

Agribusiness NEWS

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News in brief

Recession expected to last to 2024

The year has opened with some stark evaluative figures on the UK's economic performance through 2022, with the UK being the only major industrialised country to see a retraction in its economy throughout the year, and no recovery to pre-pandemic levels. The Office for Budget Responsibility now predicts that the economy will be in recession for around a year from Q3 2022, with a contraction of around 0.6% over 2023; these predictions are expected to be reflected in a possible interest rate rise from 3.5 to 4% (the 10th rise since 2021), which will be confirmed or denied by the [Bank of England](#) Monetary Committee when they next meet on the 3rd of February.

Three years on from Brexit, businesses are reflecting that deregulation and trade deals, and subsequently, UK trade overall has lagged behind post-Brexit expectations, with increased costs and the highest UK inflation rate since 1982 exacerbating issues. Given that globally the IMF forecasts growth of 2.9% this year; it is hoped that the UK will begin to bounce back in 2024.

In farming news, recent analysis has indicated that the national beef herd has shrunk in the last year to an average size of 143 cows, and a fall in 413,000 cows between 2011 and 2021. This figure in itself indicates various factors, including record prices for cull cows, an uptick in consumer demand for red meat (in response to rising white meat prices), and a subsequent offloading of unproductive cows towards the end of 2023. This could mean one of two major things for the beef industry; a possible shortage of animals in the coming months or an improvement in productivity of the current herd. To help achieve the latter, our management matters article highlights the importance of bull fertility.

Next month:

- Financial planning
- Pig update

February 2023

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This month's editor:
Anna Sellars



Policy Brief

Agri-Environment Climate Scheme (AECS) Update

With the majority of farmers having now been notified whether or not their 2022 AECS application has been successful. From 30th of January, [AECS 2023](#) is open for applications.

In addition to the new round focusing on Agri-Environment support and slurry storage options, to help achieve the Scottish Government's target of doubling the amount of land under organic management by 2026, the area cap will be suspended for the conversion to, and maintenance of, organic farmland for AECS 2023 applications.

To simplify application and administrative procedures, support funding for slurry storage can be accessed using the existing slurry storage option which is available under AECS. Slurry storage will now be available nationally, with the exception of areas designated as Nitrate Vulnerable Zones (NVZs).

Businesses that currently house livestock on slurry-based systems with less than 6 months' storage capacity will be eligible to apply. Slurry storage contracts will be issued by the end of April 2023 with the anticipation that work will be carried out in 2023 and claimed by 29th February 2024. Businesses should consider this element carefully before applying, as there will be no ability to defer work to another year.

For the 2023 AECS application round, the option for 'creation of hedgerows' will be limited to 500 metres per application and the following elements will not be available:

- Improving Public Access (IPA)
- Pond creation
- Muirburn and heather cutting
- Restoring drystone or flagstone dykes
- Bracken treatment (mechanised and chemical).

Hunting with Dogs Bill

As part of tighter laws to protect Scotland's wildlife, the Scottish Government has passed new legislation to prevent the chasing and killing of wild mammals for sport. Under the [Hunting with Dogs \(Scotland\) 2023 Bill](#), a new two dog limit for all use of dogs in the course of hunting will be introduced, as well as a ban on the practice of trail hunting.

The new Bill will also establish a new licencing scheme to allow the use of more than two dogs in

certain limited circumstances. This is to provide farmers and land managers access to appropriate and humane control measures, where necessary.

Protection for tenants extended

Following on from the introduction last October of the Cost of Living (Tenant Protection) (Scotland) Act 2022; the emergency measures introduced to protect tenants will be extended until the 30th of September 2023, with an option for a further six-month extension, if required. From the 1st of April 2023, the following changes to the Act will be implemented (subject to Parliamentary approval):

- Limited to once per 12 months, landlords can increase private rents by up to 3%.
- Private landlords can apply to [Rent Service Scotland](#) (RSS) for rent increases of up to 6% to help cover specific costs including increases in mortgage interest payments on the property, an increase in landlord's insurance and/or increases in service charges paid as part of a tenancy.
- The ban on evictions will continue with the exception of certain situations such as a private landlord needing to sell due to financial hardship or a tenant engaging in antisocial or criminal behaviour.
- Increased damages for unlawful evictions of up to 36 months' worth of rent will continue to apply.
- The rent cap for student accommodation will be suspended, recognising its limited impact on annual rents set on the basis of an academic year.

Short term let licence extension

The deadline for hosts to apply for a short-term letting licence is being extended by six months to 1 October 2023. The new deadline applies to anyone operating as a host before 1st October 2022. Hosts who started operating after 1st October 2022 must have applied for and obtained a licence before accepting guests and bookings.

Key dates

| Date | Action |
|-----------|--|
| 24 Mar 23 | AECS – Slurry storage application deadline |
| 7 June 23 | AECS – Organic conversion & maintenance deadline |
| 7 June 23 | AECS – Agri-Environment application deadline |

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Cereals and Oilseeds

UK market looks to US weather events

The UK began 2023 with a sizable exportable surplus of wheat following higher initial carry-in stocks and a rise in output from the 2022 harvest over 2021. A fall in wheat imports too has led to the increased availability we are currently experiencing, and estimates put the UK surplus at 2.25Mt, more than double last year's surplus and the highest for several years. The barley balance sheet remains tight however, despite seeing a rise in production and a fall in animal feed demand. Maize usage has been capped by more competitively priced and readily available domestic grains. Oats are seeing a strong run on exports following another sizable crop.

Total cereal demand for animal feed for 2022/23 is expected to be the lowest for 5 years driven in principle by the monogastric sectors. Poultry feed demand is declining in the face of tighter producer margins (egg producers particularly), avian flu impacts and general falling consumer demand associated with the rising cost of living. With the national pig herd reducing in size, pig feed production is anticipated to fall back from last year's highs as well. Cattle feed demand is expected to remain stable, however.

By way of contrast, wheat use for the bioethanol and starch industries is expected to increase by 8%, more than offsetting the decline in flour miller demand.

Figure 1. UK Cereal Supply and Demand Estimates (000 tonnes). As at Nov 22

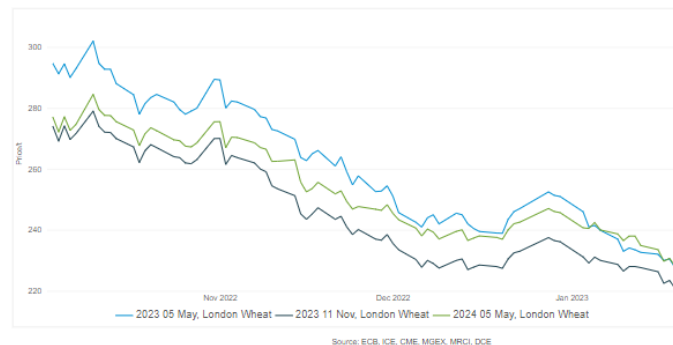
| | 2021/22 estimate | 2022/23 Nov-22 | % change on 21/22 |
|---|------------------|----------------|-------------------|
| (1) Opening stocks | 2,837 | 3,221 | 14% |
| (2) Production [†] | 22,369 | 24,232 | 8% |
| (3) Imports | 4,318 | 3,335 | -23% |
| (4) Total availability | 29,524 | 30,788 | 4% |
| (5) H&I (wheat, barley, maize, oats) (h) | 10,355 | 10,571 | 2% |
| (6) Animal feed (wheat, barley, maize oats) (h) | 13,123 | 12,850 | -2% |
| (5a +6a) Other cereals (H&I and animal feed) | 294 | 298 | 1% |
| (7) Seed | 474 | 474 | 0% |
| (8) Other | 115 | 123 | 7% |
| (9) Total domestic consumption | 24,361 | 24,316 | 0% |
| (10) Balance (4) - (9) | 5,163 | 6,472 | 25% |

Source AHDB

The 25% increase in the differential between total cereal availability and domestic consumption (Figure 1 line 10) compared to last year is part of the reason we've seen Wheat Futures prices continue their steady downward run since early October (currently £226/t for May'23); a fall of £50/tonne over the last 4 months (Figure 2)

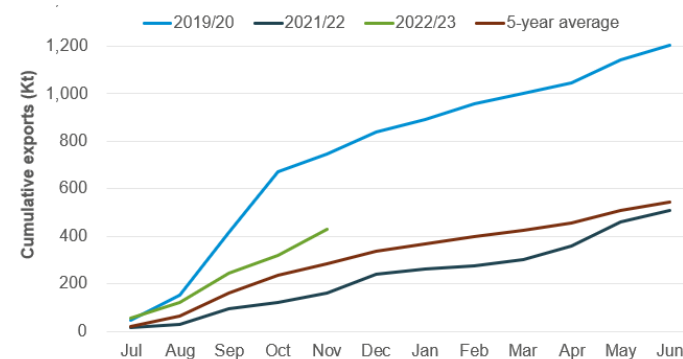
Come the spring, we may see prices firming as our domestic surplus stocks continue to clear (Figure 3). Recent rains in the US central belt however are adding further pressure on prices in the UK currently.

Figure 2 May '23 Wheat futures prices Oct 2022 -Jan 2023



The feed barley market remains quiet meanwhile; demand is slow across Europe and North Africa markets are opting for maize and wheat over barley.

Figure 3 UK wheat export progress compared to previous years



Source: HMRC

Malting barley in Scotland enjoyed a favourable harvest in 2022 and traded at premiums in the region of £50/tonne over feed; a considerable increase over the previous three year's premiums which remained below £20/tonne. Supply and demand could be tighter in 2023/24 with new malt processing investments coming into production and an expected 5% reduction in area to be sown this spring Demand is expected to reach, and possibly exceed, 1Mt and supply looks marginal without good yields. Oilseed rape continues to come under pressure falling through €550/tonne on the May Paris Futures; current delivered price into Dundee is £445/tonne.

Indicative grain prices week ending 27th Jan 2023

(Source: SAC)

| £ per tonne | Basis | Feb '23 | May'23 | Nov'23 |
|--------------------|------------------|---------|--------|--------|
| Wheat | Ex farm Scot. | 220 | 226 | 221 |
| Feed Barley | Ex farm Scot. | 203 | 209 | 204 |
| Malt. dist. Barley | Ex farm Scot. | 300 | | 250 |
| Oilseed Rape | Delivered Dundee | 475 | 480 | 485 |

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Beef

Prime cattle price lift in January

Retail demand for red meat remains high, which has led to several processors increasing prices in January to source finished cattle. Processors are actively looking for cattle, many without waiting lists.

The continued reduction of the Scottish suckler herd – less than 400,000 breeding beef cows – is now influencing supplies of both store and finished cattle. Finishers emptied sheds pre-Christmas on the back of strong finished prices, with consumers opting for red meat on their Christmas tables, which is now hindering the numbers available for slaughter. This tightening supply has led to a growing shortage of all types of cattle, which is strengthening prices.

At week ending January 21, Scottish R4L steers were sitting at 465p/kg deadweight. Irish price is now above ours, supported by the export market. The finished price might look good on paper however, current returns for finished cattle are still not in line with the increased costs involved – input costs have increased by 40%.

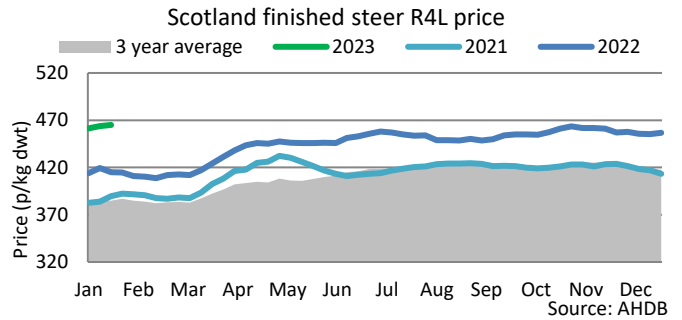
Store cattle on fire

Store cattle prices in January have started very strongly. As finishers look to fill sheds, this along with a tight supply and an ease back in the price of barley, has seen a great demand for store cattle at the start of the year, with cattle in excess of 500kgs keenly bid for. However, as we have alluded to, finisher margins remain to be squeezed, with prices paid recently for some of these heavier continental types leaving very little margin.

Going forward, it is likely that a two-tier market will develop with heavier, quicker finished stores in demand, with finishers not wanting lighter, longer keep animals. We could be seeing a greater divide between efficient units turning over large numbers quickly compared with more extensive, grass-fed systems.

Store sales at the start of January were strongly supported by English buyers, as the supply of continental bred calves tightens south of the border.

With reports of high numbers of Scottish stores being sold into England to be finished, undoubtedly, the supply for Scottish abattoirs will tighten. It will be interesting to see how processors respond, as retailers are already reluctant to pay more due to the current economic consumer crisis.



Mince demand

The phenomenal demand for cheaper manufacturing beef (mince etc.) continues with the price farmers are receiving for cull cows still incredibly high. Cows are now being sold at 400p/kg deadweight, with the live market for well fleshed cows surpassing all expectations with numbers going through the ring increasing each week. A number of marts reported average prices for cull cows increased throughout January, with a record price of £2,750 paid for a 1196kg Charolais cow in Aberdeenshire. The strong demand for cheaper beef is likely to continue as consumers struggle with the cost of living and January credit card bills.

The number of cows being culled is not only due to attractive price. Higher feed and fuel costs, and the unprecedented increase in fertiliser, are behind many decisions to cut cow numbers resulting in an acceleration of the reduction of the UK's breeding herd.

The reality for many farmers is that cashflow will have a strong influence on 2023, and if suckler herd business efficiency and viability is to be maintained, businesses may need to consider longer-term strategies.

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

| Week Ending | R4L Steers (p/kg dwt) | | | -U4L Steers | | Young Bulls -U3L | | Cull cows | | |
|-------------|-----------------------|----------------|----------------------|-------------|----------------|------------------|----------------------|-----------|-------|-------|
| | Price | Change on week | Diff over North Eng. | Price | Change on week | Price | Diff over North Eng. | R4L | -O3L | |
| 07-Jan-23 | 461.4 | 3.2 | 4.6 | 459.1 | 7.1 | -0.5 | 456.0 | 3.9 | 398.2 | 370.2 |
| 14-Jan-23 | 463.9 | 2.5 | 2.1 | 462.1 | 3.0 | 3.1 | 454.2 | -3.0 | 403.2 | 373.8 |
| 21-Jan-23 | 465.0 | 1.1 | 0.0 | 460.1 | -2.0 | -3.3 | 456.7 | 9.2 | 402.6 | 373.4 |

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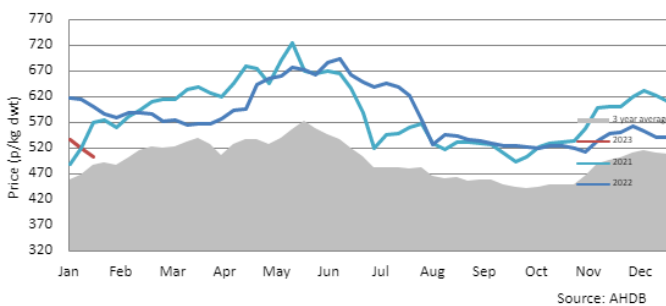
Sheep

The prime lamb trade has been depressed for the start of the year, showing values well behind that of 2021 and 2022. January has been a tough month for many consumers, having looming credit card bills following Christmas, combined with the cost of living crisis. While the UK domestic market is struggling, all reports show that global supply of lambs and sheep meat are low, which is generating good demand. The highest of this demand coming from EU, Asia and America. New Zealand and Australia have tied in well to the Asian and American market, meaning we have great opportunity to push more product to the EU. With this in mind, I think we will see this price recovering to some degree over the next month.

price dipped down at the end of the year due to an increased supply pre tugging. With the increased cost of inputs, many selected culls hard, to ensure all non-productive animals were out of the flock, which resulted in more than normal ewes coming forward. In January 2023 prices have been back by ~£10/ewe on average, again due to producers selling with a poorer finish. The total adult kill figures for 2022 are estimated at 1.2 million sheep, which shows a rise of 4% compared to 2021.

In 2023 the Muslim festival Ramadan will be 22nd March – 21st April, demand for sheep meat will be increased for this time.

GB SQQ finished lamb price

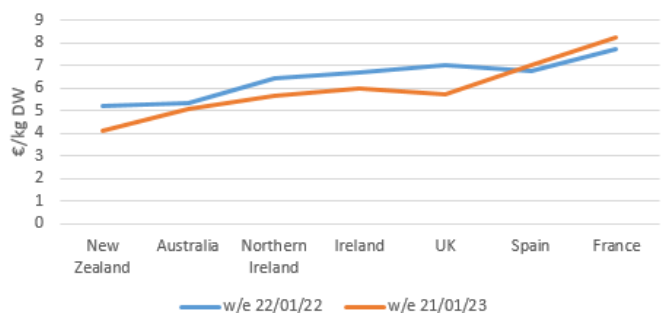


The 2022 UK lamb crop was bumper, with a rise in the ewe flock of 3% and an excellent lambing season, saw an estimated 17.9million lambs enter the national flock. Looking at the total sale of lambs in 2022, we were slightly ahead of 2021 in terms of numbers sold with a 3% increase, mostly due to producers offloading early to prevent feeding expensive concentrates (lamb finishing feed ~£400/tonne). Which would make you think the carcass weight would be lower, however, carcass weights averaged 20.2kg, which is very similar to 2021.

Global trade for lamb sales in January, show rather similar trends to the UK, with New Zealand, Australia and Ireland all showing a decrease from the 2022 values in January. While Spain and France have seen an increase in price, by €0.29/kg and €0.50/kg respectively. With the French lamb standing at €8.22/kg week ending 21/01/23. The largest decline in price is the New Zealand lamb where prices have fallen from €5.19/kg DW (w/e 22/01/) to €4.09/kg DW (w/e 21/01/23). Which is 50% of the French value! The question is, when does French lamb get too expensive for the French consumer?

There are still a good volume of lambs to enter the market place, which will probably hold the price back from last year's highs, but with a global shortage of lamb, we will see a recovery in the current low price.

€/kg Global Lamb DW



Source: Bordbia

Cull ewe sales saw a phenomenal trade in 2022, again due to the global shortage in sheep meat. The

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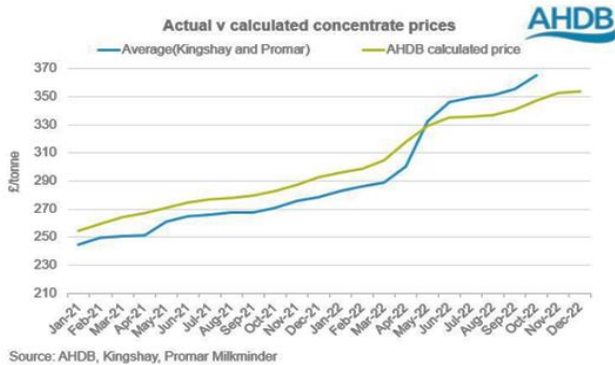
| Week ending | GB deadweight (p/kg) 16.5 – 21.5kg | | | | Scottish auction (p/kg) | | | | Ewes (£/hd) | |
|-------------|---------------------------------------|----------------|--------------|---------------|-------------------------|----------------|-----------------|-----------------|-------------|---------|
| | R3L | Change on week | Diff over R2 | Diff over R3H | Med. | Change on week | Diff over stan. | Diff over heavy | Scottish | Eng&Wal |
| 07-Jan-23 | 539.4 | -4.3 | 0.3 | 0.5 | 239.80 | -11.5 | 11.5 | 8.6 | 84.83 | 80.96 |
| 14-Jan-23 | 525.2 | -14.2 | 0.5 | 1.4 | 227.10 | -12.7 | 9.7 | 5.0 | 80.12 | 79.36 |
| 21-Jan-23 | 508.8 | -16.4 | 0.2 | 3.6 | 234.20 | 7.1 | 8.1 | 6.9 | 80.32 | 81.19 |

Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

Sector Focus: Ewe concentrates

Rising cost of concentrate feed

The below graph highlights how (dairy) concentrate feed prices have rocketed from under £250/t in Jan 21 to over £360 in Oct 22. Sheep concentrates sitting above this. Going into 2023, many are paying £380/t for ewe concentrates this month.



Cost of production and profit

In part driven by rising feed costs, the cost of production for lamb has increased substantially in recent years. However, with high lamb prices in the last couple of years buffering this cost, many are continuing with their status quo production system.

For demonstration, shown in the table below, I have modelled a typical flock feeding 50kg/ewe of concentrates using QMS financials for upland flocks in 2019 and 2021. In 2019, the flock, rearing at 145%, selling majority of lambs finished, achieved a small net margin of £6/ewe when concentrate prices were £280/t. In 2021, concentrate costs (£304/t) were up £1.20/ewe and other costs up £4/ewe. This, however, coincided with a major increase in lamb prices (+£25/lamb) meaning a strong net margin of £25.80/ewe was achieved.

| Profitability | 2019 | 2021 | S1 | S2 | S3 |
|------------------------------|-------------|-------------|------------|------------|--------------|
| Net output (less rep) | 100 | 125 | 125 | 100 | 100 |
| Concentrates | 14 | 15.2 | 19 | 19 | 4.56 |
| Other variables | 30 | 32 | 34 | 34 | 34 |
| Total variable costs | 44 | 47.2 | 53 | 53 | 38.56 |
| Gross Margin | 56 | 77.8 | 72 | 47 | 61.44 |
| Fixed costs | 50 | 52 | 54 | 54 | 54 |
| Net Margin | 6 | 25.8 | 18 | -7 | 7.44 |
| Technical information | 2019 | 2021 | S1 | S2 | S3 |
| Finished lamb price | 77 | 102 | 102 | 77 | 77 |
| Concentrates per ewe (kg) | 50 | 50 | 50 | 50 | 12 |
| Concentrate price (£/t) | 280 | 304 | 380 | 380 | 380 |

This table and the following commentary details three scenarios for the flock. Scenario 1, continues with the same production system with costs continuing to rise including concentrates (£380/t) now at £19/ewe (eq. £13/lamb). With lamb prices stable, this still gave a modest but reduced return of £18/ewe provided lamb prices stay high.

This is viable until scenario 2, when lamb value drops back to 2019 prices. Lower lamb prices compounded

by high production costs mean that the flock is budgeted to lose £7/ewe on a net margin basis. This demonstrates a production system, typical of many Scottish flocks, that is wholly un-resilient to market forces, reliant on high lamb prices for any chance of profit, in part due to its reliance on purchased feeds for late pregnancy and early lactation ewe feeding.

Pasture for profit

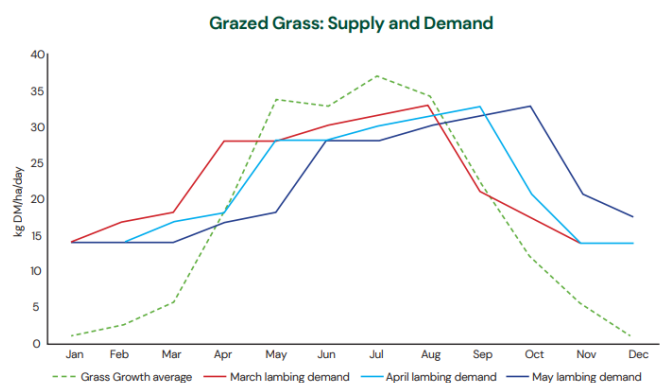
Concentrate feeding has become seen by many as an essential part of sheep production. However, provided there is sufficient quantity of spring grass this can meet all the ewes' nutritional requirements.

Key to having sufficient quantity of pasture, is to better match spring grass growth with rising nutritional requirements of the ewe. Shown in the example graph below, March lambing is out of sync with grass growth meaning supplementation is required through pregnancy and lactation with heavy reliance on supplementary feed.

April lambing meanwhile matches peak demand of lactation with rising grass growth meaning supplementation is only required in pregnancy. For May lambing, sufficient pasture is available from 6 weeks pre-lambing meaning prior supplement can be met by silage alone as it is only required for early pregnancy when demands are low.

There is of course a shift in feed demand to later in the season with younger lambs. QMS figures for the top third performing flocks for profit, however, show concentrate feeding (down to 12kg/ewe) to be the single biggest cost saving over average flocks with these flocks also achieving superior sales output.

The final scenario, 3, shows if concentrate use can be reduced down to 12kg/ewe, even under increasing costs and low 2019 lamb prices, this can bring the flock back to a positive net margin of £7.44/ewe. Whilst many high input sheep systems have been profitable in the past that doesn't mean they are necessarily fit for the future in which input costs are so much higher.

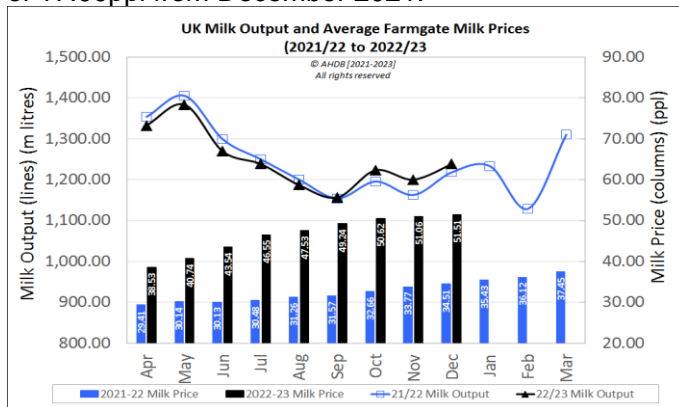


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UK production increase puts more pressure on prices

- UK milk output has been rising since September 2022. EU milk production has also been rising recently.
- UK milk output increased to 1,238.34m litres during December 2022 (up 20.16m litres on the year).
- Rising production is putting downward pressure on farmgate milk prices.

AHDB milk production data shows that output for December 2022 is estimated at 1,238.34m litres (before butterfat adjustment) – an increase of 20.16m litres on a year-on-year basis. Cumulative UK production for the 2022/23 milk year to the end of December 2022 stands at 11,230.18m litres (before butterfat adjustment). After a sluggish start to the year, UK production has been increasing since September 2022 (see chart below). Cumulative production to the end of December 2022 is now only 9.78m litres lower than the same time last year. The UK average milk price for December 2022 is estimated at 51.51pppl, an increase of 0.45pppl from the previous month (51.06pppl) and a year-on-year increase of 17.00pppl from December 2021.



Farmgate prices: February 2023

Announcements for February 2023 include:

- Sainsburys – Members of the Sainsbury Dairy Development Group (SDDG) will receive a 1.00pppl price reduction from 1st Feb 2023. This takes the liquid standard litre price down from 47.50pppl to 46.50pppl for Muller suppliers. Arla members of SDDG will receive the same 1.00pppl reduction from 1st Feb 2023 and will see their prices move down from 47.38pppl to 46.38pppl.
- Tesco – The Tesco Sustainable Dairy Group (TSDG) is set to reduce by 1.00pppl from 1st Feb 2023. The decrease takes the liquid standard litre price down from 48pppl to 47pppl, in line with the Müller Direct milk price reduction (below).
- Graham's Dairies – 2.00pppl price cut from 1st Feb 2023. This takes the liquid standard litre price down from 46.00pppl to 44.00pppl.
- Müller Direct – 1.00pppl price cut confirmed from 1st Feb 2023. This takes the liquid standard litre price for Scottish suppliers back to 46.75pppl (47pppl for English & Welsh suppliers). See Milk Price table, below.

- Müller organic – 1.00pppl price cut confirmed from 1st February 2023. The organic farmgate milk price reduces to 55.00pppl for Feb 2023.
- Müller Lidl – 1.00pppl price cut to the Müller-Lidl three-year fixed price contract from 1st Feb 2023. The reduction is in line with the reduction to the Müller Direct milk price and takes the liquid standard litre price down to 47pppl from 1st Feb.
- First Milk – FM will hold prices from Jan into Feb 2023. See Milk Price table, below.
- Fresh Milk Company – 1.40pppl price cut confirmed from 1st Feb 2023. This takes the liquid standard litre price down to 46.81pppl (table below).
- Yew Tree Dairy – 1.00pppl reduction to A volume litres. This takes the liquid standard litre price down from 48pppl to 47pppl from 1st Feb 2023.
- Arla Foods amba – Due to the early release of the Jan 2023 edition of Agribusiness News, Arla's reduction to the Jan milk price went unreported. The Arla milk price reduced by 1.00-euro cent from 1st Jan 2023 with a further reduction being applied because of a negative adjustment to the quarterly currency smoothing mechanism. In total, the liquid standard litre price reduced by 1.13pppl to 49.11pppl from 1st Jan 2023.

| Annual average milk price estimates for February 2023 (pppl) | |
|---|---------------|
| Milk Prices – Scotland | Standard Ltr* |
| Lactalis / Fresh Milk Co. (No profile or seasonality) ¹ | 46.81 |
| First Milk Liquid ^{1, 2} | 48.02 |
| First Milk Manufacturing (4.2% Butterfat & 3.4% Protein) ² | 49.69 |
| Müller - Müller Direct - Scotland ^{1, 3} | 46.75 |

1 Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.
2 The FM member premium is set to remain at 0.50pppl from April 2022.
3 No monthly supplementary payment included in the price estimate. Includes 1.00pppl Müller Direct Premium and additional 0.25pppl haulage charge for Scottish suppliers.

| UK dairy commodity prices (£/ tonne) | Jan 2023 | Dec 2022 | Jul 2022 |
|--------------------------------------|----------|----------|----------|
| Butter | 4,120 | 4,620 | 5,940 |
| SMP | 2,270 | 2,430 | 3,290 |
| Bulk Cream | 1,747 | 2,042 | 2,850 |
| Mild Cheddar | 4,200 | 4,430 | 4,740 |
| UK milk price equivalents (pppl) | Jan 2023 | Dec 2022 | Jul 2022 |
| AMPE (2021) | 35.09 | 39.63 | 54.75 |
| MCVE (2021) | 44.46 | 47.85 | 53.01 |

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Müller to adopt two-tier pricing in April

From 1st April 2023, Müller is to adopt a two-tier (A&B) pricing system in a bid to improve competitiveness, transparency, and stability for its 1300 suppliers. Müller estimate that 94% of its intake will receive the A price; this will be the price paid for all litres destined for Müller's retail customers. The B price will be paid on the remaining 6% of intake which is destined for the ingredients market. The B price will be based on published global indices and it may exceed or fall below the A price at various times of the year.

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Slurry management regulations

Changes to regulations

Recent updates to slurry, manure, sewage sludge and anaerobic digestate (AD) regulations mean there are a few changes farmers and contractors now need to be aware of when applying organic fertiliser such as livestock slurry. The most recent change to take effect is the move away from splash plates and rain guns for slurry application, with a total ban on splash plates coming into effect 5 years from the date of the regulations coming into force. Precision application equipment, such as trailing shoe, dribble bars or injection, will reduce emissions, protect water quality, and could make better use of the nutrients.

Alongside slurry management and storage, other changes introduced to update The Water Environment (Controlled Activities) (Scotland) Amendment Regulations 2021 cover the making and storage of silage in bales or bulk bags and controls over the storage of liquid digestate, adding to and updating the current General Binding Rules (GBRs). Some of the regulations come into effect in stages between 2022 and 2027, giving farmers and land managers time to make any changes needed to comply.

Transitional arrangements

There are some transitional arrangements in place for those with smaller herds. Subject to the number of livestock units, some farms will still be able to use an inverted splash plate to apply slurry until 1st January 2027, giving time for everyone to move across to full precision application. Note this doesn't apply to contractors, who should have already made the switch to low emission, precision application techniques at the start of the year.

Farms with less than 100 milking cows, or less than 200 beef cattle livestock units, can take advantage of this transitional period, being able to use an inverted splash plate until 1st January 2027. For pig enterprises, its less than 800 fattening pigs or 800 sows to qualify. It's worth noting that these threshold numbers don't distinguish between those on slurry and those on straw courts; the cut-off considers total livestock numbers on the farm. For those questioning what qualifies as a 'beef cattle livestock unit', under these regulations, beef cattle 2 years and older are classed as a single unit, whereas from birth to 2 years the animal is classed as 0.5 of a unit.

The RAMS map

All farms applying slurry and manure should have a RAMS (Risk Assessment for Manures and Slurry) map in place. The RAMS map should clearly show no-spread, high, medium and low risk sites for

organic fertiliser applications. The recent updates mean that your RAMS map should also now include the location of field heaps, plus field sizes, but other than that, the information you include in your RAMS map is broadly the same. The person applying slurry on farm must have sight of the RAMS map before spreading and be aware of the no-spread zones, for example keeping a 10m buffer around watercourses. This buffer may need to be increased on sites sloping towards a watercourse.

Reducing slurry volume

Another consideration is the amount of slurry produced over a 22-week housed period (26 weeks for housed pigs), including other additions entering the system, and how much storage is required. Rainfall, collection from dirty yards and silage pits all need to be factored in, but taking a closer look at these inputs may show areas for reduction and ultimately free up storage space for slurry.

Funding towards slurry storage

Scottish Government have announced that funding to support slurry storage will be included in the current round of their Agri-Environment and Climate Scheme (AECS) funding for 2023, closing on 24th March 2023. For further details see the [AECS](#) page or speak to your local Agricultural Consultant.

In summary:

- *High trajectory splash plates and rain guns can no longer be used to apply slurry.*
- *Use of inverted splash plates could still be an option for farms with smaller livestock numbers.*
- *Farms applying organic fertiliser such as slurry, manure or digestate must have a RAMS map.*
- *Know the Rules factsheets highlight the requirements under the updated regulations – most of this is already good farming practice but provides a useful recap.*
- *Funding is available towards additional slurry storage via AECS; the scheme closes 24th March 2023.*

Further information

The [Farming and Water Scotland](#) website hosts the updated 'Know the Rules' factsheets which include slurry storage requirements ([Factsheet 1](#)), organic fertiliser application ([Factsheet 8](#)) and a 'how to' guide to drawing up your own RAMS Map ([Factsheet 9](#)). Follow the initiative on [Facebook](#) and [Twitter](#) @FarmWaterScot to keep up to date.

There is also a range of information on [Scotland's Farm Advisory Service](#) (FAS), alongside access to the free [FAS advice line](#).

Farming and Water Scotland is a partnership approach between SAC Consulting and SEPA funded by Scottish Government, to help farmers keep on the right side of the regulations around protecting water quality.

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Input costs – Feed & Forage Update

Silage analysis update

Figure 1 shows the average of all silages received at the SRUC lab between July 22 - Jan 23, of 1st and 2nd cut pit and bale. On average, pit silages have analysed slightly better in energy, however, protein content is very similar between pit and bales. There is a slight up lift in the protein in second cut silages compared to first cuts both in the pit and bales, therefore the ration may need reformulated slightly if changing from 1st cut onto 2nd cut or vice versa. But always make decisions based on your own analysis.

The dry matter is on average slightly higher in 2nd cut pit silages compared to 1st cut and on average very similar between bales. It should be noted there is a huge variation in samples analysed, ranging from 18 – 75% DM. This will affect the quantity of silage animals need to consume to meet their requirements. The average figures of silage DM across pit and bales samples are ideal for a pre-lambing ewe to aid palatability and help meet intake requirements. However, it is essential to have your own forage analysed and balance this with the most appropriate supplement and avoid over or underestimating the contribution from forage.

Figure 1: Pit vs bale silage nutritional content

| Nutrient | Pit silage | | Bale silage | |
|--------------|---------------------|---------------------|---------------------|---------------------|
| | 1 st cut | 2 nd cut | 1 st cut | 2 nd cut |
| DM (%) | 29 | 35 | 38 | 39 |
| ME MJ/kg DM | 10.8 | 10.6 | 10.3 | 10.4 |
| CP g/kg DM | 110 | 125 | 108 | 127 |
| NDF g/kgDM | 495 | 470 | 508 | 478 |
| Sugar g/kgDM | 68 | 78 | 84 | 85 |
| pH | 4.2 | 4.4 | 4.4 | 4.5 |

Feeding costs

In terms of feed costs, prices should be treated as a guide only and are quoted based on full 27-tonne loads delivered, therefore will vary depending on location. At the time of writing (end of January), wheat prices are remaining slightly lower at £254/t; nutritionally, feed wheat is worth around £20/t more than barley. However, in March we may see a lift in prices as domestic surplus stocks are cleared and particularly, if Russia decide to limit their exports.

Feed barley

Feed barley is priced at £228/t and maize around £300/t. The demand for feed barley is slow across Europe, with countries such as Ireland and France opting for maize. A guide price for molasses, 8 tonne

delivered load in central Scotland, is pricing around £351 for molasses cane.

Sugar beet pulp

Sugar beet pulp is priced at around £380/t, unfortunately due to heavy frost and an already smaller crop, this has now been left even smaller. This will mean limited availability, reflected in the high prices. Soya hulls are coming in at £75/t cheaper, therefore are still the best value fibre source replacement, however, note lower energy (12ME vs 12.5ME for beet pulp) and they tend to be a more dusty, poorer quality pellet. There is also potential availability could be affected by Argentinian dryness so worth forward planning.

Proteins

Protein prices have been firming on the back of the rise in soya prices. Wheat and maize distillers' dark grains have limited availability and with the Vivergo plant still not running since before Christmas, this is having an effect on those nearby as they are having to source alternatives. Prices are sitting around £393/t and £378/t respectively.

Soya

Soya is the biggest mover this week with prices being quoted at around £568/t which will have a knock-on effect on the price of high protein concentrates. This could have a big effect on those yet to buy their ewe rolls in the run up to lambing. There is concern this will rise further due to drought conditions in Argentina which has led to a 45-50% yield loss, in addition to at least 0.5M hectares that will not be planted (10% of total acreage). There is currently a £50/t difference between April and May soya, therefore shippers could go very tight in April, coupled with the news in Argentina; this could be a perfect storm. However, worth bearing in mind we did see a similar story last year although the difference being that Brazil are predicting a bumper crop this year, therefore easing supply concerns but not currently reflected in the price.

Rapeseed meal

Rapeseed meal looks reasonable in comparison at around £393/t, although worth bearing in mind if using in a home blend there can be issues with palatability, but this may make protected rapeseed alternatives to soya more appealing. In summary, forward plan your feed budget, contact your suppliers, and sit down with your feed adviser sooner rather than later.

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Management matters – Not a lot of bull!

Jobs for the boys!

There aren't many jobs advertised where you get your board and lodgings, lots of fresh air and exercise and only need to work for 9-12 weeks a year. However, it is not all a bed of roses for a stock bull, hidden in the unwritten small print, failure to perform often leads to death not just dismissal as the stakes are high: no calves, no income.

Based on the recommended Key Performance Indicators (KPIs) for suckler herds, to achieve a compact calving period i.e. 95% of cows calving within 9 weeks, a mature bull should be capable of successfully serving 30-40 cows within a 9-week period, and at least 65% in the first 3 weeks of the breeding season.

With the bull sale season upon us and just a few months before bulls are called on to carry out their full year's work in just 2-3 months, from a management perspective, new and existing bulls need to be physically and physiologically fit.

Size does matter

Bull fertility is linked to structural soundness, the size of reproductive organs, semen quality, libido, nutritional status and the bulls age and stage of maturity.

While Estimated Breeding Values (EBVs) give an indication of the bull's potential, it is a well-documented fact that selecting bulls for increased scrotal circumference should increase inherent fertility in both male and female progeny. For males, there is a significant correlation between scrotal circumference and both sperm cell volume and the percentage of normal sperm. For females, earliness of puberty in heifers is strongly linked to the scrotal circumference of their sire.

The BCVA Bull Pre-Breeding Examination Certification Guidelines for age and minimum scrotal size are:

| Age in Months | 12-15 | 15-18 | 18-21 | 21-24 | >24 |
|---------------|-------|-------|-------|-------|-----|
| Minimum SC cm | 30 | 31 | 32 | 33 | 34 |

Source: The Society of Theriogenology SC standards.

But size isn't everything

In a 3-year trial run by SRUC Vet Iain McCormick, it has been found that on average, 1 in 5 bulls fail a fertility test irrespective of age or breed; young bulls fail just as much as older ones. While bulls often fail for more than one reason; 80% are due to problems with sperm morphology and motility.

The percentage of normal size and shaped sperm seems to decline by ~ 5-6% per annum for bulls that have consistently passed previous year's tests.

Nature or nurture?

Getting bulls routinely screened for fertility (spermiogram) will highlight a potential problem before the breeding season starts. However, given that a mature sperm has been ~60 days in the making, ensuring that each bull is in good condition and stress free a minimum of 3 months before the start of the breeding season will give him the best chance of having a successful breeding season.

All is not lost if a bull fails a spermiogram. If there are no obvious physical abnormalities of testes, or history of environmental/toxic/stress, a bull can be re-assessed after 60 days (full spermatogenesis cycle) to judge if their fertility has improved. This time frame can also be used to recheck diets and living conditions to ensure there are no underlying environmental factors.

As the cost of a fertility test is small compared to the value of a calf, speak to your local vet practice about giving the boys a home visit to check that they are able to meet their contractual obligations this season.

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Key economic data

| General Indicators | | Price indices for December 2022 (Defra 2015 = 100) | | | |
|-------------------------|----------------------|--|-------|----------------------|-------|
| | | Output Prices | | Input Prices | |
| Base interest rate | 3.5% (3% Nov 22) | Wheat | 229.1 | Seeds (all) | 122.1 |
| ECB interest rate | 2.0% (1.5% Nov 22) | Barley | 228.7 | Energy | 219.3 |
| UK (CPI) inflation rate | 10.5% (target 2%) | Oats | 214.9 | Fertiliser | 277.8 |
| UK GDP growth rate | -0.3% (Q3 '22) | Potatoes | 138.2 | Agro chemicals (all) | 173.9 |
| FTSE 100 | 7,728.10 (21 Dec 22) | Cattle and Calves | 134.5 | Feedstuffs | 179.9 |
| | | Pigs | 152.1 | Machinery R&M | 128.0 |
| | | Sheep and Lambs | 142.3 | Building R&M | 159.8 |
| | | Milk | 208.9 | Veterinary services | 118.5 |

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