Farm Advisory Service

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February 2018

News in brief

Greening red-tape eases

The EU introduced new regulations at the end of last year which will allow an easing of some restrictions for greening.

The simplification of greening rules is particularly important for livestock and mixed farms in Scotland and the new rules will allow more businesses to be exempt.

Farms with over 75% of their arable land in grass or forage crops will no longer face Greening conditions, no matter what scale their arable area is, even above the 30ha limit. This will undoubtedly ease the burden and additional complexity for many farm businesses of having to grow additional crops or set land aside for EFA fallow.

At the national level it is also likely to encourage a small rise in cereal cropping. Given the high additional costs that many livestock producers faced this year to buy in forage and additional barley, the ability to grow additional feed and straw will be welcomed by many.

Straw and forage update

The high price of straw and forage has been a feature this season driven by the wet harvest and early winter housing of many cattle in the west of Scotland. A recent survey of SAC Consulting offices has revealed how the industry has responded to the challenge. Selling store cattle early has been a widely used tactic to reduce feed and forage. While driven largely by a need to reduce feed costs, luckily this strategy has worked well this year given the strong price for store and finished cattle. The increased use of wood chips has also been widespread. Longer term strategies include investment in improved slatted housing and long-term straw supply agreements with arable farmers.

Next month….

- Farm forestry timber market returns
- Fertiliser prices and markets

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This month's editor:
Julian Bell

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

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Changes to Controlled Activities Regulations

Under the Water Environment (Miscellaneous) (Scotland) Regulations 2017 changes to the Controlled Activities Regulations (CAR) came into force on 1st January 2018. A summary of some of the changes to the General Binding Rules (GBRs) are included below:

- GBR 18 (storage and application of fertiliser) has been amended to provide further clarity on measuring points and the rules have been extended to include the storage, transfer, and application of fertiliser. A key change to note is that fertiliser of any type must not be spread during heavy rainfall or where heavy rain is forecast within 24 hours.
- GBR 19 (keeping of livestock), the prevention of erosion or poaching and run off from where cattle congregate has been extended to include springs, wells and boreholes.
- Subject to certain rules and conditions as detailed in GBR 23 (storage and application of pesticides), pesticides i.e. plant protection products, can now be applied within 1m of any river, burn, ditch or loch, as measured from the top of the bank; within 1m of any wetland; or within 1m of any transitional water or coastal water as measured from the shoreline to control invasive non-native plants, without prior approval from SEPA.
- GBR 24 (operating sheep dipping facilities) has been amended to include areas where pour-on treatments are applied and areas where sheep are held immediately after dipping or the application of pour-on treatments.
- A new GBR has been created, GBR 25 (bank protection measures), which allows, subject to complying with certain conditions, trees or parts of trees to be placed into the banks of rivers, burns or ditches to protect eroding banks, without requiring prior permission from SEPA.
- Storage of oil is now covered by three new GBRs, GBR 26, 27 and 28. The new GBRs are mainly a consolidation of rules that already existed in other regulations.

Various other GBRs have also been revised to provide further clarity on existing rules as well as rule changes. Details of all the changes to the GBRs can be found on pages 28 and 29 of the legislation, available at: https://www.legislation.gov.uk/ssi/2017/389/pdfs/ssi_20170389_en.pdf.

Further changes to greening regulations

New EU regulations introduced at the end of last year means that further changes to greening have been introduced in Scotland for this year. These include:

- Simplification of the exemptions from Crop Diversification and Ecological Focus Areas (EFA), which means that farmers with more than 75% of their eligible arable land in temporary grass, fallow, herbaceous forage or leguminous crops will be exempt, and all farmers with more than 75% of their eligible land in temporary grass, permanent grass or herbaceous forage will be exempt.

These changes would mean that some farmers i.e. those constrained by the 30ha arable limit, will no longer need to comply with Crop Diversification and EFAs.

- The weighting factor for EFA Nitrogen Fixing Crops has been increased from 0.7 to 1.0, the same as EFA Fallow.

Implementation of this change in Scotland may make this option more appealing to farmers.

The EU has also introduced a new EFA option ‘land lying fallow for melliferous plants’ (pollen and nectar rich species) with a 1.5 times EFA weighting factor. However, no detail has yet been given by the EU about when the crop would need to be established or its maintenance requirements. It is due to the potential risks of implementing this new option without full detail being available that the Scottish Government has chosen to not implement this option as this point in time.

The confirmed changes as detailed above, along with the previously announced changes to EFAs, will make complying with greening in 2018 less onerous than previous years.

AECS open to applications

The Agri-Environmental Climate Change (AECS) scheme opened for applications on 17th January and will run for 12 weeks until 13th April or 31st May for collaborative projects, i.e. those that involve five or more businesses. Information about the scheme, including details on how to apply and current guidance can be found at: https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/agri-environment-climate-scheme/

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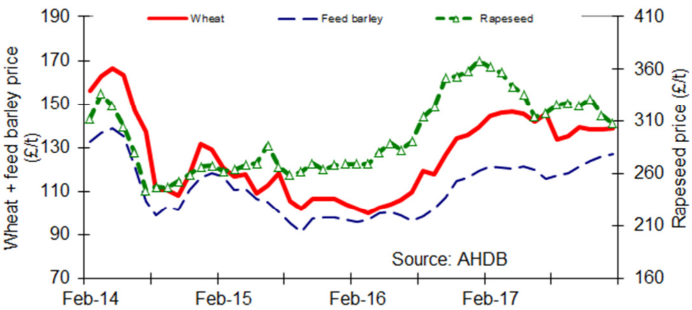
US grain markets rally, EU flat

Dryness in winter wheat in the US Plains and drought in South America for soyabean and maize helped boost US grain prices by around $6/t. In Kansas, the largest winter wheat producing state, wheat in good/excellent condition declined from 35% in December 2017 to 14% in January 2018, due to dry and cold conditions. These weather conditions are typical of a La Nina weather event currently underway and if sustained may continue to adversely affect crop production in North and South America, though it is too early to tell the final impact.

EU wheat exports continue to lag well behind the required pace with 12.27mt exported to 19 January, 2.6mt (18%) down on the same time last year. Strong Black Sea wheat exports continue with Russian wheat undercutting French by $20/t. This could leave the EU market with rising end of season stocks, if exports do not pick up soon; potentially negative for wheat prices come May and June.

In the last month, Scottish ex-farm prices are stable for wheat (£144/t) and feed barley (£130/t) and down around £10/t for rapeseed at £290/t delivered.

UK spot ex-farm grain and oilseed prices



UK area - wheat down, OSR up

AHDB released early-bird estimates for UK 2018 crop areas as follows: wheat down 43kha at 1,748kha, w. barley down 41kha at 382kha, spr. barley up 50kha at 804kha, oats up 6kha at 167kha, OSR up 60kha at 622kha and fallow up 7kha at 248kha. Assuming trend yields this could lead to a lower wheat and barley crop, higher oilseed rape crop and a lower overall cereal output.

AHDB UK and Scottish cereal area estimates

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
UK	*Area ('000's ha)*						
2017	1,791	423	754	1,177	161	3,129	562
2018	1,748	382	804	1,186	167	3,101	622
Chng.	*-43*	*-41*	*50*	*9*	*6*	*-28*	*60*
Scot.	*Area ('000's ha)*						
2017	109	48	244	292	-	-	34
2018	99	36	274	310	-	-	34
Chng.	*-10*	*-12*	*30*	*18*	-	-	*0*

In Scotland, a 30kha increase in spring barley plantings to 274k ha is anticipated on lower winter wheat and barley sowings. AHDB have a good track record from previous GB Early Bird surveys however, this is the first time they have produced regional estimates. In Scotland the survey was conducted early, on 10 November, based on limited returns from 5% of the cropped area which may mean more variation in the final results.

Nonetheless, the implications are that depending on yields there may be less wheat and more spring barley and rapeseed for the UK as a whole. In Scotland wheat supply could be tighter and there is potential for a relatively large spring malting barley crop, yields depending.

UK maltsters requirements

The Maltsters Association of Great Britain (MAGB) announced they would be seeking 1.9mt of barley from the 2018 harvest, similar to 2017. In Scotland 93% of spring barley will be required in the sub 1.65%N distilling barley band as per last year. In England maltsters expect to purchase a lower proportion of low nitrogen barley.

With exports of single malt whisky breaking the £1bn barrier for the first time in 2017 and strong world economic growth predicted, 2018 is expected to see a further rise in Scottish distilling demand for malting barley. Latest estimates indicate a 34kt rise in malting barley demand for malt whisky production. Stocks of malting barley are also expected down due to the variable to poor quality of the 2017 crop. So despite a potentially larger spring barley area in 2018, demand could be up as well.

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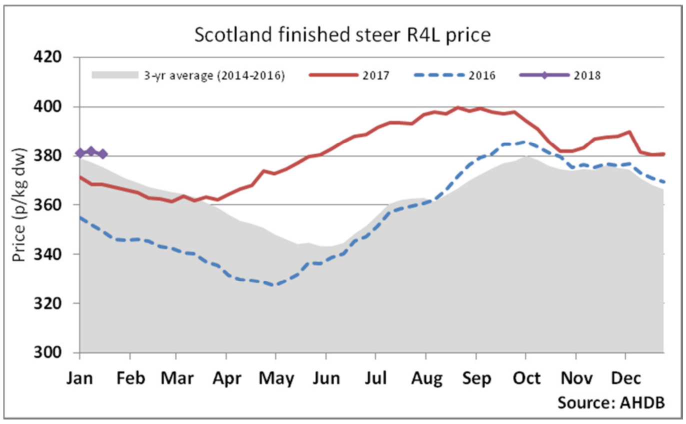
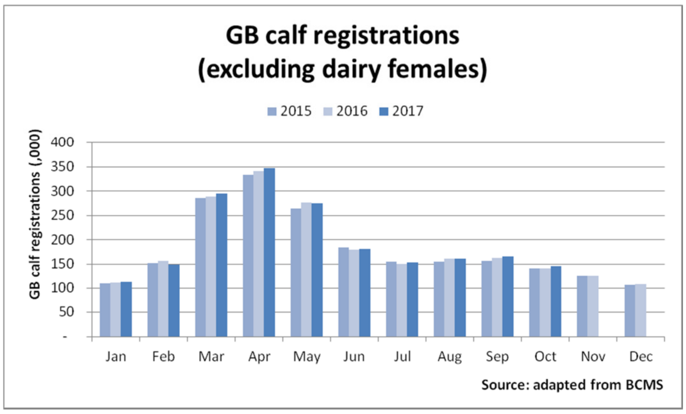
Indicative grain prices week ending 1 February 2018 (Source: SACC/AHDB/trade)
Ex-farm England spring max 1.85%N,'* Before oil bonus, ~ nominal

£ per tonne	Basis	Jan/Feb 18	Mar 2018	May 2018	Nov 2018
Wheat	Ex-farm Scotland	144.20	149.10	150.00	150.00
Feed barley	Ex-farm Scotland	130.10	131.00	132.00	130.00
Malting barley – distil.	Ex-farm Scotland	-	-	-	161.75
Malting barley#	Ex-farm England	162.00	-	-	150.00
Oilseed rape*	Delivered Scotland	~290.00	~292.00	-	~292.00

Seasonal price pressure but still up

Price softened 7-10p/kg dwt to year end but was still £1,370 or £40 up on the year for a 360kg carcase in Scotland. As can be expected, demand for prime cattle softens into the New Year, although price has held considerably well. A 2-3p/kg dwt reduction in price looks probable for the last week in January, being made an easier decision by a 5p drop in price for Northern England in the previous week. Despite this movement, the Scottish average price would still be 374-377p/kg dwt. The differential with Northern England may have widened slightly but it remains within touching distance. This will entice Yorkshire finishers into Scottish markets, should it continue, and add competition for store cattle. Despite reduced demand, Scottish growing cattle numbers are short on the ground. The Scottish price is, therefore, not expected to soften significantly into the spring to encourage their regular finishers back to the sale ring and secure future supply. Taking confidence from this, even heavy forward store cattle, which would be available in early spring, are meeting a flying trade.





Cull cows

There are reports of waiting times at selected abattoirs with many offloading early post-scanning, so it is worth checking in advance. It does mean average weights and grades are lower, providing an opportunity for specialist cull-cow finishers to step in. Well-fleshed cows continue to find strong and stable trade. Throughput is lower than the last two years and with rising demand for processing beef and the French cow-beef export market finding its rhythm again post Christmas, the market is expected to remain firm.

Registrations up but cattle needed

GB calf registration figures for 2017 were higher for the fourth consecutive year. A most notable reason being greater supply of beef from the dairy herd. This has been a particular influence south of the border with dairying a much larger proportion of their national herd. The number of dairy cows bred to a beef bull has been on an upward trend since 2014. Being worth upwards of £100/hd more than a pure dairy bull calf (equivalent to over 600 litres milk sales) it was an under-tapped opportunity. The rise of dairy beef, primarily through co-ordinated processor/retailer supply chains, has received a mixed reception. Some quarters consider it to be a threat to the value of suckled calves but its contribution to overall supply maybe more crucial. Despite Scottish beef calf registrations also being (slightly) higher for 2017, the representative body of Scottish meat processors, Scottish Association of Meat Wholesalers (SAMW) has called for more cattle if the sector is to take advantage of future opportunities. It is a positive message to counter the risk of falling numbers fuelled by Brexit uncertainties. This will be important to deliver into new markets, create jobs and add-value. Fundamentally, it will also be important to stave off any threat to critical mass that would feasibly impact price competition for Scottish cattle.

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Prime cattle prices (p/kg dwt) (Source: drawn from AHDB data)

	E&W			Scotland			E&W		Scotland
	South R4L Steers	North R4L Steers	North -U3L Y. Bull	R4L Steers	R4L Heifer	-U3L Y. Bull	South -U4L Steers	North -U4L Steers	All -U4L Steers
6 Jan 18	369.2	379.4	367.3	381.0	381.9	377.8	372.7	380.3	379.5
13 Jan 18	364.3	381.3	352.5	381.7	381.5	373.8	370.7	377.1	380.7
20 Jan 18	369.5	373.2	365.4	380.5	380.0	377.1	374.7	372.9	380.4

Market price update

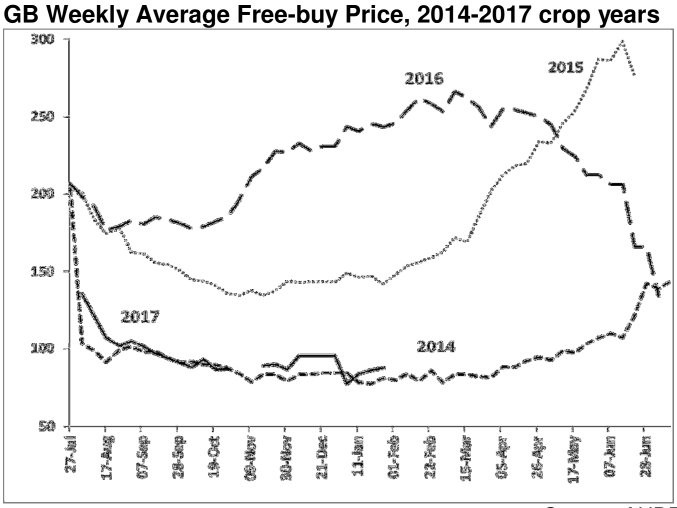
- The GB Weekly Average prices for the week ending 27 January 2017 were £145.63/t for free-buy and contract purchases and £87.72/t for free-buy purchases.
- Compared to the previous week free-buy and contract was up £2.93/t and free-buy was up by £1.26/t.
- Although demand is strong for some varieties, movement of the majority of varieties is slow, impacting on price

GB Weekly Average Price 2017 and 2016 Crop (£/t)

Crop Year	27Jan	20 Jan	13 Jan	6 Jan
All potatoes 2017	145.63	142.70	143.28	144.12
All potatoes 2016	201.30	205.94	202.84	199.72
Free-buy 2017	87.72	86.46	84.06	77.29
Free-buy 2016	243.86	245.59	241.10	243.54

Source: AHDB

GB Weekly Average Free-buy Price, 2014-2017 crop years



Source: AHDB

In Scotland, free-buy trade for the packing market continues to be slow and steady. Grade 1 Desiree is trading around £100-£100/t, grade 1 Maris Piper £140-£190/t and grade 1 whites around £50-£65/t. Salads (Gemson and Bambino) are trading around £390/t.

UK trade in the bag market is also slow with the poor weather having led to reduced demand for chipping supplies in some areas. It is also thought that reduced post–Christmas spending may have led to reduced demand.

Overall potatoes are storing well, however there have been some reports of crops breaking down but this is limited to susceptible varieties and where crops were lifted in very wet conditions. There are also some reports of Blackdot on ware potatoes.

Plans to double the value of the sector

The value of the Scottish fruit and vegetable sectors has grown over the last 10 years with fruit production increasing 86% to £114 million and vegetables up 50% to £122 million.

To continue this trend and double the value of the sectors by 2030, the Fruit, Vegetable and Potatoes Industry Leadership Group (ILG) (formed by growers) have been working together to develop an industry-driven action plan. The group are looking for input from those who are actively involved in the Scottish fruit, vegetable and potato sectors and the growth opportunities and challenges.

The survey is available below and focuses on four key themes - market development, innovation, supply chain and people and skills. Views are required by 30th March.

https://fs22.formsite.com/scotfooddrink/ilg-sub-sector-strat/index.html

Seed potato export update

In 2016/17, Scottish seed potato exports to non-EU countries totalled 85,000t, around 38% of total output of 225,000t.

Export demand in non-EU markets is dominated by Egypt at 65% and Morocco at 11%. So far in 2017/18 (up to December 2017) seed potato exports to Egypt had fallen 14.5kt to 40.5kt due to a reduction in specified max. riddle size from 60mm to 55mm affecting variety Hermes in particular.

Exports to several key markets are also dictated by Free Trade Agreements (FTA), all of which are currently dependent on EU membership. Out with any FTA, tariffs on seed potato imports are currently 2% to Egypt and 40% to Morocco. A range of non-tariff barriers (plant health agreements) are also dependent on EU membership. The UK government is seeking to maintain or replace these agreements following the UK's departure from the EU in March 2019 but it is not certain this can be achieved in time.

The Scottish seed export industry is therefore at risk and pressure is being put on the UK government. In addition, new markets are also required to diversify demand. The AHDB, SASA, JHI and the potato trade are actively seeking new markets particularly in sub-Saharan Africa. Scottish seed is currently into its second round of testing in Kenya paving the way it is hoped for exports in the next year. Only 2% of potatoes in Kenya are grown from certified seed while potato consumption is rising strongly. Other new markets being targeted include Rwanda, Cuba and Indonesia.

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Strong prime trade bodes well

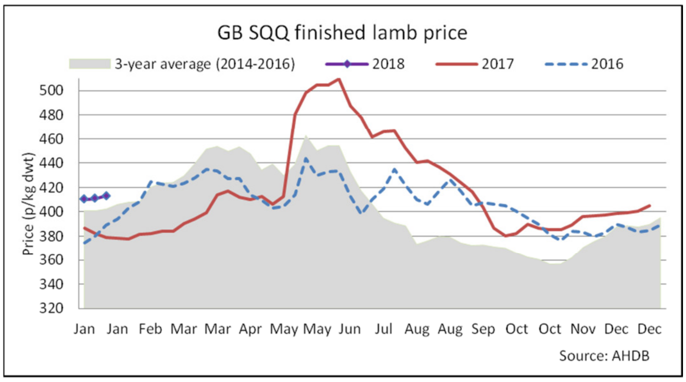
The lamb price finished 2017 in buoyant mood at 180p/kg lwt or £3/hd up on the three-year average. Trade has been improving steadily and now extending to 200p/kg lwt for sales at the start of week commencing 22 January. The deadweight market for the same week was between 390-400p/kg dwt. Throughput had reduced slightly due to snow and rain but nonetheless remains £6-7/hd higher on the same week last year for a 45kg hogg. It remains that anything out with specification is being discounted slightly harder than recent years, emphasising the need to be within the 42-45kg lwt weight bracket and with a good fat cover (R3L grade) - not too lean or too fat. Processors are understandably calling for fleeces to be clean.

Cast ewes continue to sell well despite supply rising slightly higher on the year. Additional numbers have reduced price but it is still averaging £3/hd higher on the year at £53. However, culls are tending to be slightly lighter and leaner.

Kiwi lamb hits high tide

The number and price of New Zealand lambs destined for UK retail shelves would have been negotiated and contracted many weeks ago. Indeed, NZ lamb will already be making its way across deep water in time for Easter as it takes 6-8 weeks to reach UK shores. According to Beef & Lamb New Zealand "lamb and mutton farm-gate prices were up 30% and 59% respectively for the first quarter of the season (October-December 2017) compared to the previous season." Hopefully NZ processors foresaw improving farmgate prices in advance of negotiations with British retailers. Summer drought also increased sales of lighter lambs and while recent rains have taken the pressure off North Island, on average, it should make NZ less competitive into the UK market and encourage retailer buying of Scotch, Welsh and Red Tractor Assured lambs.

That bodes well for long-keep finishers, having purchased many lambs at a reduced price in the autumn and after a poor market in spring 2017.



As would normally be the case, lamb finishers would pass back a share of any extra margin to store producers at autumn store sales. Although, how the exchange rate reacts to ongoing Brexit negotiations, subsequent impact on sector confidence and likelihood of a plentiful number of store lambs leave that in doubt. Note that Easter is very late next year and largely out of reach of most long-keep lambs too. That is the second year where some store lamb sellers (particularly in the West coast and in Shetland) have received a low price, especially in the absence of a meaningful alternative light lamb export market.

Consumption and export challenge

Although surmountable, a recent article in Meat Trades Journal highlighted a knowledge gap in UK shelf-life technology. The Kiwis have continuously been refining processing, packaging and storage solutions over the last 30 years, through necessity. Chilled NZ lamb can last over 70 days in vacuum packs. It has never been a priority and was suggested to be nearer 21 days in the UK.

If we do not grow exports it means less opportunities for fewer producers. This is true regardless of what transpires through Brexit talks. It does overlook the importance of stopping a slide in domestic demand and bolstering the position of sheepmeat on the retail shelf within the UK's high value market. After all, the UK currently consumes 70% of lamb produced, and accepting carcase balance and seasonality issues.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg			Scottish auction (p/kg)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy	All	All
6 Jan 18	413.5	412.3	410.4	166.40	182.10	174.30	52.31	59.34
13 Jan 18	412.8	414.1	410.6	170.10	184.50	178.80	56.28	56.62
20 Jan 18	413.9	416.1	413.2	173.60	188.40	179.30	53.91	54.23

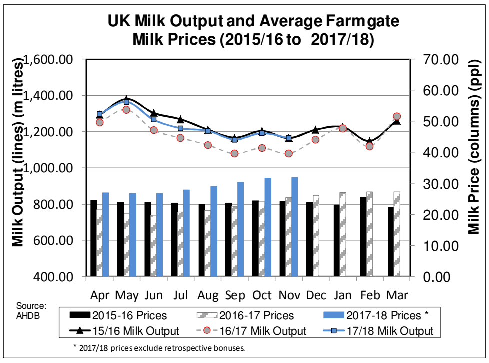
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB.

DEFRA revise '17 production upwards

DEFRA milk output figures, reported by AHDB, show that 1,163.50m litres of milk was produced during November 2017 (before butterfat adjustment), equating to an increase of 84.66m litres against November '16 production. The latest milk production figures for 2017 have been revised substantially by DEFRA and cumulative production from 1st April up until the end of November 2017 now stands at 9,859.95m litres. This is 523.28 litres above cumulative output at this time last year.

The UK average milk price increased to 31.88ppl during November 2017. This represents an increase of 0.09ppl from the October 2017 average price level. Retrospective reporting of aggregated prices means that milk prices for November 2017 are still seemingly on an upward curve. However, more recent price announcements show that most standard contract prices peaked around Christmas time and prices are now easing back.

- *Milk price reductions have been announced by some milk buyers for February 2018, following price reductions to several contracts during January*



More price reductions in February '18

Some of the main price announcements for February 2018 are outlined below. For the price changes listed below, Tesco suppliers, with contract prices linked to the cost of production, are the only producers to benefit from a price rise in February.

- Müller – January's milk price will be held at least until the end of February 2018. See table below.
- Co-op – The Co-operative Dairy Group (CDG) will reduce prices by 0.52ppl from 1st February 2018. This takes the standard litre (4% bf & 3.30% protein) to 28.87ppl for Müller members of the group.
- Tesco (TSDG) – 0.07ppl price increase from 1st February 2018. The price increase is based on an increase to the TSDG cost of production tracker. Müller members of TSDG will see prices rise to 29.52ppl for the standard litre, whilst Arla members will see prices rise to 29.27ppl.
- Arla Foods – 1.00ppl reduction to its Direct milk price from 1st February 2018. This follows on from the 1.00ppl price reduction in January 2018. The standard litre milk price for February 2018 is estimated at 27.00ppl.
- Lactalis – There's no change to the milk price going into February and the company has confirmed that it will hold the January price (29.00ppl) up until 31st March 2018.
- First Milk – 1.00ppl reduction to its milk price from 1st February 2018. See milk price table below.
- Yew Tree Dairy – 1.00ppl price reduction from 1st February 2018. This takes the standard litre price down to 29.00ppl.

Annual Average milk price estimates for February 2018 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	29.00
First Milk Balancing. [1]	28.09
First Milk Manufacturing (Lake District)- 4.0% Butterfat & 3.3% Protein. [1]	28.44
Müller - Müller Direct [1, 2]	29.00
[1] *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] *No monthly supplementary payment included in the price estimate.*	

Fall in butter price dominates market

UK wholesale prices continued to reduce quite substantially between November and December 2017. On average, butter prices reduced £500/t during the period – the second month running that butter prices have reduced by £500/t or more. As a result, AMPE is now at it's lowest since August 2016, when AMPE equalled 26.01ppl (see table below).

Interestingly enough, back in August 2016, the UK average milk price was 21.42ppl (10.46ppl below the UK price for Nov'17). All other things being equal, this does suggest that the average price for November (31.88ppl) is likely to fall back. Whilst acknowledging that AMPE may be less significant to those farmers with contract prices linked to cost of production, sizeable changes to AMPE are worthy of note, particularly for those on standard contracts.

UK dairy commodity prices (£/ tonne)	Dec 2017	Nov 2017	Jul 2017
Butter	4,000	4,500	5,420
SMP	1,230	1,270	1,570
Bulk Cream	1,800	2,100	2,500
Mild Cheddar	3,000	3,265	3,300
UK milk price equivalents (ppl)	**Dec 2017**	**Nov 2017**	**Jul 2017**
AMPE (2014)	26.38	29.24	36.71
MCVE (2014)	31.87	34.86	37.14

Source: AHDB

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Management Matters: De Minimis State Aid

What is State Aid?

State Aid refers to the use of national resources to support and incentivise businesses. This can be in various forms such as training, education, advisory services, as well as cash grants and loans. Aid may be deemed an economic advantage through the potential to distort competition and trade between Member States of the European Union. Therefore there are rules in place to regulate State Aid.

If the provision of resources (in any form) is considered to be State Aid, the European Commission must be notified and approve the aid in advance. There are instances where the aid may be covered under existing schemes or regulations and the Commission would not need to be notified.

Mechanisms that allow quick and easy provision of State Aid without involvement from the Commission include:

- General Block Exemption Regulation (GBER)
- Agricultural Block Exemption Regulation (ABER)
- De Minimis Regulation

De Minimis

The *de minimis* regulation is an approved method by which small amounts of aid (up to €200,000 over a 3 year fiscal period to a single beneficiary) can be provided to industry without the likelihood for negative impacts on trade within the EU.

Separate rules apply to the agricultural, fisheries and road transport industries.

The Agricultural De-Minimis Regulation (1408/2013) has been implemented to support farmers through a number of schemes including:

- Bull Hire Scheme
- Sea Eagle Scheme
- Rural Priorities Outcome Plan
- AECS Farm Environmental Assessment Payment
- New Entrants and Others 2013
- Weather Aid Scheme 2013
- BVD Check Payments
- Fallen Stock Fund
- Fox Control Scheme
- Biofuels Programme
- Resource Efficient Scotland
- Clyde and Avon Valley Tree Planting Scheme
- Dairy Farmer Island Concession Scheme
- Weather Impact Support Scheme for Westray Farmers
- Cash Flow Loan Scheme
- National LFASS Schemes (2015 and 2016)
- National BPS Schemes (2015, 2016 and 2017)

Agricultural *de minimis* allows farmers to receive €15,000 over a three-year fiscal rolling period. Where payments made from any of the above schemes involve interest free loans, it is the interest foregone (calculated at market rates) and not the actual loan amount that is the State Aid element.

For example, a loan of £50,000 has been received through the 2016 National BPS Scheme. The interest rate was stated as 3.24%. The loan was received by the farmer on 1 November 2016 and recouped through the payment of the BPS 2016 on 31 March 2017. The State Aid associated with the funding made through the 2016 NBPSS is €765.52 (£652.44 at £0.85228/€1). This is based on 3.24% interest for 147 days or 40.274% of a 12 month period. The State Aid is not a cash transaction.

The State Aid provider is obliged to give details on how much de minimis aid is associated with funds being delivered. The beneficiary (i.e. the farmer in the above example) is responsible for keeping a record of all State Aid received (i.e. €765.52 in the above example) to ensure the State Aid agricultural de minimis threshold of €15,000 is not exceeded over a rolling 3 year period.

Shooting Rights and Deer Forest Rates

It was thought that relief for Shooting Rights and Deer Forest rates provided by local authorities through the Small Business Bonus Scheme would be State Aid. This relief does not constitute de minimis aid under EU State Aid rules.

References

http://www.gov.scot/Topics/Government/State-Aid

https://www.gov.uk/guidance/state-aid

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Management Matters: Spring cropping

Spring cropping for 2018

Sowing conditions in autumn 2017 were poor across much of Scotland, particularly the west and north east. Overall winter crop sowings are expected down. AHDB Early Bird survey results indicate an 11,000 ha cut in winter wheat area to 99,000 ha and a 12,000 ha fall in winter barley area to 36,000 ha. The area of spring barley in Scotland is expected to rise 30,000ha to 274,000ha in 2018. Input costs are a little higher than a year ago given a rise in in nitrogen and spray costs.

Grain prices and margins for 2018

Spot feed wheat prices are similar to a year ago at around £144/t ex-farm in the Central belt though feed barley prices at £130/t ex-farm are up around £10/t. Rapeseed prices at around £290/t delivered are around £70/t down on one year ago.

Grain prices for harvest 2018 are comparable or a little higher than spot values. Feed wheat is around £145/t ex-farm Central Scotland for September 2018. Current forward spring malting barley prices are around £161/t (based on £20/t over November wheat futures) and comparable with average values at 2017 harvest values (£163/t). On a typical forward malting barley contract the producer is able to lock in 50% of the crop at the futures plus rate with the rest to be determined on the harvest spot market. So a producer could today lock in 50% at around £161/t with the rest awaiting harvest. Rapeseed prices are very similar to current levels at £295/t ex-farm including oil bonuses for harvest. Higher malting and feed barley prices have boosted crop output estimates for barley.

Overall, currently *potential* gross margins for 2018 are higher for several spring crops (malting barley, feed barley) and similar or lower for others (wheat and oats, rapeseed) compared to 2017 levels. Actual gross margins will be determined by the weather and market factors.

CAP Greening

The EU have made some changes to the Greening requirements which reduce the burden on arable farmers and will allow many to reduce the area of Ecological Focus Area (EFA) and the numbers of crops grown (see Agribusiness News, page 2 for more details). The Scottish Government have recently informed farmers of these changes.

Exemptions from Greening – farmers with more than 75% of their eligible arable land in temporary grass, fallow, herbaceous forage or leguminous crops will be exempts from Crop Diversification and EFA.

New EFA options – hedges can now count towards the farm's EFA requirement, with every 1,000m of hedge counting as 1ha of EFA. Land planted with trees under an Agroforestry option can count to EFA as well on a 1ha to 1ha basis.

Market factors

The margins below are a reflection of current market factors. The feed barley discount to wheat is relatively low just now and malting premiums are relatively high which helps boost barley crop margins. These are both a reflection of the tight EU and global feed and malting barley supply and demand situation and these may change by harvest.

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Estimated Spring Cropping Gross Margins - SAC Consulting *£ per ha*

	S. Barley - malting	S. Barley - feed	S. Oats - milling	S. Wheat - feed	S. Rape	S.Linseed	S.Beans
Grain price **(£/t exf)**	161	125	140	145	295	335	160
Yield **(t/ha)**	6.5	7.0	6.0	6.5	2.5	2.0	5.0
Straw	129	129	120	143	0	0	0
Output	**1176**	**1004**	**960**	**1086**	**738**	**670**	**800**
Seed	73	73	76	88	60	105	105
Fertiliser	161	180	154	169	125	42	42
Sprays	69	69	65	41	41	65	130
Drying (fuel)	0	31	26	43	8	33	33
Variable costs	**303**	**353**	**321**	**341**	**235**	**245**	**310**
Gross Margin 2018	**872**	**651**	**639**	**745**	**503**	**425**	**490**
Gross Margin 2017	*729*	*556*	*562*	*739*	*607*	*490*	*490*

Sector Focus: Superfoods

Superfoods are a special category of foods defined as calorie sparse and nutrient dense. Blueberries, salmon, broccoli, mackerel and kale are just a few examples. Some of the nutrients that superfoods contain include antioxidants, thought to ward off cancer, healthy fats, thought to prevent heart disease and fibre, thought to prevent diabetes and digestive problems.

The food industry has put a lot of resource and money into trying to convince consumers that eating superfoods can improve health and prevent disease. There have even been some claims made that certain foods can slow down the ageing process, lift depression and boost our physical and mental abilities. This has led to the growing trend of consumers being engaged in healthy eating and superfoods. Consumers, especially millennials are interested in self care through eating healthily with the belief that "you are what you eat". Shoppers are actively seeking nutrient rich, fresh, organic and functional foods and are turning their backs on foods that are high in fats, sugars and salt.

Opportunities for farmers

According to Global Industry Analysts, the global market for functional foods or "Superfoods" is expected to reach $130 billion next year, fuelled by the swelling number of health-conscious consumers with high disposable incomes (baby boomers). The increased size of the superfood market could be an opportunity for farmers to switch their attention towards organic production. There has already been a rapid growth in the establishment of blueberries in Angus which reflects the interest in super fruits and healthy living. In the UK, sales of organic foods grew by 7.4% in the 52 weeks to 1 July 2017. The growing trend for healthy foods, coupled with the fact that farmers are likely to have to pay far more attention to environmental issues to qualify for subsidies post-Brexit, mean that many may consider cultivating organic produce.

A family-run soft fruit farm PA Arbuckle & Sons in Dundee, Scotland (www.arbuckles.co.uk) are growing and cultivating the Honeyberry. The honeyberry is a cross between a raspberry, a blueberry and a blackberry and is believed to be packed full of anti-oxidants (up to 4 times that of a blueberry!), has more vitamin C than the orange, and nearly as much potassium as a banana. Arbuckle's have planted Scotland's first orchard; they invested in a 12-acre (five hectare) orchard. Honeyberries are extremely popular in North America and many retailers and processors in the UK are expressing an interest in the product. Arbuckle are also collaborating with Strathearn Distillery to produce a Honeyberry Gin.

As healthy as superfoods might be, the use of the term is largely a marketing tool. There are no set criteria for determining what a superfood is and the term is not commonly used by dietitians and nutrition scientists, many of whom dispute that particular foods have the health benefits often claimed. Another criticism is that, while the food itself might be healthy, the processing might not be. Many superfood fruit juices can be high in added sugar. Also the market for superfoods is very fickle; current fashionable superfoods can easily fall out of favour and be quickly replaced by a new superfood, so farmers considering diversifying into growing a superfood may find it a high risk proposition.

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Key economic data

General Indicators	
Base interest rate	0.50% (0.25% Nov '17)
ECB interest rate	0.00% (0.05% Mar '16)
UK (CPI) inflation rate	3.0% (target 2%)
UK GDP growth rate	0.5% (Q4 '17)
FTSE 100	7,218 (7 Feb '18)

Price indices for November 2017 (Defra 2010 = 100)			
Output Prices		Input Prices	
Wheat	121.4	Seeds (all)	98.8
Barley	124.7	Energy	117.9
Oats	120.7	Fertiliser	98.2
Potatoes (Main Crop)	102.6	Agro-chemicals (all)	97.7
Cattle and Calves	131.8	Feedstuffs	112.2
Pigs	107.2	Machinery R&M	116.2
Sheep and Lambs	98.7	Building R&M	116.4
Milk	129.2	Veterinary services	108.9

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