kid meat sold 105hd x £160/hd	17,000	170
Breeding female kids 30hd x £300/hd	9,000	90
Culls *less buck depreciation*	400	4
Total output	**26,400**	**264**
VARIABLE COSTS		
Concentrate feed	4,600	46
Vet & med	3,500	35
Variable sundries	1,500	15
Slaughter incl. cutting costs and transport	3,000	30
Total variable costs	**12,600**	**126**
GROSS MARGIN (before forage)	**13,800**	**138**
Forage 17ha x £130/ha	2,200	22
GROSS MARGIN (after forage)	**11,600**	**116**
Gross Margin per ha	**682**	

*Andersons, 2021. Agricultural Budgeting and Costings Book No. 92.

At £116 GM per doe, this compares very favourably with crossbred sheep flocks at £50-70/ewe with similar stocking rate potential. However, compared to sheep enterprises, goat meat production has higher labour and infrastructure costs and also has significantly higher labour requirements for processing and marketing.

Equally when comparing goat and sheep enterprises, it is important to note that the profitability detailed above is reliant on a steady market for meat sales and high value breeding sales.

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VAT Changes

As per the announcement in the 2021 Budget, from the 1st of October, the rate of VAT on food, accommodation, and entry fees to attractions increased from the temporary rate of 5% introduced in July 2020 due to the Covid pandemic to an interim rate of 12.5%. Under the Finance Act 2021, the VAT rate is expected to return to 20% from 1 April 2022, although there is scope to deviate from this should the Government deem it necessary.

The 12.5% VAT rate applies to sleeping accommodation in hotels, inns, B & Bs, serviced flats and similar establishments; holiday accommodation; pitch fees for caravans and tents and associated facilities; hot takeaway food and hot takeaway non-alcoholic beverages; food and non-alcoholic beverages sold for on premises consumption in restaurants, cafes, and pubs, and admissions to attractions not eligible for cultural VAT exemption.

With many farm and crofting businesses involved in diversification, the change in VAT needs to be factored into each businesses VAT accounting, especially with regards deposits, advance payments, and vouchers.

For advanced bookings, the VAT Tax point will either be the date that the VAT invoice is issued for the advanced payment or the date that the business receives the advanced payments, whichever happens first.

As advance bookings taken before the 31st of March 2022 will have a 12.5% VAT rate and those made from the 1st of April 2022 are likely to have a VAT rate of 20%, it is worth considering promoting the VAT savings to potential clients and encouraging them to book early.

Regenerative Agriculture

It has been bought to our attention that our article on this topic last month did not encompass a broader cross section of the current progressive work being carried out throughout Scotland, we plan to address this in full though an industry led report to be included in our COP26 Special Edition next month.

Fire and Smoke Alarms

From February 2022, every home in Scotland must have interlinked fire alarms. Interlinked means that if one goes off, they all go off. This is to ensure that people will hear an alarm wherever they are in a dwelling. By February 2022, every home including holiday and rental accommodation and tied dwellings must have:

- One smoke alarm in the living room or the room that is used the most,
- One smoke alarm in every hallway/landing, and
- One heat alarm in the kitchen.

All smoke alarms should be mounted on the ceiling and be interlinked. In dwellings with carbon fuelled appliances e.g., boiler, fire, heater or flue, there must be a carbon monoxide detector in the same room, but it does not need to be linked to the fire alarms. **Please note it is the property owner's responsibility to meet the new standards, not a tenant's.** For more information, visit www.gov.scot/publications/fire-and-smoke-alarms-in-scottish-homes/

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Key Economic Data

General Indicators	
Base interest rate	0.1% (0.75% Mar '20)
ECB interest rate	0.00% (0.00% Sep '18)
UK (CPI) inflation rate	3.2% Aug 21 (target 2%)
UK GDP growth rate	Forecast 1.5% (Q3 '21)
FTSE 100	7,081.72 (29 Sept 21)

Price indices for July 2021 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	167.5	Seeds (all)	114.8
Barley	140.2	Energy	128.5
Oats	125.2	Fertiliser	132.5
Potatoes	138.2	Agro-chemicals (all)	144.9
Cattle and Calves	122.5	Feedstuffs	132.4
Pigs	121.6	Machinery R&M	108.7
Sheep and Lambs	143.5	Building R&M	134.0
Milk	126.2	Veterinary services	116.1

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