Farm Advisory Service

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February 2022

News in brief

Tech Savvy

While Covid and pandemic became the buzz words of 2020, followed by COP26 and carbon management in 2021; as energy, fertiliser and feed costs continue to climb; while unlikely to make headline news or set social media channels on fire; ‘ensuring technical efficiency’ and ‘nutrient management’ will be jockeying for pole position this year. For sheep, beef and dairy producers, effective management of spring grass will provide a much needed cushion against rising feed prices

While we are fresh into 2022, the climate change targets set for 2030 might still feel light years away, but for the beef sector, breeding strategies implemented this year will impact on the ability to meet emission reduction targets by 2030. Bulls chosen this year will determine the characteristics and the technical efficiency of replacement heifers calving in 2025/26.

It might be a new year but there is no let-up in any of the challenges facing the pig sector. Omicron isolation rules have exacerbated the problems in the processing sector; rising feed prices and back logs on farms are causing significant physical and mental stress within the sector, made worse by cheaper imports creeping in from Europe. While technical efficiency and support from lenders will be the key to business survival; the relentless challenges facing the sector will take their toll on producers numbers.

With milk supplies continuing to tighten and continuing strong demand, milk prices continue to edge upward but is the price carrot big enough to take a beating from rising feed, fertiliser, and energy prices? Same could be said in the arable sector where nutrient management will be key to maximising yields and minimising fertiliser bills. Up to date individual enterprise net and gross margin budgets with be important in helping producers decide if they want to take their seat at the 2022 production table.

With land use and biodiversity continually in the spotlight, Policy Briefs highlights upcoming NatureScot and AECS schemes and the all-important deadlines for applications.

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Christine Beaton

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Europe investing in rural areas

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Seasonal workers scheme retains cap

At Christmas, the government announced that the current system for seasonal workers in agriculture would be extended for the following three years but maintaining the existing cap of 30,000 worker permits. This is despite calls to expand the scheme to allow up to 60,000 workers, to meet the demand for skilled labour in the sector throughout the year. Farmers and processors are experiencing continued challenges in acquiring staff, including increased barriers for hiring from the EU, establishing recruitment links to countries out with the EU, as well as retaining workers throughout the season due to competition with other industries and limitations on length of stay to 6 months.

The announcement of the continued cap on number of workers will do little to ease the concerns of producers and processors going into the 2022 season. Suggestions to fill the labour gap with more permanent/settled roles and through local labour markets have proven largely insufficient, with seasonal agricultural work near to bottom of the list of choices for UK workers, and strong evidence of little retention of UK workers in the last two years, indicating the Pick for Britain scheme is not a sustainable option.

Australia trade deal inquiry

An inquiry has been launched into the UK's trade deal with Australia, allowing the Environment, Food and Rural Affairs (EFRA) Committee and Trade and Agriculture Commission are to examine the impact of the deal on food and farming in the UK, and advocate for stronger measures within the deal to protect welfare and environmental standards of production.

The deal has been criticised for opening the UK market up to a much greater tariff rate quota (quantity of a product allowed to be imported into the country) of various products such as beef and lamb. The concern is that it will encourage that quantity, quality, and seasonality of products competing directly with existing high-value markets for domestic produce, while requiring lower production standards, contrary to the direction of food and farming policy towards climate and biodiversity goals.

EFRA is welcoming evidence from industry to support to inquiry, which can be submitted online: https://committees.parliament.uk/committee/52/environment-food-and-rural-affairs-committee/news/160027/inquiry-launched-into-australia-free-trade-deal/

Green Claims Code launched by CMA

The Competition and Markets Authority (CMA) have launched the Green Claims Code, aimed to provide an ethical framework for environmental claims linked to products or services. It will cover business-to-business as well as business-to-customer; any claims that are not deemed to be clear, truthful, or accurate, do not substantiate claims, or do not consider the full life cycle of the product or service, can be referred to Trading Standards, the CMA, and other bodies.

The code begins to set out a blueprint of standards with increasing interest in and usage of environmental credentials in marketing. However, while the code is underpinned by separate legislation preventing misleading marketing, it is still, in itself, just guidance. Furthermore, there is nothing included in the guidance specifically around international products and services, as a UK-based code. It does begin to raise importance questions for the food and farming sectors though around increased accountability within supply chains for environmental claims associated with food products. For more information see: https://www.gov.uk/government/publications/green-claims-code-making-environmental-claims/environmental-claims-on-goods-and-services

Upcoming scheme deadlines

- NatureScot are inviting expressions of interest to be submitted by 12pm on 18th February for funding of £25,000-£250,000 for wildlife and habitat restoration and management projects with biodiversity and climate benefits, including the control of invasive non-native species with negative impacts on nature. Applicants may then be invited to submit a full application by the 11th of March.
- AECS (the Agri-Environment Climate Scheme) opened on the 24th of January and will close on Friday 29th of April (with some exceptions, e.g., stand-alone slurry store applications is Friday 24th of June). A full Farm Environment Assessment as well as at least one management plan is required. It is expected to be competitive with a high number of applications anticipated and funded awarded on availability. As the application process and selection criteria can be complex, it is advised farmers engage a farm advisor to assist with the application.

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Non-grain market events driving price

2021 was not easy for food markets given an abundance of uncertainties, from production to distribution and consumption. Prices kept climbing and even reached record highs for some crops, turning food inflation into a major concern, even in developed countries. Overall, markets continued to show their resilience with global supplies remaining adequate and logistical bottlenecks proving short-lived. As pressures on global food security keep mounting, markets will hopefully enter more stable waters although it is, perhaps, hard to imagine, with the ongoing volatility experienced of late. Whichever way you look at things, it doesn't change the fact that the world still currently looks to want to consume more grains than we have, regardless of other external influences.

With overall wheat utilization forecast to exceed world production, global wheat inventories are set to fall by 2.2 percent below their opening level to 282.1 million tonnes. The forecast drawdown is mostly concentrated among major exporters, especially Canada, the Russian Federation, and the United States, on lower harvest prospects. (Table 1)

Table1. Movement in global year-end stocks (FAO)

WORLD WHEAT MARKET AT A GLANCE

	2019/20	2020/21 estim.	2021/22 f'cast June	2021/22 f'cast Nov	Change 2021/22 over 2020/21
	million tonnes				%
WORLD BALANCE					
Production	**760.2**	**776.5**	**785.8**	**770.4**	**-0.8**
Trade[1]	**183.9**	**189.0**	**187.2**	**192.3**	**1.8**
Total utilization	**751.8**	**761.9**	**778.6**	**778.8**	**2.2**
Food	519.1	525.9	530.9	533.0	1.4
Feed	139.7	148.1	155.5	156.6	5.7
Other uses	92.9	87.9	92.2	89.2	1.4
Ending stocks[2]	**279.2**	**288.5**	**298.7**	**282.1**	**-2.2**

And these external influences do indeed keep coming; London May 22 futures lost £30 per tonne over the 7 weeks from mid-Nov 21 to mid-Jan 22 only to re-gain a third of that value over the last week. Much of the fall was caused by non-grain market events, particularly the unknown potential impacts of the new Omicron, Covid-19 variant. As uncertainties escalated so did the fear among the global hedge funds, offloading long term commodity positions to de-risk their exposure, not only in grains, but also out of oil and equities. Clearly, the market is still sensitive to news, firming again this week as new significant factors come into play, predominantly the political situation with major Black Sea exporters and weather issues in South America. The Russia/Ukraine geo-political issue threatens to de-stabilise the region and disrupt exports and with Russia and Ukraine accounting for 30% of world wheat exports and Ukraine exporting 16% of world maize exports, any disruption in export flows will send prices sharply higher.

Global weather patterns continue to influence markets.

While maize and wheat build in a political risk premium, drought conditions experienced in the autumn across both the U.S northern and southern plains, hasn't seen any reprieve through the winter, adding to supply concerns. Couple this with the very dry and hot conditions in south America and particularly Argentina, where maize planting has been delayed, has now reduced production estimates by 20MT. Those production losses will come out of world exportable supplies, with buyers looking to the U.S. – or Ukraine – to fill in the gap. But if Ukraine is in political chaos, then it is just the U.S. supplying corn through the summer – a major bullish feature, which isn't inconceivable.

Closer to Home

£ per t	Basis	Feb '22	May '22	Aug '22	Nov '22
Wheat	Ex farm Scotland	210	220	195	199
Feed barley	Ex farm Scotland	202		175	
Malt. barley - distil	Ex farm Scotland	255	260		
Feed oats	Ex farm England	180			
Oilseed rape*~	Del: Liverpool	582		502	

(Source: SACC/Cefetra)

Forecasting harvest 2022 crop values is proving difficult but taking some cover against current Nov 22 Wheat Futures will underwrite margins given the higher input costs that will be incurred this season. With the 2021 UK wheat crop confirmed at 13.9 MT it is likely that imports will be required May onwards, lifting the value of any old crop still on farm. In contrast, there is expected surplus of 1.3MT of UK feed and malting barley, of which only half had been exported by the close of 2021. Export demand and prices have firmed for feed barley on the back of tenders from Algeria and Turkey.

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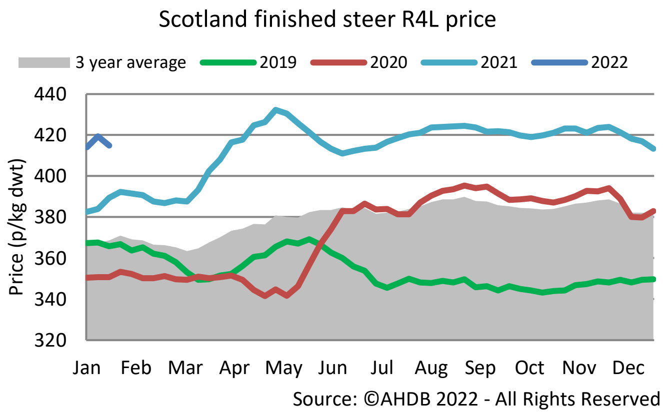
Light at the end of the Covid-19 Tunnel?

Finally, it seems that hopefully there is an end in sight to the Covid pandemic as restrictions continue to ease and social distancing rules relax across the country as the vaccination programme thwarts the severity of infection. This no doubt will be a welcome relief to the hospitality sector with reports suggesting that restaurant demand (especially for higher-end cuts such as steak) has been sluggish as we start 2022.

However, despite this prime cattle prices continue to hold up well, with R4L graded steers achieving £4.14p/kg/dwt. Price south of the border continues to be above the Scotch price leading to producers questioning the Scotch premium. Tightening cattle stocks are likely to be behind the widening price difference.



Store cattle remain a buoyant trade for all types as finishers look to restock sheds having emptied sheds prior to Christmas on the back of strong cattle prices.

Cull cow trade remains extremely strong, with cows continuing on a seasonal price uplift. A number of markets have reported on the strong demand for feeding cows with centre records being broken on several occasions.

Asda Reneges on 100% British Beef Promise

Little over three months after the supermarkets promise to supply 100% British beef on its counters Asda has since backtracked and has since returned to importing Irish beef, much to the disappointment of the National Beef Association.

Supply and price are said to be the reasons behind the move in order to 'cater' for consumer budgets. That said, the days of cheap food (undervalued by consumers) are surely not an option as farming input costs have increased significantly. Feed prices have increased adding to the price to feed animals per head per day and that's without taking into account the increase in fuel coupled with haulage costs (from market to farm and then to the abattoir), fertiliser bills have doubled, wages have increased etc. The input costs for the beef sector go on and on.

The news of LFASS subsidy payments being secure until 2024 will have come as welcome news and will have helped ease uncertainty for the short term.

Looking to the Future

Producers must look to what the future holds. Taking stock of your enterprise and where you want your cattle business to go will be key in reaching the challenging targets to reduce greenhouse gas emissions by 75% by 2030. Breeding decisions made at these spring bull sales will impact the herd's ability to meet efficiency requirements in 2030.

Bull sale season is now only weeks away, bulls bought this spring could well be siring the mature cows within the herd for reaching the targets of 2030, taking the time to take stock and evaluate what these bulls at upcoming sales offer your herd will be key.

The continuing decline of Scottish suckler cows – with the 2021 June beef census showing breeding cattle numbers to be sitting at 413,000 head - must no doubt be a concern for those with bulls to sell. Less cows inevitability means that less breeding bulls are required. The effect of reducing cow numbers will no doubt be felt in the store ring later in the year. With less cows (the high price of culls surely contributing to cows being slaughtered) less calves will be available and so the overall supply of cattle will tighten.

It's likely that cow numbers will continue to fall (generally falling at 1% year on year) with inputs rising, putting pressure on suckler cow viability on livestock farms.

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Sector Focus: Grazing at lambing

Value of spring grass

Provided pasture covers are maintained at 4cm or more, fresh leafy spring grass (>12 ME, >18% CP) can meet the nutritional requirements of the ewe in late pregnancy and lactation without supplementation.

If covers at turnout are short (3.5cm) then supplement with 0.4kg/hd/day of concentrates. This of course comes at a cost - £120 per day for 1,000 ewes at current feed prices (£300/t). However, failure to do so will impact stock performance and further delay building up of sufficient pasture covers.

To reduce the risk of mismothering under outdoor lambing when short of grass then consider feed blocks, 2kg/hd/d of root crop or lowering the stocking density if possible.

Proving rest for pasture and rotational grazing are tools to promote spring grass growth. As is fertiliser but at more than double the price this year compared to last, that's a topic for another article.

Pre-lambing rotation

Continuous grazing in the months before lambing will deplete grass leaf area and root reserves leading to reduced spring grass growth. Previous research found a 40% reduction in April yields by continuous grazing of sheep from January to March. The result ultimately being costly supplementation during lactation when ewe demands are high.

Aim to rest the main grazing/lambing platform for at least 90 days to optimise spring grass growth and pasture covers for turn out/lambing.

That said, a well-planned pre-lambing rotation in March for April lambers can reset pasture quality, promote tillering, and improve spring grass growth. Ewes graze off winter dormant leaf which stimulates grass growth.

Provided there is a minimum of 6cm across the grazing platform then graze fields in rotation down to a residual of 3-4cm. Sub-divide fields so that ewes are on daily shifts and target a 30 day rest period before the next grazing.

See feed budget table below, one hectare grazed at 6cm can feed 160 ewes for one day.

Ewe intake* (kgDM/hd/d)	***Available pasture (kgDM/ha)***	***Utilised pasture (kgDM/ha)***	***Ewes per ha per day***
1.75	*400*	*280 (70%)*	*160*

**75kg ewe allocated 2.5% of body weight*

Consider twin bearing ewes as priority stock for pre-lambing rotation. As, provided they are fit - body condition score >3 - this will meet their high late pregnancy demands without supplementation.

This can lead to considerable savings compared to conventional late pregnancy feeding, for example typical supplementation for last 2 weeks of pregnancy on average silage (10.5 ME) is 0.65kg/hd/d of concentrates costing £1.67/hd/week.

Outdoor lambing

Ewes should be set stocked by 7 days pre-lambing to allow them to settle and choose their birth site. Hold ewes off until at least 10 days prior, however, to provide maximum rest for pasture.

One way to reduce demand on pasture in the early stages of lambing to allow pasture covers to build is to hold late lambing ewes (raddle marking / scanner judgement) on the wintering system and off the lambing platform until 7 days prior to their due date.

Similar to how you would allocate more concentrates in a ration to ewes with multiple lambs, then aim to set stock multiples at a lower stocking rate (SR) than singles – see table below for a rule of thumb guide for stocking rates on good covers and grass growth rate (>25kgDm/ha/day)

If pasture is limited, as it is in certain years or on many farms in April (<15kgDM/ha/d) then spread ewes thinner at 4-6 ewes/ha or supplement.

In addition to pasture covers and field characteristic, aim to allocate multiple bearing ewes to smaller fields to reduce size mob size (MS). The Australian National Lamb Density Project found a 2% decrease in twin lamb survival for every +100 ewes in a mob at a constant pasture height due to mis-mothering and ewe lamb separation. Suggested mob size targets are shown below. Consider field sub-division to maximise lamb survival.

Litter size	**SR (ewes/ha)**	**MS (ewes/mob)**
Singles	10-11	<100
Twins	8-9	<50
Triplets	6-7	<30

Our latest publication Forage First Sheep Systems looks at how to optimise pasture use throughout the sheep farming year to develop low cost profitable systems. It will be available online soon. Please get in touch if you would like a physical copy.

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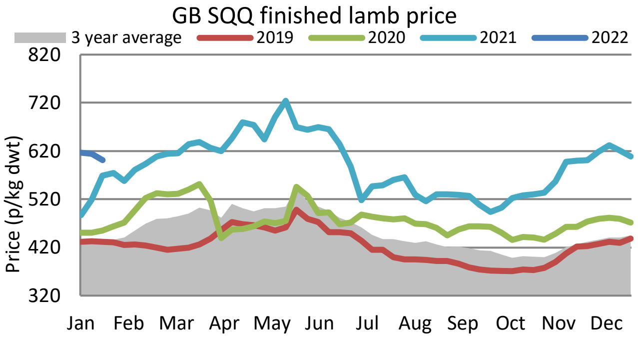
Key Festivals for the Late Lamb Trade

The trade for prime lamb has eased back since Christmas, with the domestic demand dipping back with many less affluent the month following Christmas. However, the price remains strong with deadweight at SQQ 601p/kg for the week ending 15th January, and liveweight SQQ 263.22 p/kg for the week ending the 19th of January. The value of DW is 32p/kg higher than the same week last year.



Source: ©AHDB (2022. All Rights Reserved

Cull ewe sales are showing exceptional trade, with the average £10 up on the year for the week ending 15th January. The supply is limited, and the demand is high, which is generating the premium. Many commercial flocks will be scanning over the coming month, resulting in barren ewes coming forward into this cull trade, which will no doubt bring the value back in the short term.

The UK lamb demand is often seasonal, where we see peaks at certain times of the year, often aligned to religious celebrations/festivals. Currently, the store lamb trade is especially buoyant as demand is high for lamb, and the supply is tight. This is demonstrated with the slaughter numbers in 2021 being 11.7 million head of lambs: the second lowest level of slaughter for lambs since 1979.

Looking forward to the spring there are two major religious events, which will both drive the sales of sheep meat. Ramadan begins on the 2nd of April and ends with Eid al-Fitr on the 2/3rd May, with Easter Sunday on the 17th of April this year. Having both of these key events in April, will be significant for the domestic demand of late season lamb. To understand this peak Ramadan was between 12th April and 12th May 2021 and as you can see the key peak over this period on the finished lamb graph.

What Does the Next Decade Hold?

In a recent publication by the European Union, EU sheep meat is forecasted to grow by 1.4% per year over the next decade linked to a growing population and rising disposable incomes. With the growing population there is a change in eating habits, with people having a broader mind-set when shopping and choosing numerous meats rather than the traditional chicken and beef for weekly meals. The population is also changing linked to migration, which is making the domestic market stronger. Given these reasons our trend should be similar to that of the EU.

Country	LW price w/e15/01/22
France	€7.80
UK	€7.11
Spain	€6.93
New Zealand	€5.26
Australia	€5.08

Australia and New Zealand Trade

However, it will be worth watching how the Australian and New Zealand trade deals impact our domestic market. Australia is forecast to fill its EU tariff rate quotas (TRQs), but New Zealand can't supply both the Asian and the EU market at their current rate of production. Given the ongoing international shipping costs and availability, this Asian market will be key to NZ producers in the short term, which should strengthen our position.

It is thought that the large price difference between Southern and Northern hemisphere lamb will remain, due the differences in production and labour costs. Global prices for the week ending 15/01/22 are shown below, showing the pressure the Northern hemisphere have in the world market.

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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
1-Jan-22	**617.3**	7.5	-2.0	0.3	**277.00**	-8.1	7.1	11.3	85.71	90.23
8-Jan-22	**615.8**	-1.5	-3.3	2.0	**272.80**	-4.2	5.4	11.5	89.35	93.46
15-Jan-22	**603.0**	-12.8	-1.9	0.6	**266.10**	-6.7	7.9	11.1	97.84	95.32

Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: ©*AHDB (2022. All Rights Reserved* and IAAS

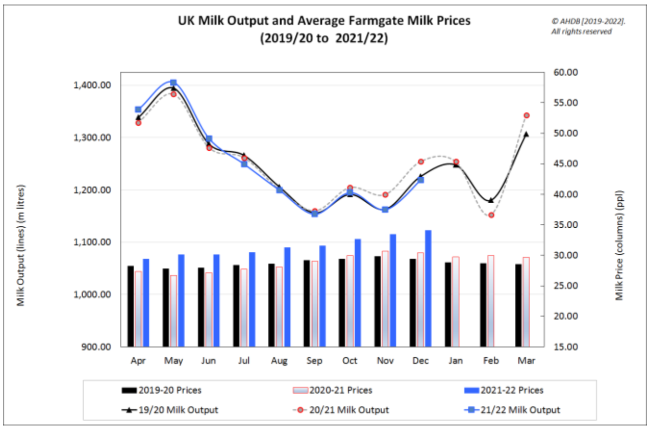
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

UK milk prices keep on rising

- *UK milk production has contracted slightly during recent months. The reduction appears to be driven by concerns over spiralling input costs - fertiliser and energy costs being the main contributors to rising input costs.*
- *UK farmgate milk prices are currently on a steep upward curve as the market reacts to a contraction to supply – both here in the UK and on the world market, coupled with strong demand (see dairy commodity price table and AMPE value).*

According to the latest milk production statistics from AHDB, output for December 2021 is estimated at 1,218.99m litres (before BF adjustment) – a reduction of 35.07m litres compared against December 2020. The latest production figures mean that UK cumulative production to the end of December is estimated at 11,238.49m litres (26.06m litres down on the same period last year).

AHDB data shows that the average monthly milk price across the UK continues to rise, going from 33.47ppl for November 2021 up to 34.12ppl for December 2021. The UK average milk price for December 2021 has increased 3.72ppl on a year-on-year basis.



Farmgate prices: February 2022

Price announcements confirmed for February 2022 are:

- Arla – the Arla member price for February will hold at the January 2022 price level: liquid standard litre @ 36.14 ppl, whilst the manufacturing standard litre holds at 37.58ppl.
- Arla organic supplies – the organic milk price for February 2022 will hold at the January 2022 price of - a liquid standard litres @ 43.31 ppl, and the manufacturing standard litre remains at 45.03ppl.
- Arla Direct – Arla direct suppliers will receive 2.60ppl increase from 1st February 2022. This takes the liquid standard litre price to 33.60ppl for conventional supplies.
- Tesco TSDG – members of the Tesco Sustainable Dairy Group (TSDG) will receive 0.80ppl increase from 1st February 2022. This means that the liquid standard litre increases to 34.16ppl for Müller suppliers, whilst Arla suppliers will receive 33.19ppl for the liquid standard litre.
- Müller - Müller Direct suppliers will receive a 1.00ppl increase from 1st February 2022. This takes the liquid standard litre price up to 33.75ppl for suppliers in Scotland. See Milk Price table.
- First Milk – 0.75ppl price increase from 1st February 2022. See Milk Price table below.
- Yew Tree Dairies – 0.50ppl price increase confirmed from 1st February 2022. This takes the liquid standard litre price up to 34.00ppl.
- Graham's Dairies – Suppliers will receive a 1.00ppl increase from 1st February 2022. This takes the liquid standard litre up to 33.00ppl.
- Sainsburys – 0.48ppl increase from 1st February 2022. In the January edition of ABN, we reported that Sainsbury's had confirmed a 0.23ppl increase in January for Müller and Arla suppliers, with the next price review due on 1st April 2022. Having acknowledged that farm inputs costs have risen significantly during the last six months, Sainsburys have switched to monthly price updates using their cost tracker. The result is that Sainsburys will increase their milk price by a further 0.48ppl from 1st February 2022. This takes the liquid standard litre price for Müller suppliers up to 33.58ppl, whilst Arla suppliers will move up to 33.46ppl.

Annual Average milk price estimates for February 2022 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	33.83
First Milk Liquid [1, 2]	33.61
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	34.75
Müller - Müller Direct - Scotland [1, 3]	33.75

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.

AMPE exceeds 47ppl as prices soar!

UK dairy commodity prices (£/ tonne)	Jan 2022	Dec 2021	Jul 2021
Butter	4,860	4,660	3,230
SMP	2,910	2,750	2,110
Bulk Cream	2,155	2,054	1,508
Mild Cheddar	3,760	3,600	2,980
UK milk price equivalents (ppl)	**Jan 2022**	**Dec 2021**	**Jul 2021**
AMPE (2021)	47.31	44.70	31.59
MCVE (2021)	43.12	40.98	33.43

AHDB Dairy urge farmers to vote

AHDB are encouraging all GB dairy farmers to register for the right to vote and to their say have your say regarding the future structure/running of AHDB and how levy payers money will be spent. To register: go to:https://secure.cesvotes.com/V3-1-0/ahdbregistration/en/login?bbp=37684&x=-1

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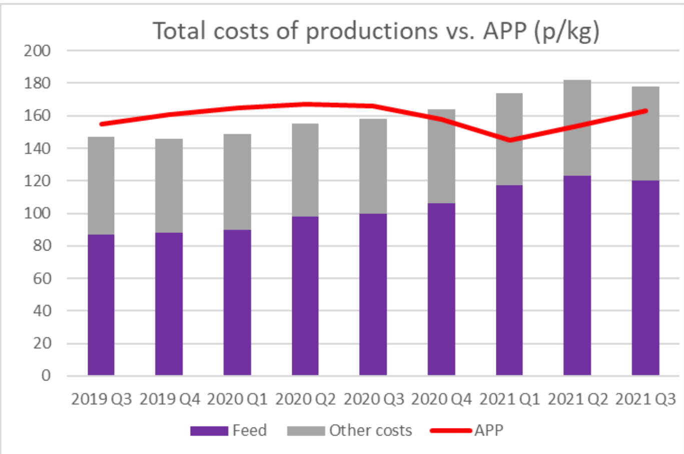
The perfect storm of challenges continues for the pig sector.

While pig producers will be glad to see the back of an extremely difficult 2021, the new year has begun in a similar vein. While there may be the odd glimmer of light in the faraway distance, the short term suggests more of the same misery ahead.

The challenges from the previous update remain. The initial administrative effects of BREXIT may have waned however, the processing sector continues to operate below capacity as result of the loss of many of its trained workforce, compounded by the challenges presented by COVID and isolation periods etc. This has impacted on the movement of pigs off farm, with the price received also under pressure due the abundance of low price pigmeat available from the EU which is finding its way into the UK. Input prices, particularly feed costs have also crept up with feed grains at record levels, exacerbated by pigs being kept on farm longer.

The latest data relating to pig producer margins estimates that producers were losing £13 per pig with prices 15 pence per kg (p.p.kg) below the cost of production in Q3 of 2021. This reflected an improvement in prices received and a slight reduction in feed prices with the negative margin half that seen in the first half of the year. Feed costs however have since increased and the price received has steadily fallen through the autumn and winter, so losses per pig will have increased considerably again, with this loss-making situation now lasting well over a year putting severe pressure on businesses.

***Figure 1. GB APP vs. Cost of production July 2019 to Sep 2021, (Source: © AHDB Pork, 2021,** All rights reserved.)*



The GB All Pigs Price (APP) reached a high of just over 165 p.p.kg in late July with the price following a downward trend since then, falling to 146 p.p.kg by the middle of January, having lost nearly 3 p.p.kg since the turn of the year alone. This continues to come under pressure with the EU awash with cheap pigmeat as prices in some of the key producing countries e.g., Germany are now little more than the equivalent of 100 p.p.kg. This lower priced product is finding its way onto UK retail shelves at the expense of more costly home produced pigmeat.

COVID continues to cause disruption

The effects of COVID in slaughterhouses continues to impact on throughput as outbreaks and isolation periods cause disruption. Coupled with the loss of trained staff due to BREXIT resulting in EU workers choosing to go home, finding replacement trained staff is very difficult. As such slaughter weights have continued to creep up with unwanted records in terms of average slaughter weight seemingly being broken with each week that passes.

This has several implications for producers with lack of space and welfare concerns a problem. Flow is also affected through the unit and significantly more feed is required as pig stay on farm longer. Higher carcass weights run the risk of falling out of contract specification with the extra feed requirements and reduced income also impacting heavily on cashflow.

Cull sows continue to trade at very low values throughout the UK with export prices of around 25 p.p.kg with processing issues on the continent putting this price under further pressure.

The beginning of 2022 has also seen changes at Scotland's biggest pig processing plant with a replacement customer entering into the Brechin collaboration. The lack of the ability to export to the Chinese market remains however, along with the deduction to producer prices.

One ray of hope for Scottish producers is the recent announcement of a further £680,000 hardship fund from the Scottish Government, following on from a similar fund in 2021. Elsewhere, schemes to bring in trained butchery staff and private storage schemes have received little support.

Feed prices remain high

Feed prices have remained high despite slightly easing with forward prices also at similar levels with LIFFE wheat at £197.85 for Nov 2022 *(© AHDB 2022 All rights reserved.)* Concerns over soya production in South America may also start to impact on already highly priced proteins. ASF continues to spread across Europe with the disease now reaching Italy and Hungary; producers are reminded to be vigilant.

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Fertiliser Update February 2022

Demand for energy globally and consequently the price of gas is still the main driver for the rising fertiliser prices. The increments in price rises have eased slightly and phosphate and potash prices seem to have reached their limit, however this does not look to be signalling the start of a rapid decline in fertiliser prices.

Globally, going forward, demand from India and Brazil could trigger another prise rise; there is uncertainty of gas supply from Russia, CF fertiliser are currently not manufacturing their popular double top or any NPK grades; fertiliser manufacturers are unlikely to rush to buy replacement materials to balance supply with a softening market, so fertiliser prices and availability still expected to show significant volatility. At farm level this supports the view that farmers need a short term and a longer-term plan for their fertiliser use.

Grassland Fertiliser - Use Efficiency

Reducing our use of Nitrogen lowers the cost per acre on growing costs but not per tonne if yield is compromised. If the farm's demand for feed is going to be the same as last year growing less grass could potentially be more costly in the long run. We must therefore focus on nutrient efficiency, not just cost saving. Nutrient efficiency is dependent on various factors, one of which is soil pH so it would be prudent to use up to date soil sample results to prioritise fertiliser applications to individual fields this Spring.

Between 1997 – 2017 grassland soil samples submitted to SAC laboratories show 30% of samples had a pH between 5.6-5.8 and 32% of samples were below 5.5. At a pH of 5.5 and with Nitrogen currently at £675/t, for every 125kg/ha of product applied 23% of that product is not available to the plant, the equivalent cost of £19/ha, money better spent on lime.

Availability of nutrients at varying soil pH

	N	P	K
pH 5 very strong acidic	53%	34%	52%
pH 5.5 strong acidic	77%	48%	77%
pH 6 medium acidic	89%	52%	100%

Timing of Nitrogen applications is also critical to nutrient efficiency, first applications should not be made onto saturated soils and not before soil temperatures are between 5-6^{O}C and rising which will coincide with perennial ryegrass coming to life.
The response to early Nitrogen in Spring varies between 5-18kg DM/kg N applied depending on soil and weather conditions and can rise to 30-40kg DM/kg N in May as conditions improve. Value for money will be achieved by balancing the supply and demand of grass with applications of N made when the response in growth is greatest and to soils with a pH which enables availability of the nutrients.

Arable Fertiliser Use Efficiency

Nitrogen fertiliser application adaptations should always reflect expected crop values and thus the net crop margins anticipated. As illustrated below, even pricing AN in at a purchase cost of £2/kg N for 2022 harvested crops, the current forward crop values bring improved margins over 2021 despite N cost/ha increasing by £350/ha and £241/ha (for winter wheat and spring barley respectively). The unknown variable, of course, is the exposure to market price falls and hence locking into Futures contracts on 'new crop' is one way of securing forecast margins.

SPRING BARLEY (130N 52P 71K)	Summer 2020 budget for '21 harvest	Feb 2022 budget for '22 harvest
Grain sales 5.5t/ha	715(£130/t)	990 (£180/t)
Straw sales	186	215
OUTPUT	901	1205
Seed	80	84
Fertiliser	143	384
Sprays	56	56
Misc	9	9
VARIABLE COSTS	288	533
GROSS MARGIN £/ha	613	672

WINTER WHEAT (200N 67P 83K)	Summer 2020 budget for '21 harvest	Feb 2022 budget for '22 harvest
Grain sales 8.0t/ha	1,220 (£150/t)	1,520(£190/t)
Straw sales	250	291
OUTPUT	1,450	1,811
Seed	98	98
Fertiliser	202	552
Sprays	148	143
Misc	13	14
VARIABLE COSTS	461	807
GROSS MARGIN £/ha	989	1,004

While budgeting at these crop values you're still potentially better off than last year. It's important too, to appreciate that applying high N rates isn't necessarily what gives the high yields, so don't be too afraid to cut total N rates back. After all, that last 50kgN/ha, on standard response curves, only delivers the last 0.3t/ha of yield (winter wheat).

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Short Term Lets – New Regulations

As part of Scottish Government's plan to tackle shortage of local housing and disruption to local communities linked to the growth in holiday short term lets, MSPs have passed new regulations which require landlords to have licences for short-term lets.

Each local authority must devise their own licencing system by 1 October 2022. Thereafter, existing hosts and operators will have until 1 April 2023 to apply for a licence, with all short-term let properties requiring a licence by July 2024.

Licensing fees will be set by each local authority to cover their costs in establishing and administering the scheme. Average indicative fees set out in the Business and Regulatory Impact Assessment (BRIA) have been estimated to range from £214 and £436 to cover a three year licence.

Understandably, opinions on the new regulations are polarised depending on whether you are seeking to find a permanent home in a popular tourist area/fed up leaving near a 'party house' or linked to concerns that your business may be forced to close if a licence is refused. However, it has been stated that licence applications must be granted by licensing authorities, unless there are grounds to refuse them.

Further details on grounds for refusal are set out in draft Licensing Guidance for Hosts and Operators

Growth, Inflation & Interest Rates

In response to the global economy entering 2022 in a weaker position than previously expected largely due to the Omicron covid variant coupled with rising energy prices and supply chain disruptions; the International Monetary Fund (IMF) has cut the UK growth forecast from 5% to 4.7%.

While the Bank of England's target is to keep inflation below 2%, the current inflation rate is quoted at 5.4% up 0.3% from last month. The Office for National Statistics reports the Consumer Price Index (CPI) rate for the 12 months to December 2021 to have climbed to 4.8%; up from 4.6% in the 12 months to November 2021. The rises are linked to soaring energy prices and the ongoing covid pandemic causing a shift in consumer spending away from eating out to spending on home based projects such as home offices, exercise equipment and cars, which in turn has led to significant supply chain issues. Flexport which provides freight shipping market updates has reported that freight journey times (known as the 'ocean timeliness indicator)' from China to Europe has risen almost doubled from 60 days three years ago to currently ~ 108 days.

With the continuing upward pressure on inflation and the downward pressure on growth rate, it is currently being predicted that the Bank of England base rate will rise from 0.25% (announced 16 Dec 21) to potentially 0.5% on the 3rd of February. While the predicted rise is small, it will add to the financial pressure businesses are facing with rising energy, feed, and fertiliser prices.

Women in Agriculture Practical Training Fund

The training fund has been extended into 2022. Women and girls over the age of 13 involved in agriculture can apply for up to £500 of funding to develop skillsets or change careers. https://www.sscotland.lantra.co.uk/women-agriculture-practical-training-fund

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Key economic data

General Indicators		Price indices for October 2021 (Defra 2015 = 100)			
		Output Prices		**Input Prices**	
Base interest rate	0.25% (0.1% Jan '21)	Wheat	163.9	Seeds (all)	116.4
ECB interest rate	0.00% (0.00% Sep '18)	Barley	169.0	Energy	140.1
UK (CPI) inflation rate	5.4% (target 2%)	Oats	140.4	Fertiliser	163.5
UK GDP growth rate	1.1% (Q3 '21)	Potatoes	138.2	Agro-chemicals (all)	148.2
FTSE 100	7,483 (28 Jan 22)	Cattle and Calves	121.4	Feedstuffs	134.7
		Pigs	111.1	Machinery R&M	107.6
		Sheep and Lambs	135.1	Building R&M	139.3
		Milk	132.9	Veterinary services	116.2

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