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April 2018

News in brief

Brexit transition agreed

With just one year to go before the UK leaves the EU, the UK has agreed a transition deal to extend the current benefits and conditions of membership for another year and nine months until December 2020. Given that nothing is agreed until everything is agreed there remains a chance this could yet fall through. However, assuming the deal holds, this gives businesses much needed certainty that trading and other conditions including access to EU labour will remain unchanged during this period. This deal does not diminish the scale of the task ahead as the UK and EU embark on another six months of negotiations to outline the shape of any future trade agreement. Further details in the *Policy* article overleaf.

Seasonal workers

A recent SRUC study has demonstrated the importance of seasonal workers from overseas to Scottish agriculture, with two thirds of farm businesses surveyed (mainly fruit and vegetable farms), stating that they were likely to switch to other agricultural activities without access to their migrant workforce. Over half saying they would likely diversify their business into non-agricultural activities.

The report highlighted the need for the UK and Scottish governments to start taking more account of the value of migrant labour to the UK economy and agriculture. The report also highlighted a number of relevant international case studies where lessons can be learned. With the clock ticking, practical measures for the UK need to be put on the table sooner rather than later! Further details are in the *Seasonal workers* article on page 9.

Next month….

- Sector focus: Poultry
- Management matters – Forestry and land values

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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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BREXIT – transition period agreement

Over the past few weeks there has been some headway made on Brexit, including agreements between the UK and the EU on the transition period. At time of writing, key aspects of the transition agreement included:

- The transitional period will last from 11pm on 29th March 2019 to midnight on 31st December 2020.
- EU citizens arriving in the UK during the transition period will have the same rights and guarantees as those who arrived before, the same will apply to UK expats in the EU.
- The UK will be able to negotiate, sign and ratify its own trade deals during the transition period but they will not be able to come into force until 1st January 2021.
- The UK will still be party to existing EU trade deals with other countries.
- The UK will stay under the EU's Common Fisheries Policy until the end of the transition.
- In the absence of other solutions, to avoid a hard border with the Republic of Ireland, Northern Ireland will effectively stay as part of the single market and the customs union.

Although the deal still needs to be signed off and ratified, and issues on the Northern Ireland border resolved, talks appear to be gathering momentum and will now move onto trade.

BPS payment option - £ or €?

Now that the Single Application Form (SAF) application window is opened, farmers have once again got the option to decide whether to take their Basic Payment in sterling or euros.

Opting to receive the Basic Payment Scheme (BPS) payment in sterling means that the payment amount is dictated by the average euro – sterling exchange rate set throughout September. In contrast, electing to take the payment in euros gives more control over the rate either by entering into a forward contract or converting it into sterling at a later date.

What is the best option? Sterling is the most popular choice, despite it leaving the payment rate to chance, but, as the table opposite shows it can also be a risk worth taking. On the other hand, taking the payment in euros and either locking into a rate or converting the payment to sterling at a later date, does provide certainty over the payment amount.

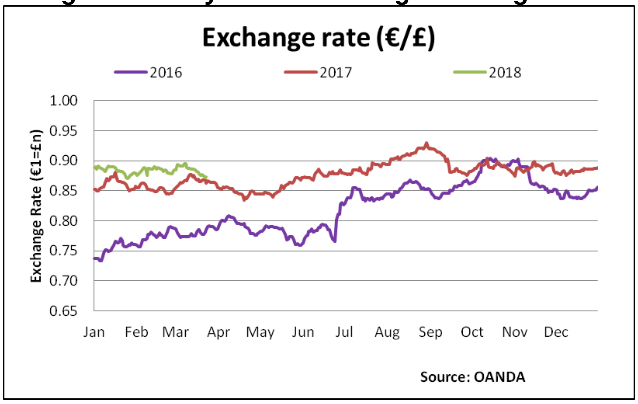
Note: If entering into a forward contract it is important to understand what the arrangement is, if the rate includes all costs and fees and ensure there is an adequate exchange window in case the BPS payment is paid late.

Table 1. BPS exchange rate

Year	BPS exchange rate
2015	€1 = £0.73129
2016	€1 = £0.85228
2017	€1 = £0.89470
2018	€1 = £??

If for the rest of the year it was known what direction the sterling will take against the euro, then the decision would be an easy one but exchange rates are not easy to predict. So far this year the rate has fluctuated around €1 = £0.88, see chart below. Further announcements and decisions on Brexit and UK interest rates, as well as global factors can cause sterling to weaken or strengthen.

Figure 1. Daily Euro - Sterling Exchange Rate



The best option to take will be down to the needs of the individual farm business. Those that require stability may seek to lock in in advance at a known euro-sterling exchange rate. Those that are financially willing and able to take the risk may prefer to wait and see. Those who can't decide should fix half and leave the other half open!

Reminder of CAP Scheme key dates

BPS transfer of entitlements - the final date for submitting a 2018 entitlement transfer application is 3rd April 2018 (2nd April 2018 is a Bank Holiday).

Agri-Environment Climate Scheme (AECS) - deadline for applications is 13th April 2018 but where applications are part of a collaborate project the deadline is 31st May 2018.

Single Application Form (SAF) 2018 – the closing date for submitting a SAF is 15th May 2018.

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World grain stocks to fall again in 2018

International Grains Council expect world grain stocks to fall 46mt in 2018/19, led by a fall in maize stocks (-42mt) with only a small decline in wheat stocks (-3mt). World grain production in 2018/19 is seen 5mt lower at 2087mt while demand is seen up 23mt to 2,134mt. If realised, this would be the second year of global stock decline. Stocks to use ratios are expected to fall to the lowest in five years.

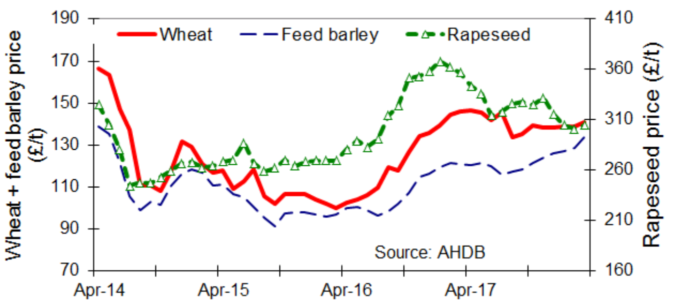
In terms of weather, “global weirding” continues with temperatures well below average in NW Europe and Northern N America and drought in Argentina.

The cold snap in Europe has not apparently caused significant damage to winter wheat according to the European Commission though French winter cereal condition is below average. There may be more damage to rapeseed in Poland and France. Spring plantings are delayed in the UK though it is too early for yield impacts. There has been snow and rain in N. America benefitting winter wheat.

In the last month, Scottish ex-farm spot prices rose +£2/t, for wheat (£150/t), feed barley (£137/t) and -£9/t for rapeseed (£286/t del.).

- *World grain stocks expected to fall in 2018 for 2nd yr in a row with stocks to use the lowest in 5yrs – making market very sensitive to weather.*
- *World seeing strong weather anomalies at present but too early to gauge overall impacts.*

UK spot ex-farm grain and oilseed prices



UK and Scotland winter sowings

Scottish Government revealed a 22kha fall in Scottish new crop winter sowings by 1st December 2017 on lower wheat and winter barley plantings.

AHDB estimates for expected crop areas in June 2018 see a decline in UK wheat (-44k ha) and winter barley (-41k ha) and a rise in UK rapeseed (+60k ha) and spring barley (+50k ha). AHDB forecast a 30kha rise in Scottish spring barley area on lower winter area and CAP greening changes.

Based on 5 year average crop yields these two surveys suggest a large decline in UK (-468kt) and Scottish (-100kt) wheat production. Though the Scottish estimates exclude any wheat planted after 1st December (typically ~5k ha). Barley production overall could be around 100kt higher for the UK as a whole, but within this there could be a 150kt (10%) increase in Scottish spring barley output.

In terms of livestock, cattle numbers in Scotland were seen falling -1.0%, pigs were down -0.2% and poultry were down -0.8%. Cattle and pig numbers also fell across the UK as a whole, but there was a 5% rise in the vital poultry flock which could offset wheat demand lost in other livestock sectors.

Crop areas at 1st December Scotland & June 2018 estimates for UK

000's ha	Wheat	W. Barley	OSR	Wint. total	Sp. Barley
UK					
2017 Jun	1,792	423	562		754
2018 Jun	1,748	382	622		804
Change (k ha)	*-44*	*-41*	*60*		*50*
Change (k t)	*-468*	*-301*	*10*		*411*
Scotland					
2016 Dec	104	52	32	197	244
2017 Dec	93	42	31	174	274
Change (k ha)	*-11*	*-10*	*-1*	*-22*	*30*
Change (k t)	*-100*	*-48*	*-29*		*156*

Source: AHDB, Scottish Government, SAC Consulting

- *Lower winter wheat plantings in Scotland and UK – to keep UK a net importer for 3rd yr running and supports Scottish price premium over England.*
- *UK and Scottish spring barley area to rise – potential 10% increase in Scots spring barley crop may pressure malting premiums.*

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Indicative grain prices week ending 23 March 2018 (Source: SACC/AHDB/trade)
Ex-farm England spring max 1.85%N,'* Before oil bonus, ~ nominal

£ per tonne	Basis	Mar 18	Apr 18	May 18	Hvst 2018	Nov 2018	Nov 2019
Wheat	Ex-farm Scotland	150.30	152.30	154.00	147.00	150.00	151.00
Feed barley	Ex-farm Scotland	136.90	138.60	140.00	122.00	127.00	128.00
Malt. barley - distil	Ex-farm Scotland				163.00		
Malt. barley - brew#	Ex-farm England			160.00	152.00		
Oilseed rape*~	Delivered Scotland		286.00	287.00	282.00	290.00	286.00

Weather impacts hit the sector

#beastfromtheeast, #pestfromthewest

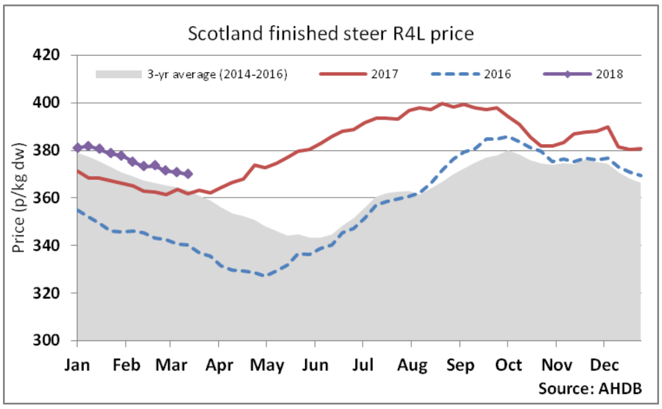
The headlines say enough. The most immediate concern is now calving, spinning out feed supplies, and dealing with the consequences of a late spring. Unsurprisingly, the more extreme weather also disrupted supply with GB prime cattle slaughter numbers down 20% in one week. Numbers did not fully recoup, making it one of the lowest February throughputs of GB cattle in recent years.

To some extent this will have subsequently helped bolster price, although there has been no real lift in the market. Coupled with a flying trade for cow beef, still indicates processing beef remains top of the consumer shopping list. With Easter upon us, followed by a two week school holiday, demand for roasting joints and more expensive cuts will rise. This may well be the impetus required to buck the current prime market. In context, the market price is very good for the time of year. A Scottish R-grade steer remains around 8p/kg dwt (£30/hd @ 370kg dwt) higher on the year at c.369p/kg dwt. Firm trade is reflected across the country and Europe.

- *The price in England has lifted over recent weeks, which may provide signs of spring bloom. But may mean Scottish finishers need to compete harder at coming store cattle sales.*
- *Strong trade includes that for Irish beef (in real price terms and relative to GB markets once adjusted for the exchange rate). Despite currency impacts, Irish imports remain similar and highlight firm demand and tight supply.*

There may be a hint of backlog storing up in native bred cattle approaching 24months and typical of recent years. That said, an Angus premium of 15p dwt over R-grade commercial cattle, is still possible.

With good export demand, any change in prime market is unlikely to be at the expense of cow beef this spring. As touched on above, the cull cow market is performing very well. A 740kg cow can gross over £1,100 - a historical high for the time of year at over 300p/kg dwt in moderate condition. The whole GB cull market is 30p higher on the year for both beef and dairy types.



This provides an opportunity to reduce the cost of replacing an extra heifer with a voluntary cull. Although, a bigger worry for industry might be the sale of both, to ease cash flow and feed demands.

In the meantime, forward store cattle set for the finishing shed met strong demand at recent sales. Spring grass is needed urgently to help demand for lighter grazing cattle destined for April sales.

Competitive advantage required

Any future UK and Scottish support schemes need to better drive innovation and reflect the sector's contribution to conservation and wider society. National budgets look like they will be tighter and support harder won. It will be difficult to influence Government trade and economic policy without demonstrating benefit for rural communities, environment, employment, and economic growth. To ensure this also means prosperity in the beef (and sheep) sector, any new scheme(s) need to deliver competitive advantage. Well-conceived plans need to be presented that build on the national brand and help efficiency improvement to stimulate both demand and supply – a multiplier effect, much greater than the exchequers financial commitment, hard to do, but essential to achieve. Monies directed at underpinning the status quo, by simply providing some comparative advantage over competitor beef exporting nations to the UK e.g. a traditional headage payment, are unlikely to be supported and neither is the pot likely to be big enough to make a sizeable difference in itself.

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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
3 Mar 18	363.7	369.6	354.9	371.4	371.2	352.7	366.9	367.5	369.7
10 Mar 18	360.6	371.3	343.4	370.8	371.7	359.7	367.9	371.4	369.4
17 Mar 18	362.8	372.7	355.6	369.9	372.7	362.0	366.6	370.6	368.1

Market price update

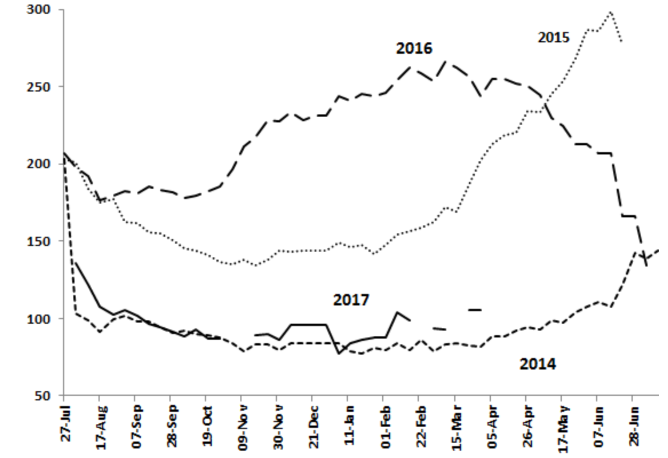
- *The GB Weekly Average prices for the week ending 24th March 2018 were £156.87/t for free-buy and contract purchases and £105.65/t for free-buy purchases.*
- *Compared to the previous reported week free-buy and contract was up £2.22/t and free-buy was up sharply by £13.05/t.*
- *GB stocks were high at the end of Jan but falling quickly due to high levels of waste. Also consumer demand for 2017 crop is strong and likely to increase due to late start to planting and delays to new crop supplies.*

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

Crop Year	24 Mar	10 Mar	3 Mar	16 Feb
All potatoes 2017	156.87	154.65	151.53	155.42
All potatoes 2016	218.54	222.62	219.04	211.95
Free-buy 2017	105.65	92.60	93.53	98.81
Free-buy 2016	256.28	266.24	253.58	262.19

Source: AHDB

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



Source: AHDB

Overall trade in GB remains relatively flat, though the free-buy price has jumped considerably in recent weeks. In Scotland, a wide variation exists in prices reflecting differences in quality. Grade 1 King Edward are trading around £70-100/t, grade 1 Maris Piper £120-195/t and grade 1 whites around £40-£60/t. Prices for most grades are £20-30/t higher in England, resulting in some purchases being made for sale down south.

GB stocks high but falling faster than usual

End of January GB potato stocks are the highest recorded by AHDB since they began the survey in 2010 and represent a rise of 25% on the previous year. This survey covers stocks held by growers only and not those held by processors.

GB end of January potato stocks

Stocks (m t)	13/14	14/15	15/16	16/17	17/18
End-Jan	2.10	2.30	2.00	1.90	2.40

Source: AHDB

The rate of drawdown in stocks this season has been higher than normal, with 1.19mt drawn down between November and January; 226kt more than the year before and 14% higher than the 5-year average drawdown rate. The most likely explanation for this is likely to be the higher degree of wastage seen in this year's crop.

Consumer purchases were actually higher this season; up 3.2% in the 12 weeks to December 2017 compared to the year before. At the end of January 2018 stocks represented 40% of production compared to a 5-year average of 38%. So in relative terms stocks remained higher than average, however, given the higher inferred level of wastage this season it is possible the market could come back into balance more quickly than seasonal stocks so far suggest.

Late spring delaying plantings and boosting demand for 2017 crop

The cold spell is slowing plantings across the UK and northern Europe and crops in early areas such as Cornwall have been severely damaged by frost.

Early regions are behind schedule with Jersey only 70% planted when normally planting would be completed by the end of March. Delayed planting and frost damage means that little volume will be expected until late May, 3-4 weeks behind schedule. Early planting has started in Ayrshire but is behind the normal pace.

Consumer demand for potatoes has also increased as cold weather encourages consumption of hearty potato based dishes to help keep out the cold!

With soil temperatures well below normal, the pace of planting is expected to remain slow for a few weeks yet. Dutch seed potato exports to the rest of Europe are 54kt less than a year ago, reflecting the slower pace of planting. The implication is that new crop supplies will be later and at a lower volume than normal, necessitating greater use of 2017 old crop supplies. Given the large increase in potato stocks this season the buyers may not yet be unduly concerned. However, the cold spring should provide some support to old crop values which is being felt in some categories already, such as frying potatoes.

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Exceptional

Getting lambs to market in February/March has been a big challenge worth the effort. Easter is two weeks earlier this year but even making that adjustment, it remains a flying trade.

A smaller, hill, or tail-end lamb that eventually gets to marketable weight (~40kg) in March would average 219p/kg lwt or £87/hd. Heavier lambs are topping £100/hd in the mart, £20/hd higher on the year. Well thriven lambs sold at the same weight back in August, averaged 187p/kg lwt, which was a decent return of £75/hd, albeit £13/hd lower.

- *Heavy or out of specification lambs are being penalised more heavily, which should focus attention and keeps the trade honest.*

It remains a contentious point whether the improved price is worth the added competition for ewes. Although, let us not take the shine off a bright spot in an otherwise challenging winter. Specialist lamb finishers can definitely enjoy the bumper price, making up for losses incurred last year.

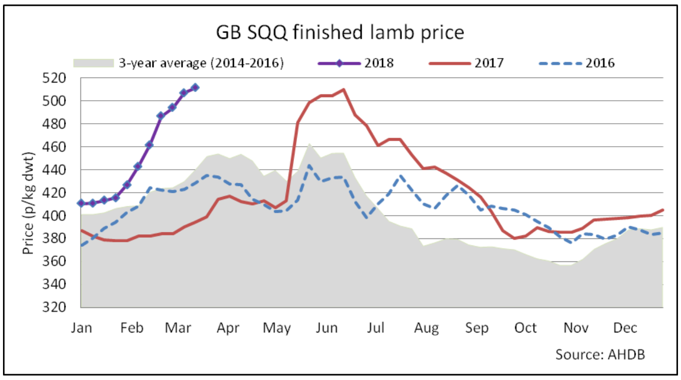
- *While store lambs through mainland market sales would reach over £50/hd, it will grate with island producers who maybe only grossed half that value.*

Domestic and export demand remains strong and imports slightly reduced. While the market price is likely to soften after Easter, per trend, a lower number of lambs still on the ground in New Zealand should not threaten UK markets as they head into the tail end of their season - especially since their lamb price is currently high and Chinese demand remains strong.

Good trade over next few months?

Since the month long observation and festivals of Ramadan start on 16th May, which is only six weeks away, both hoggs and cull ewes can expect to meet buoyant trade, especially since there will be limited supply.

The month of May is a low point in cull ewe sales but keep this date in mind to sell ewes in good fettle but not running with a lamb.

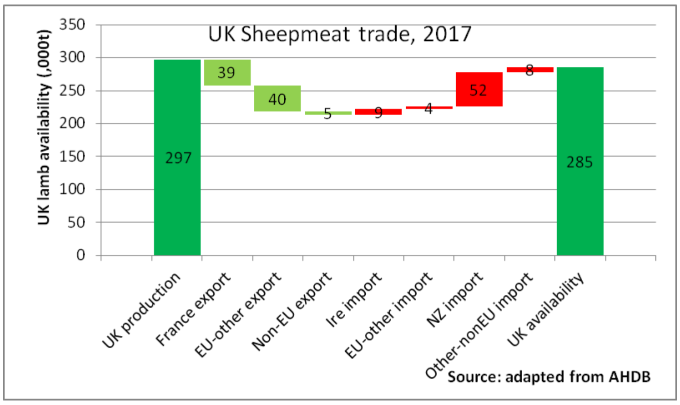


Grass lets are also flying…

…..but keep, at least, a mob of early lambs and 'super singles' moving.

News from seasonal grass park lets reveal keen demand as graziers look to spread out stock and relieve grazing pressure. While sourcing more grass may be necessary, if left to their own devices, a late spring will also result in a delay until peak lamb throughput. In which case, targeting the earlier market (Jun/Jul/Aug) will gain a higher price for new season lambs. If last year is anything to go by it would be worthy of prioritised grazing on better fields or creep feeding.

UK sheepmeat net exporter, 2017



NZ remain the UK's largest importer but, in total, they only used 62% of their EU quota in 2017. Combined with 10% higher exports meant the UK was a net sheep-meat exporter last year. France remains the single largest export market but higher overall EU demand helped drive increased volume.

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Week ending	GB deadweight (old season) 16.5 – 21.5kg			Scottish auction (new season) (p/kg LWT)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy	All	All
3 Mar 18	497.0	498.1	489.8	206.80	220.50	212.30	53.92	66.36
10 Mar 18	508.9	510.3	505.2	215.70	230.00	220.10	66.96	75.19
17 Mar 18	513.8	516.0	510.5	212.80	229.10	227.90	70.85	73.06

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

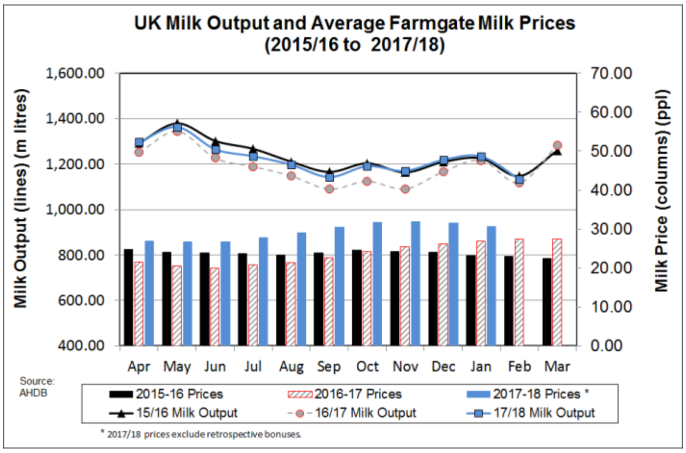
Increase to February 2018 production

UK milk output for February 2018 is estimated at 1,132.15m litres (before butterfat adjustment), according to DEFRA's latest production estimates. This represents an increase of 13.89m litres against February 2017 production.

Cumulative production from 1st April 2017 up until the end of February 2018 currently stands at 13,449.26m litres. This is 482.18m litres above cumulative output for the same period last year.

The UK average milk price for January 2018 is estimated at 30.60ppl, down 1.02ppl from the December 2017 UK average price (31.62ppl).

- *UK milk output figures for March 2018 are likely to be affected by farmers dumping milk as a result of difficulties with tankers accessing some farms following heavy snow.*
- *Price reductions in April 2018 (see below).*



Price reductions for many in April 2018

There are few 'winners' from milk price changes for April 2018. Only Sainsbury's aligned suppliers will see prices increase during the month. Key changes for April 2018 below and table opposite:

- Lactalis – 3.00ppl reduction from 1st April 2018. This takes the liquid standard litre price down from 29.00ppl to 26.00ppl.
- Müller – 1.50ppl reduction from 1st April 2018 for Müller Direct suppliers.
- Arla Foods (Direct) - 1.50ppl fall from 1st April 2018, takes the standard litre price to 24.30 ppl.
- Arla Foods amba – Arla are holding the milk price for April. However, members will benefit from the new quarterly average exchange rate which is built into the currency smoothing mechanism. It is estimated that this will result in an increase of 0.31ppl for 4% butterfat & 3.30% protein, taking the liquid standard litre price up from 26.08ppl to 26.39ppl.
- First Milk – April 2018 will produce variable price reductions for members as the company moves to just two price schedules from 1st April (one for liquid suppliers and a second for manufacturing suppliers). During April 2018, most Scottish liquid suppliers will see a drop of 0.84ppl, with the price moving down from 26.84ppl to 26.00ppl. See table below.
- Yew Tree Dairy – 1.50ppl price reduction from 1st April 2018 to 26.50ppl per standard litre.

Annual Av. milk price estimates for April 2018 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) (3 month contract) [1]	26.00
First Milk Liquid [1]	26.00
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)*	26.88
Müller - Müller Direct [1, 2]	26.50
[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.*	

Müller & Grahams in Lidl deal

Following the announcement of a new supply arrangement from 1st June 2018 that will see Müller and Graham's Dairies supply Lidl, Müller is to introduce a facility that will allow supplying farmers to fix their milk price at 28ppl for a proportion of the milk supplied to the retailer. Although exact details of the agreement are yet to be confirmed, this is another innovative arrangement which will assist farmers manage exposure to milk price volatility.

Butter prices recover some lost ground

After recent price reductions there was an increase to UK butter prices boosting AMPE from 24.02ppl to 26.88ppl between January and February 2018.

UK dairy commodity prices (£/ tonne)	Feb 2018	Jan 2018	Sep 2017
Butter	4,300	3,660	6,150
SMP	1,130	1,160	1,525
Bulk Cream	1,850	1,550	2,830
Mild Cheddar	2,925	2,850	3,450
UK milk price equivalents (ppl)	**Feb 2018**	**Jan 2018**	**Sep 2017**
AMPE (2014)	26.88	24.02	39.87
MCVE (2014)	31.30	30.10	38.48

Source: AHDB

The change to UK wholesale prices has also been reflected in the wider market, as the latest Fonterra online auction saw the weighted average price across all products rise from US $3,593/t to $3632/t.

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Sector Focus: Circular Economy

Circular Economy + Food Waste

Background

A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible and extract the maximum value from them whilst in use. At the end of their life, we then recover and regenerate the products and materials so that the amount of waste is minimised.

The Scottish Government developed a strategy in 2016 to move the country towards a more circular economy, aligning its economic and environmental objectives. The strategy's key elements were to develop a more comprehensive approach to producer responsibility and to reduce all food waste by 33% by 2025. The strategy has four priority areas, with food, drink, and the broader bio-economy (beer, whisky and fish industries) being one of them. It is hoped this sector could reduce costs by £500-800 million a year by taking a more circular approach. Zero Waste Scotland is Scotland's resource efficiency and circular economy expert and delivers advice on behalf of the Scottish Government. They offer tailored one-to-one support for businesses and funding through the circular economy investment fund, which is investing up to a total of £18 million to create a more circular economy.

Farming and Food Waste

Farming and the agricultural sector has followed the principles of the circular economy for centuries, even though the term had not yet been developed. Farmers have acted as stewards of natural resources – soil, water, plants, fertilisers and wildlife. So circular economy thinking – which encourages business models which keep resources circulating in the economy at their maximum value – should resonate in the farming community. The main approaches used in a circular economy, such as repair, remanufacture, reuse, recycling and putting a value on waste, are all very tangible and nothing particularly new to the farming community.

There are still issues in the farming sector that cannot be ignored. Can the sector really ignore the mountains of waste vegetables rejected because they don't adhere to supermarkets' specifications? Are irrigation techniques fit for purpose in an increasingly water-stressed world? Challenges clearly remain and further improvements could help boost productivity as well as mitigate environmental damage. Ever-smarter technology can be developed to tackle many of these problems. Building a new robot for harvesting crops or optimising a new dispensing system, to deliver inputs more efficiently, are all technical solutions that could be introduced to improve economic and environmental performance.

Innovative companies in Scotland are using the circular economy to overcome the issues of waste food. Ogilvy Spirits embraces the principles of a circular economy by distilling award winning vodka from potatoes not suitable for the supermarket. The family run farm in Forfar takes low grade potatoes that would normally be used for cattle feed and turns them into a high value exportable product with a long shelf-life. CelluComp, a material science company based in Fife produces a nano-fibre product made from waste streams from root crops. As a mechanical enhancer with thickening properties, the product can improve many different products, such as paints, coatings and concrete.

There is however, concern that the circular economy, by adding value to certain wastes, can displace and augment existing markets. For example the displacement of waste materials from whisky and food manufacturing industries, which had previously been used as cattle feed, has become a feedstock for energy production through biogas and anaerobic digestion. Researchers from Bangor University have found that anaerobic digestion creates competition for animal feed supplies, and warn that diverting fodder crops and food waste to farm-scale anaerobic digestion in the UK, could put pressure on animal feed supply and cause damage to the environment through land use displacement.

The final key principle of the circle economy is the opportunity to replace fossil or mineral resources with biological resources – in other words the opportunity to grow the raw materials for manufacturing in addition to growing what we eat. More and more bio-based products are coming on the market. There are so many great examples: packaging grown from mushrooms, food service items made from sugar cane and using insects to turn food waste into protein-rich fish feed. This emerging bio economy represents a huge opportunity for the agri-tech sector to diversify, move up the value chain and identify new opportunities to create materials and products from what is currently just waste.

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Research

In summer 2017, SRUC was commissioned by the Scottish Government to undertake research to improve our understanding of the labour market in Scottish agriculture. The final report from the project, which has just been published, is available to download here - [Farm Workers in Scottish Agriculture.pdf - SRUC.]

Scotland's agricultural sector relies heavily on seasonal non-UK workers, particularly from central and eastern Europe, to meet its labour demand. However, there was a lack of detailed information about the actual numbers of migrant workers working in Scotland and their living and working conditions – information gaps that this project aimed to address. The project had a number of different, but connected phases, including several surveys of farm businesses, labour providers and workers themselves.

Evidence collected in the study demonstrates the importance of seasonal workers from overseas to Scottish agriculture, with two thirds of farm businesses stating that they were likely to switch to other agricultural activities, without access to their migrant workforce, with over half saying they would likely diversify their business into non-agricultural activities.

The study (conservatively) estimates that there were 9,255 seasonal migrant workers engaged in Scottish agriculture during 2017 (including 900 employed directly by labour providers). About 25% work on more than one farm in the UK and there is also transition to other sectors of work, in particular food processing and hospitality. On average, seasonal migrant workers were employed for just over four months per year, corresponding to the key soft fruit harvest period, but the seasonal pattern of crops in Scotland provided an opportunity for workers to work for extended periods.

For non-UK seasonal workers, the key motivations for working on Scottish farms were earnings potential, linked to enhanced quality of life and goals, conditions of work relative to home countries and familiarity, recommendations and farm reputations.

Brexit has undoubtedly affected the confidence of a proportion of workers and therefore their expectations about returning to Scotland in 2018. Approximately 40% of the surveyed workers were certain they would be returning to Scotland in 2018, with 12% unlikely to return due to having permanent jobs to go to in their home countries, or returning to studies, etc. 46% were uncertain about whether they would return in 2018.

The study also looked in detail at the situation in a number of other countries including: Germany, Ireland and Denmark to see what lessons could be learned. In some countries quotas for seasonal workers are agreed on a regional basis to meet local needs and effective points based immigration schemes are in place.

Recommendations

Managing business and worker uncertainty. A key overarching recommendation from this work is the development of clear commitments and statements on the part of the UK and Scottish Governments, expressing support for the horticultural industry and identifying/agreeing the ongoing need for access to sufficient numbers of seasonal migrant workers. Statements should also target migrant workers, to ensure workers are aware that they are welcome and valued in Scotland and the wider UK.

Recruitment mechanisms and ensuring future access to labour. Further development is required within the horticultural (and wider agricultural) sector of direct recruitment strategies, including exploring opportunities for coordinated 'inward missions' to countries currently providing high numbers of workers, as well as countries which represent potential future labour markets.

Best practice – maintaining and promoting high standards. The horticultural sector as a whole should ensure that working conditions on Scottish farms are maintained to a high standard and improved where possible, to ensure the reputations of Scottish farms are maintained and enhanced within a competitive international labour market

Recognising the value of the seasonal migrant workforce. Include recognition of the role of seasonal migrant workers within the Scottish Government's future Agricultural Strategy and the work of the Agricultural Champions.

More information about the project can be obtained from: steven.thomson@sruc.ac.uk

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Input Costs: Feed Prices

Commodity	Price for bulk delivery (£/t)	Commodity	Price for bulk delivery (£/t)
Soyameal	350	Potatoes	25-30
Rapemeal	240	Draff	32-40
Sugar beet pulp	200	Dairy Compd.18%	215
Wheat Dark Grains	n/a	Beef Blend	180
Maize Gluten	n/a	Lamb Finisher Pellets	218
Soya Hulls	190	Pig Grower	245
Molaferm 20	175 (10t)	Pig Finisher	225
Pot Ale	75	Dry Sows	210

Animal health	Product Detail	(£ ex VAT)	Fodder	Ex farm (£/tonne)
Pour – On Wormer	Ivomec 2.5ltr	58.00	Hay (4×4)*	120
Drench Wormer	Panacur Sheep 10. 1ltr	65.00	Silage (4×4)*	£15-20/bale
Inj Wormer	Ivomec Supercattle 500ml	124.00	Straw *	120
Magnesium (bottle)	Mg Sulphate 400 ml	5.50	Hay (4×4)*	120
Calcium (bottle)	Ca + M40 400 ml	5.50		
Flukicide	Fasinex 240 0.8ltr	80.75		

Note: the above prices are for April 2018 at time of writing (mid March), based on 29t loads, they are a guide only and may vary from region to region. *Wide variation in prices depending on the area and quality.

For the month of April dark grains are expected to be in very short supply/unavailable. The Vivergo bioethanol plant in NE England is still closed and due to start producing again in the summer. Ensus bioethanol plant is also currently only working at 25% capacity and many other plants will have a 2 week shutdown. Availability is expected to improve for the summer months when Vivergo reopens.

Argentine droughts and Trump's trade tariff announcements have edged the soya price higher over the last few weeks, however, it is still a well-known fact that global soyabean stocks are abundant leading analysts to wonder how long the rally in beans can last. The weather, China booking more cargoes from Brazil (than the US) and funds having large long positions, will determine the soyameal price over the next couple of months. Other mid proteins have risen along with soya.

The wheat price has strengthened recently with Vivergo expected to reopen soon, prices may rise further. The UK is short of barley near by, due to a recent high volume of exports.

Straw prices are still strong and demand has been extremely high over the last month with calving/lambing time. Hay is near impossible to find with regular loads coming up from the south of England. Draff has become more available with the feed industry bringing some product back into the feed market and away from Anaerobic Digestion. Potatoes have come on stream and are more readily available and could help in the coming weeks to eek out forages or be added to clamps at silage making.

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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	2.7% (target 2%)
UK GDP growth rate	0.4% (Q4 '17)
FTSE 100	6,995 (27 Mar '18)

Price indices for January 2018 (Defra 2010 = 100)			
Output Prices		**Input Prices**	
Wheat	119.0	Seeds (all)	106.6
Barley	126.3	Energy	126.0
Oats	117.9	Fertiliser	96.5
Potatoes (Main Crop)	109.2	Agro-chemicals (all)	112.9
Cattle and Calves	132.0	Feedstuffs	112.7
Pigs	103.4	Machinery R&M	116.9
Sheep and Lambs	106.4	Building R&M	117.4
Milk	124.0	Veterinary services	109.0

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