Farm Advisory Service

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February 2025

News in brief

In she blows…

2025 has not come in quietly so far both weatherwise, politically and economically. We have already seen extreme weather events in the form of snow and wind causing disruptions and challenging conditions for outwintered livestock. Politically, while a cease fire has been negotiated between Gaza and Israel; the war in Ukraine continues ongoing market disruption in the cereal and oilseed sectors.

Across the pond, the newly inaugurated President Donald Trump has already made waves, as he starts to make good on his election promise to bring rapid and sweeping changes including signing an executive order to seek to withdraw from the World Health Organisation and the Paris Climate Agreement. The US is responsible for ~ 11% of global greenhouse gas emissions, making it the second biggest polluter behind China. While he hopes to have a positive impact on bringing the war in the Ukraine to an end, he has plans to stage his own coup with the planned renaming of the Gulf of Mexico to the Gulf of America, the desire to take over the Panama canal and to make Canada the 51st State of America and Greenland the 52nd State.

Economically, while 2025 started off with UK Government borrowing at a four year record of £17.8 bn (£10.1bn more than in December 2023) piling more pressure on the UK's finances; the inflation rate dropped by 0.1% to 2.5% giving fresh hope of a cut in the bank base rate.

In this month's edition, our Policy article highlights that for some Scottish farmers and crofters, Big Brother will be watching you with the introduction of the Area Monitoring pilot in four areas across Scotland and our Management Matters article looks at how Whole Farm Plans will affect landlords who claim BPS.

While this month's Cereal update looks at market bears and bulls; our Sector focus articles are just talking bull and everything porcine. And finally, our input and pig articles highlight the benefits of co-operating from farm to fork and our milk article highlights the preventative health benefits from drinking milk.

Next Month

- An update from Down Under
- Wills and Power of Attorney

Contents

This month's editor:
Christine Beaton

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Foot and Mouth Disease & Avian Flu

Following the discovery of foot and mouth disease in water buffalo in Brandenburg; imports of cattle, sheep and pigs from Germany have been banned to protect farmers and crofters, their livelihoods and food security. More information about foot and mouth disease, including biosecurity guidance, is available online at www.gov.scot/footandmouthdisease

Following an increase in the number of detections of Avian Influenza (Bird Flu) in wild birds and other captive birds, the UK is now a national Avian Influenza Prevention Zone (AIPZ).

If you have any concerns about livestock or birds, please immediately contact your local Animal and Plant Health Agency (APHA) Field Services Office.

Heating Grant

With this winter already bringing extreme weather events in terms of snow and wind; through the RSABI, farmers and crofters who are struggling with the cost of living and spending more than 10% of their household income on heating costs can apply for a £400 Help for Heating grant. For more information, you can call the RSABI on 0808 1234 555 or use their online tool to see if you qualify.

Area Monitoring Pilot

As part of the Scottish Government's aim to modernise our agricultural support, they are running a pilot Area Monitoring Service.

The Area Monitoring Service is a way of capturing real time information on farming activity using satellite imagery and will allow the Scottish Government to identify what farmers and crofters are doing with their land.

As the system will be able to flag any changes to land use in real time; Scot Gov will be able to use this data to check if businesses are compliant with support schemes or legal requirements. It will also provide data on land use where land users do not currently apply for agricultural support. The premise being that it will:

- save on staff time
- enable greater monitoring for the purposes of climate change and nature targets.
- Provide information to help monitor and improve compliance.
- Similar systems are being used or tested in England and Wales and the European Union.

To give a representative sample of Scotland, the pilot is being run in Skye, the Highlands, Dundee and East Lothian and will run until the end of March 2025.

As the pilot will use historic data to allow Scot Gov to test the technology; it will not have any impact on farmers and crofter current or upcoming claims.

National Flood Advisory Service

Following on from the devastating floods caused by Storm Babet in 2023, a National Flood Advisory Service will be established to improve Scotland's flood resilience and to embed best practice on a nationwide scale.

The service is one of the actions in Scotland's first National Flood Resilience Strategy. The service will provide support and advice on building flood resilience to delivery partners and communities and to provide the governance framework for progressing high value flood actions such as flood protection schemes.

With an additional £15 million being pledged in the draft 2025-26 budget, as the new strategy aims to extend beyond 'fixing' individual flood problems to create flood resilient places and communities, other key actions include:

- working to improve our understanding of how urban and rural landscapes can be adapted for flood mitigation
- support for a broader range of flood actions including smaller flood protection schemes and property level flood resilience
- improvements in how data is used to inform decision making and raise community awareness of current and future flood exposure.

New Housing Planning Hub

From early 2025, a new Housing Planning Hub will be operational; the aim of which is to increase the rate at which homes requiring planning permission are delivered. In 2023/24, despite a 27% decrease in planning applications for small, local housing applications; the average processing time increased from 17 to 19 weeks against a statutory timeframe of 8 weeks.

The Hub will tackle reasons for delays, which include lengthy negotiations of Section 75 agreements, waits on decisions for major developments, funding issues, or policy requirements to address issues such as flooding or biodiversity.

Key date to note

Point to Note	Date
PSF Grant claim deadline for Carbon Audits, Soil Analysis and Animal Health and Welfare Plans	28 Feb 25

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Cereals and Oilseeds

U.S Tariff uncertainty

It has been a strong run for maize and soya prices while wheat markets are simply 'followers' for now. The focus is indeed very much on the South American weather and Trump's decisions on tariffs that would directly affect the maize and soya markets. Wheat is in a 'wait and see' position as falling Black Sea supplies have not yet permeated through to stimulate EU export demand.

The USDA report in mid-January came in well below trader expectations for both maize and soybeans stocks. Major exporters of maize, Brazil, Argentina, Ukraine and the US are seemingly holding 13% less stock compared to last year. Having previously been expected to produce record crops, the reported tightening of stock took both maize and soybean prices strongly upward.

In South America, the markets were expecting the situation to improve however, Argentina remains dry and conversely, it is still raining in Central Brazil. In Argentina, January rainfall is now at the lowest levels in 30 years whilst in the Mato Grosso, the continuing rainfall means the soya harvest is the slowest since 2010. Therefore, we can expect further crop downgrades in Argentina and more planting delays in Brazil.

As the new United States leadership has yet to give any definition to import tariff levels; this has given hope that they will not apply the threatened 60% tax on Chinese imports, along with the 25% tax on imports from Canada and Mexico. Financial and commodity markets considered this first phase as bullish in the expectation that there will be a gradual implementation of tariffs, followed by negotiations. The very first US decisions have been bearish for the dollar, as President Trump tries to fight inflation and boost US crude oil production, and supportive for financial markets which are now all trading close to record levels.

Sterling weakens through January

Closer to home, EU wheat export demand (down 36% year on year) remains very sluggish despite falling Black Sea supplies. Russia and Ukraine will export at least 3Mt less wheat every month, from January through to June. This is significant and should logically attract more demand out of EU ports. The full effect is yet to kick in although European prices have started to firm. UK growers have, however, seen recent falls in nearly positions although Nov '25 futures values are holding better, closing the month out at £193/t. As a backdrop to this, the value of the pound seems to have steadied from the declines seen through January around concerns over the Government's borrowing and might now give some resistance to higher prices.

Barley, oilseeds and oats

From the start of the current marketing year, UK barley exports have been at a significantly low level, down 43% year on year. The key reason for this is falling demand from EU countries, on the back of stronger sterling and increased production in the EU. Slightly lower nitrogen levels in the domestic crop this season have also limited export potential in some cases. New crop markets continue to track futures one-for-one, with limited news to drive the feed barley market independently.

Rapeseed prices remain volatile as ever, now coming back from highs which has again slowed down farmer selling, especially here in the UK now that £450/t ex farm is no longer a possibility. The EUR:USD exchange is not helping EU prices as the recent strength in the Euro (due to dollar weakness) has been keeping prices pressured. Weather forecasts look positive in Europe for crop production, and the inverse into new crop now sits at £34/tonne with no concern over tightness so far.

Milling oat bid and offers remain wide apart with neither side pushing hard to compromise as millers are reporting to be covered for Q1 but some demand remaining for Q2 and Q3. Feed oat demand also remains minimal; with Spain reporting to be covered with recent imports. New crop prospects remain fair; however, spring crops still need to be planted before we gain a greater confidence in this year's UK production.

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Indicative grain prices week ending 28/1/2025 Source: SAC//United oilseeds/Farmers weekly/AHDB)

£ per tonne	**Basis**	Feb '25	**May '25**	**Nov '25**
Wheat	Ex farm Scotland	200	205	194
Feed Barley	Ex farm Scotland	168	170	171
Beans	Ex farm Scotland		220	
Oilseed Rape	Ex farm Scotland	422	431	402
Milling oats	Ex farm Scotland	215		

Beef

Short Supply & Record Prices Continue

Currently finished beef prices are at record levels. Never have finishers seen prices at these levels in January. Prices at abattoirs and in the live ring have rocketed, with consumer demand and tightening cattle supplies leading to a growing shortage of all types of cattle.

Deadweight prices post-Christmas were sitting at 14.5% higher than a year ago and a whopping 35.6% higher than the 5-year average.

Prices have lifted by 25p/kg/dwt in just two weeks with prices available at the time of writing (week beginning 27/01) sitting at 610-615p/kg/dwt. A 380kg carcase is currently returning around £2,320, an increase of £550 from June 2024, when beef prices were at a low of 470p/kg/dwt.

Finishers emptied sheds pre-Christmas on the back of strong finished prices, with several processors increasing prices in the final week of Christmas slaughterings which hasn't helped with subsequent numbers available for slaughter. In short, the numbers aren't there.

The declining beef herd in Scotland and high numbers of Scottish stores being sold into England has undoubtedly tightened the Scottish supply, leaving a big hole in prime cattle supplies. Simply, we are getting short of cattle in the UK and competition to secure cattle is very much evident.

With market demand and prices are changing daily it is very difficult to predict where prices will be in the coming weeks. Reports suggest that finished prices for steers and heifers will likely stabilise, as current prices are not sustainable, which is the feeling echoed around store cattle rings.

Store Cattle

The uplift in finished cattle prices as expected has filtered through to the store ring. Store cattle prices in January have also started very strongly with many markets reporting £4/kg liveweight. With tightening numbers of stores coming forward, indications are that spring numbers of store cattle will be short, and expensive.

While increased store cattle prices are currently an incentive for those suckler producers who have been questioning the viability of their herds; for many this uplift is needed with production costs also increasing, especially in upland areas. However, the current store cattle trade for many finishers is not sustainable, especially for those having to fork out £2,000/head for short-keep cattle. Although it is helping that feed and protein prices are below previous years; finishers are hoping that prices remain stable to provide a sustainable margin.

Cull Cows coming into their own

Demand for manufacturing beef (mince etc.) continues with prices increasingly significantly since Christmas. Prices currently being quoted for cull cows are around 480p/kg deadweight. With cow supplies down on 2024 levels, there is pressure to find 'mince beef'.

The realisation that cull cows are no longer a 'by product' but actually a valuable 'product' has seen farmers look to maximise returns and to re-evaluate their culling and replacement policy, to try a maintain a more efficient suckler herd. However, the problem with that just now is replacements. While current beef prices are a real confidence boost to the industry; the cost of replacements is also high, so generally, it means everyone has got more money tied up for the same margin.

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

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bulls -U3L		Cull cows	
		Change on week	Diff over North Eng.		Change on week	Diff over North Eng.		Diff over North Eng.	R4L	-O3L
04-Jan-25	**567.8**	2.7	-5.2	**569.8**	0.6	-3.2	559.7	-	434.2	406.7
11-Jan-25	**575.2**	7.4	3.5	**579.1**	9.3	3.2	569.0	-1.1	442.0	415.8
18-Jan-25	**595.5**	20.3	12.2	**596.2**	5.1	9.4	579.7	12.0	456.7	428.8

Shoppers Trends

Current lamb trade is at a premium, driven by a good level of demand coupled with global shortages. Looking at our domestic consumer, sales of lamb have shown a 6% rise in volume for 2024 compared to the previous year. Out of home lamb sales have also increased on the year by 8%.

AHDB have shown that shoppers' main purchasing decision is price; this sits at 71% of customers, back 5% on 2023. Areas of importance that have grown over the last year include: local, taste and appearance, ease of cooking, brand and health. This survey has shown 61% of lamb consumers are aged 55+, however there is a growing consumption in the 35-44 year old age group, which shows an increase of 23% on the year.

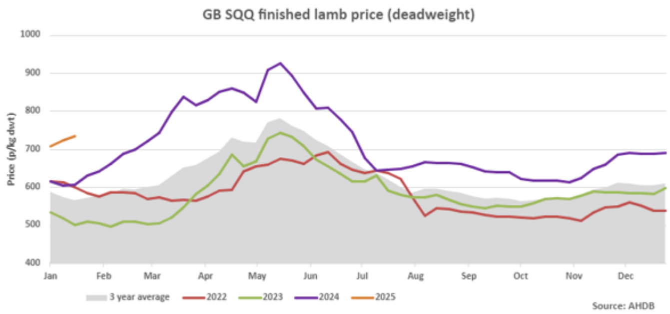
From this it is clear, we need to promote the taste, and health credentials of lamb, while looking to focus on quick simple meals and different cuts to meet this market requirement.

Christmas Trends

While shoppers' trends are showing an advantage for lamb, the run up to Christmas did not come with promotions on red meat in the supermarkets. Whole turkey and whole chicken showed increases on the year of 2.4% and 2.3% in volume sales Both of which were focussed on for supermarket promotions. Roasting gammon joints showed a 1.4% increase, but very interestingly, almost a quarter (24.4%) of the roasting gammon sales for the year were sold in December. Roasting beef, lamb, pork and whole fish all saw decreases in volume sales year on year.

Markets

2025 sheep trade has started with a bang! Store, prime and cull rings are showing a premium on the year. Slaughter numbers have increased over January, with more lambs coming forward prime. Ramadan starts on the 28th February, which will further drive demand from prime sales. Week ending 18/01/25 shows a £1.27/kg DW rise on SQQ compared to 2023.



Australia – The Export Machine!

Exports totals have been released by Meat and Livestock Australia for 2024. These show how record volumes have been exported for beef, lamb, mutton and goat meat. Lamb exports increased by 10% on the year to 359,229t and mutton exports increased by 22% on the year to 255,098t. The main markets for lamb were US (23%), China (15%) and United Arab Emirates (7%) and the main markets for mutton were China (37%), Malaysia (10%) and US (7%).

Getting your goat

Interestingly, Australian goat exports rose 52% on 2023. The previous record year for goat exports was 2014, the 2024 exports saw a 44% rise on this! The total exported in 2024 was 51,488t shipped weight. The reasons for this are due to favourable weather and increased slaughter capacity for goats. The US took 54% of these exports, followed by Korea (17%) and China (10%).

The 1st of January 2025 saw the UK enter its 3rd year of the free trade agreement (FTA) with Australia. Now with a 0% tariff on the first 36,111 tonnes of sheep meat. Of the 30,556 tonnes allowance in 2024, a total of 13,668 tonnes was imported, which shows a 44% rise on 2023, however, the initial year was only 6 months long starting on the 31st May.

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Week ending	GB deadweight (p/kg) 16.5 – 21.5kg				Scottish auction (p/kg)				Ewes (£/hd) Scottish
	R3L	Change on week	Diff over R2	Diff over R3H	**Med.**	Change on week	Diff over stan.	Diff over heavy	**All**
04-Jan-25	**712.7**	19.2	2.9	-0.2	**342.60**	1.6	7.7	11.4	134.91
11-Jan-25	**730.0**	17.3	3.1	2.2	**350.80**	8.2	9.0	11.7	135.02
18-Jan-25	**741.8**	11.8	1.0	0.6	**347.70**	-3.1	10.0	13.9	136.08

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
Note: From 11th May, prices transition to new season lambs

Sector Focus: Breeding Bulls

Bull Selection

Bull selection and the purchase of any new stock bull are important decisions to be made by suckler herds. Breeding decisions made at this year's spring bull sales will have an impact on the herd's productivity, efficiency and profitability in the future. A bull bought in 2025 will not have calves on the ground until 2026 with these calves not finished until 2027 at the earliest. If heifer calves are retained for breeding, at the earliest, their calves won't be on the ground until 2028. Therefore, it is important to take time to evaluate bulls physically and evaluate what their genetics offer to meet the breeding strategies of the herd.

With a 410-day calving interval condition due to be introduced to the eligibility criteria for the Scottish Suckler Beef Support Scheme this year, undoubtedly many suckler producers will be looking for replacement bulls with Estimated Breeding Values (EBVs) with negative gestation length, positive calving ease (maternal and direct), and negative birthweight. However, it is crucial not to overlook bull selection fundamentals from an initial visual assessment such as feet, legs and locomotion.

Society Sale Inspections

Many bulls are culled prematurely due to problems with the musculoskeletal system including swollen hocks and valgus deformities i.e. turned out from the knee which can lead to abnormal claw overgrowth. It is vital that problems with feet and or legs are identified to prevent these bulls being selected as sires.

Locomotion is an important factor in the longevity of breeding bulls. Therefore, it is important to observe bulls walking to check for lameness.

Key things to look for are:

- Free moving gait
- Hind feet should step into the footprints of the front feet
- Over or under stepping are indications of problems and lameness

The pre-sale inspection of each bull entered for sale at Breed Society sales with a panel of inspectors and a vet appointed by the Society is an integral step to ensure that bulls presented at these sales are free from any health and/or structural defects. Eyes, teeth, testicles, temperament, general health and locomotion will all be checked.

Bull Locomotion and Sale Price

To maintain and promote correct locomotion of breeding bulls sold at what is considered by many as a prestigious Society sale, the Aberdeen Angus Cattle Society employed Meurig James, Head of Breed Development with The National Bovine Data Centre (NBDC) to carry out an individual assessment of each Aberdeen Angus bull sold at Stirling bull sales between October 2022 and October 2024.

So far, a total of 263 bulls have been assessed. Bulls were scored alongside The National Bovine Data Centre's beef cattle type classification guidelines - https://nbdc.uk/media/1135/nbdc-beef-type-classification-guide.pdf

The scores were then analysed against the average sale price, as shown below:

(source – The Aberdeen Angus Cattle Society)

The analysis showed a clear association between the bull's locomotion score (1-9) and the average sale price. Bulls which scored poorly for locomotion i.e. scored 1 had a significantly lower average sale price of £2,940 in comparison to those bulls who scored 8, which had an average sale price of £7,875.

On average, the difference between the bull sale price and locomotion score was +£482. As the locomotion score increased, so too did sale price. Although the relationship is not wholly linear, the increasing relationship between locomotion score and average price suggests that good locomotion is a trait purchasers are willing to pay more for.

Also, of note is that this data highlights the significant range of locomotion in bulls forward at breed society sales. Therefore, an extra day at the sale ahead of the sale itself to assess bulls in their pens and during the pre-sale show is justified from both an operational and economic perspective.

With thanks to the Aberdeen Angus Cattle Society. For more information, please see https://aberdeen-angus.co.uk/wp-content/uploads/2024/02/Linear-Assessment-Explanatory-Doc_v2.pdf

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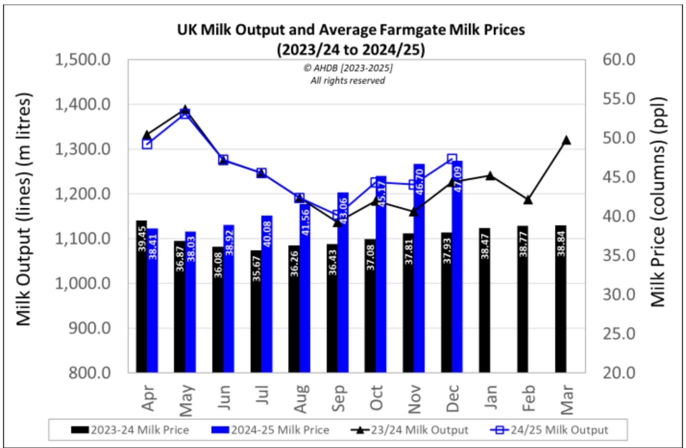
Milk production data

AHDB's latest forecast has put GB milk production for the 2024/25 milk year at 12.43 billion litres, which is 0.9% higher than the previous year. GB milk production figures for December were 1,054 million litres, 3.3% more than in December 2023 and an average daily production of 34 million litres/day. The Defra UK milk volume for December was 1,278mlitres, 57mlitres more than November and 4.2% up on the December 2023 volume. The favourable milk price to feed price ratio has no doubt helped drive production over the last few months, with the ratio now at 1.48 – the highest it's been since March 2008!



Farm-gate prices

While milk volumes have taken a slight dip in early January, they are still well above this time last year and with commodity prices easing, it looks like we have seen the last of the milk price rises for a while as we enter the seasonal period of higher spring milk volumes. The Defra farm-gate milk price for December was 47.09ppl, 0.39ppl higher than the November price. Müller held their milk price for February and at the time of writing, no other announcements had been made.

Milk Prices for Nov/Dec 2024 Scotland	Standard Ltr ppl	
First Milk[2]	Jan	45.35
Müller - Müller Direct - Scotland [1, 3]	Feb	42.25
Grahams[1]	Jan	40.00
Arla Farmers[2]	Jan	48.54
Lactalis / Fresh Milk Co.[2]	Jan	44.72

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 *Manufacturing standard litre - annual av. milk price based on supplying 1m litres at 4.2% butterfat, 3.4% protein, bactoscan = 30, SCC = 200 unless stated otherwise.*

3 *Includes 1.00ppl Müller Direct Premium. Haulage deducted depending on band for 2023 vs 2021 litres, ranging from -0.25 to -0.85ppl.*

Dairy commodities & market indicators

The wholesale markets for dairy commodities continued to ease back in January, with bulk cream showing the largest drop of 13% from the previous month, partly down to the post-Christmas slump in demand. With increasing milk volumes both in GB and in the EU, commodity prices for fats and cheese have declined. Butter stocks are still tight, and buyers are not purchasing too far forward, in the anticipation of lower prices as the spring flush emerges. Given the drop in the butter price, AMPE fell 1.38ppl. With only a 2% fall in the mild cheddar price, MCVE dropped back just 0.5ppl. The Milk Market Value (MMV) indicator fell 0.99ppl to 43.61ppl for January, the third consecutive drop in a row from its 2024 high of 46.37ppl in October.

UK dairy commodity prices (£/tonne)	Jan 2025	Dec 2024	Jul 2024
Butter	6,180	6,470	5,680
Skim Milk Powder (SMP)	2,090	2,100	2,010
Bulk Cream	2,630	3,016	2,528
Mild Cheddar	3,990	4,080	3,770
UK milk price equivalents (ppl)	**Jan 2025**	**Dec 2024**	**Jul 2024**
AMPE	44.01	45.39	40.49
MCVE	43.50	44.0	39.65

The latest GDT auction on the 21st of January resulted in the price index moving upwards by just 1.4% to a weighted average price across all products of $4,146/t. The first auction of the year returned a 1.4% decline, so all in all, little change so far in 2025. The biggest positive movements were seen in whole milk powder and cheddar, up 5% and 2.8% respectively from the previous auction.

Müller's carbon reduction programme

In conjunction with Kite Consulting, Müller has introduced its new FastTrack software programme to 40 dairy farmers to help cut their carbon emissions. The programme uses real-time data analysis to monitor important key performance indicators, which will aid decision making and help towards achieving Müller's goal to reduce on-farm carbon emissions by 30% by 2030 (compared to the 2022 baseline year). FastTrack integrates data from various sources, one of which is the feed management system Feedlync, which monitors feed efficiency, energy corrected milk output, livestock numbers & reproductive performance.

A glass of milk a day keeps cancer away!

Recent research by the University of Oxford has confirmed the benefits of calcium-rich foods in protecting against colorectal cancer.

The study revealed that consuming an additional 300mg of calcium a day - the amount found in a 244ml glass of milk - reduced the risk of colorectal cancer by 17%. It is thought that calcium binds to bile acids and free fatty acids to protect the intestinal lining from their damaging effects.

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Sector Focus: Pigs

Stable prices and sustained profitability are not words usually associated with the pig sector; however, this sums up the fortunes of the pig sector nicely for 2024. This is much welcomed and while investment is now happening again, much of this is aimed at improving efficiency and meeting environmental or welfare standards as opposed to expansion.

Prices continued to drift very slowly downwards throughout 2024, losing around 8 ppkg over the year or around £7 per finished pig. Despite this, reasonable margins continue to be made with the fundamentals remaining the same – a much smaller herd than even a few years ago with the country being little more than 50% self-sufficient in pig meat. There are clouds on the horizon however, EU pigmeat is becoming increasingly more competitive, the threat of exotic diseases entering the UK and the lack of new entrants wanting to farm pigs or work in the pig sector.

Standard Pig Prices (SPP EU Spec): Prices started 2024 just under 214 ppkg then slowly crept downwards through the year, falling to just over 206 ppkg at the end of December (AHDB).

EU prices influence the UK market heavily and a major concern is the widening of the price differential between UK and EU prices. This has widened to historical highs of over 40 ppkg in recent weeks which means EU pig meat is much more competitive, more attractive to UK buyers and is potentially displacing UK product on supermarket shelves. The recent Foot and Mouth outbreak in Germany has seen a ban on imports, providing some support to domestic supplies.

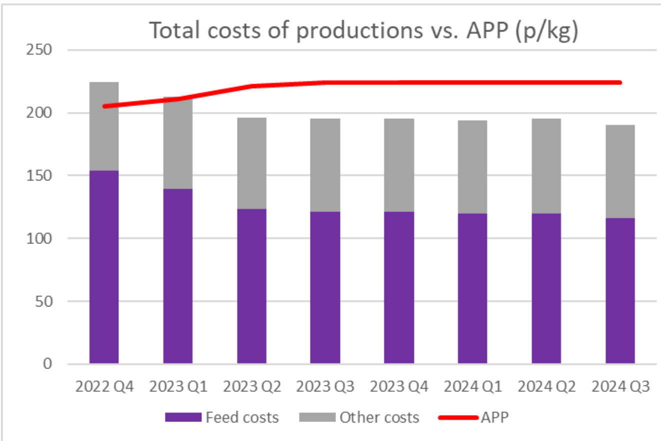
Slaughter Weights: Slaughter weights still remain historically high at just over 91kg (AHDB) although this may in part be due to the effects of the festive season on working days in the processing sector causing a backlog. The contraction of the UK sow herd in 2021 and 2022 and no signs of recovery in numbers has meant a significant reduction in finished pigs coming forward. Although this is mitigated in part by heavier carcass weights and productivity gains in the breeding herd.

Cull Sows & Weaners: Cull sow prices have dipped sharply in recent months, following EU pigmeat prices, dropping to around 60 ppkg (T.V.C.) in early January with further pressure due to the foot and mouth outbreak in Germany. Weaner values have remained consistent and although many weaners are on supply contracts; there are still free-market or surplus weaners which have found more interest from specialist finishers in recent months, particularly in light of falling feed prices and stable prices offering more confidence that sufficient margins can be made.

Costs of Production: The latest published margins from AHDB (for Q3 of 2024) showed pig producer margins have risen over the last quarter to 21.90 ppkg (£19.40 per pig), up from 16 ppkg and £15 per pig in Q2.

While pig prices remained fairly constant, costs of production fell by 5 ppkg due to falling feed prices. Feed made up 61% of the total costs, falling to 116 ppkg or £104 per pig. While this represents the seventh consecutive quarter of positive margins, there is still some way to go to make up for the preceding ten quarters of mostly heavy losses. It has been sufficient however, to provide enough confidence for producers to start re-investing in their businesses again. Making businesses more resilient and efficient as well as meeting increasing environmental and welfare standards seems to be the main focus for investment, as opposed to increasing numbers and expanding their businesses.

Figure 1. GB All Pigs Price (APP) vs. Cost of production Oct 2022 to Sep 2024, (Source: AHDB Pork)



Marketing: Three UK pig marketing groups – Scottish Pig Producers (SPP), Scotlean and Thames Valley Cambac have announced they are merging to form The United Pig Cooperative. By joining forces, the groups' aim is to give independent producers more clout in the marketplace. The United Pig Cooperative will be the largest supplier of support services to independent pig producers in the UK with the official announcement also highlighting enhanced market effectiveness, operational efficiency and member support to provide a more sustainable future.

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The role of Co-operatives in supporting agribusiness in Scotland

Co-operation is the quiet engine room of Scottish farming. Collectively, producer co-ops generate over £1bn turnover to Scottish agriculture each year. Some 65 producer co-ops represent over 25,000 memberships across all major enterprises.

From dairy to daffodils, pigs to potatoes, soft fruit to shellfish, cauliflowers to country stores, and more. Each co-op member represents a family farm or small business in a rural community.

While some co-ops market members' produce or sell specialist services; others sell supplies and inputs vital for remote island communities.

What defines a co-op?

Despite their ubiquity, it is fair to say that many farmers, crofters, accountants, solicitors, advisors, and other agricultural professionals don't really know about the co-op business model. Here are some basic facts about co-ops:

- A co-op is owned by its members: the people who use its services. Someone can become a member of a co-op by purchasing a share in the business, provided they are going to use the co-op's services.
- Co-ops exist to serve their members. All members can have a say in what their co-op does. They can join the board of directors, contribute at open meetings, and even call an extraordinary meeting if they are unhappy with the business.
- Co-ops exist to return value to their members. They do not pay out profits to external investors. They usually invest profits back into the business and sometimes share their profits amongst their members.

Co-op Principles and Values

Unlike other business models, co-ops are based on a set of principles and values that define how they operate. These protect and support their members' communities, making them fundamentally different to other business models.

This sounds all very nice, but what does it mean in practice? What difference do lofty co-op principles and values make to the way farmers, crofters, and supply chain organisations do business?

- Co-ops pool resources and employ specialists who can drive the business e.g. co-ops employ specialists who take on marketing, leaving farmer members to get on with farming.
- Co-operatives can invest in processing capacity. This drives efficiencies, adds more value to primary produce, and can retain this value within Scotland's rural economy.
- Co-ops are an integral part of rural communities. Joining and getting involved in a co-op is a good way for farmers and crofters to be more involved in Scotland's rural community.
- The co-op business model is tried and tested. It should be considered when setting up a new business to support agriculture and rural communities.

Supply Chains

Co-ops play an important role in Scotland's food and drink supply chains. By engaging constructively with co-ops, market and supply chain organisations can secure a resilient supply of product.

- Co-ops have scale and can provide a secure supply of product, at volume.
- Co-ops pool resources and employ staff. Engaging with co-op staff is an effective way to engage with many farming/crofting businesses.
- Environmental challenges can be tackled across the supply chain by collaborating with co-ops. For example, working together to meet emissions reduction targets set through the Science Based Targets Initiative (SBTI).

Agriculture is facing many challenges and changes including policy change, climate change, social attitudes, and consumer behaviour. It is important for organisations to work collectively, based on consensus, to address these challenges.

For policymakers

Nature restoration is more effective when it is done through co-operation, rather than through competition.

- As Co-ops have a large membership across almost all areas and agricultural sectors in Scotland; they are responsible for a significant proportion of Scotland's agricultural economic output. Therefore, supporting a relatively small number of co-ops will support a significant proportion of Scottish farmers and crofters, and rural communities.
- Co-ops pool resources and employ specialists who can drive the business. Engaging with a few key individuals can have a wide policy delivery reach.
- Change can be made at pace and scale through co-operation and co-operatives.

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Landlords and the 2025 SAF Whole Farm Plan requirements

The Scottish Government have introduced the Whole Farm Plan as a condition of the Basic Payment Scheme from 2025 onwards. All businesses that claim, including Landlords under 'Alternative Practice' (AP), need to have in place a minimum of two of the following activities:

- Carbon audit
- Soil analysis of Region 1 land
- Animal health and welfare plan (AH&W)
- Integrated pest management plan (IPMP)
- Biodiversity audit

Carbon Audit

As all businesses that claim BPS require an audit to have been carried out by May 2028 at the latest; Landlords will also have to comply. However, the audit will be limited as to what it can contain as audits usually include data on land production, livestock, feed, purchased bedding, and fuel and electricity use. Landlords can undertake an audit themselves online using a carbon calculator tool, or a consultant can be instructed to prepare the audit.

Soil analysis

All Region 1 land that receives fertiliser or manure that is seasonally let will be the responsibility of the landlord to test by 2028. Agricultural merchants and advisors can assist with taking and analysing soils.

AH&W and IPM Plans

If claiming Alternative Practice, as it is assumed that an Animal Health & Welfare plan will not be relevant; landlords will be required to undertake an IPMP. This can be done online annually and covers the use of plant protection products such as herbicides, pesticides and insecticides.

Biodiversity Audit

A Habitat Map of the land is required to be submitted to SGRPID by 2028 and updated at least every 5 years thereafter. At a minimum, the audit requires identification of land cover, such as grassland, cropped land and woodland. The maps can be submitted digitally through Rural Payments portal or the upcoming Nature Scot portal or can be done by hand and forwarded to your local SGRPID office.

Further details and conditions on these Whole Farm Plan activities can be found on the Rural Payments website.

While Alternative Practice claimants may be able to achieve some of the Whole Farm Plan activities; for some, it may prove challenging and costly to achieve all of the ones relevant to their business in the coming years.

Tenant claiming BPS and Entitlements

As an Alternative Practice claimant, if you do not want to undertake the above activities by 2028 you may want to consider offering to your tenant the opportunity to claim on the land. To do this, they would need entitlements, which can be leased to the tenant for a period rather than sold, if that's the preferred option. A review of the rent can then be conducted to reflect this change. An amendment to any grazing leases or tenancy agreements may also be required.

If you wish to pursue this option, please note that any paperwork for transfers of entitlements must be submitted to SGRIPD by the 2nd April to allow the tenant to claim for the 2025 Basic Payment Scheme.

Future for Alternative Practice claims

Looking past 2028, the Agricultural Reform route is looking to deliver a vision that delivers high quality food production, climate consideration and nature restoration.

As the new tiered payment system that is gradually being introduced is going to make it more challenging to claim Alternative Practice on SAFs; it may be worthwhile in the coming months to have a chat with an advisor to see what route is best for Landlords to prepare for the future.

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Key Economic Data

General Indicators		
Base interest rate	Jan 25	4.75% (5.0% Nov 24)
ECB interest rate	Deposit	2.75% (3.00% Jan 25)
UK (CPI) inflation rate		2.5% (target 2%)
UK GDP growth rate		0.0% (Q3 2024)
FTSE 100		8,604.10 (30/1/2025)

Price indices for November 2024 (Defra 2020 = 100)			
Output Prices		Input Prices	
Wheat	115.8	Seeds (all)	106.5
Barley	119.5	Energy	141.2
Oats	118.4	Fertiliser	148.9
Potatoes	174.2	Agro chemicals (all)	109.2
Cattle and Calves	154.8	Feedstuffs	121.3
Pigs	128.6	Machinery R&M	128.6
Sheep and Lambs	137.9	Building R&M	136.2
Milk	163.3	Veterinary services	119.1

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