SRDP Farm Advisory Service

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March 2023

News in brief

As we head into spring, while more than 50 years old, the Doug Larson quote “Spring is when you feel like whistling, even with a shoe full of slush" could be a viewed as a modern day metaphor. In the face of a winter full of economic slush in the form of rising bank rates, 10% inflation and the cost of living crisis; finding things to whistle or be optimistic about is proving a little more challenging. Especially, with the expectation that the bank base rate will rise by 0.25% to 4.25% on the 23rd of March.

From an Agri Business perspective, the optimism bag is definitely mixed depending on which sector you are in. While milk and sheep prices have started to slide after record highs, beef prices continue to climb linked to tight supplies and higher demand by English buyers for store cattle. And while recent prices rises in the pig sector have given pig farmers a much needed lift; further price rises are needed to restore profitability. However, in the face of falling fertiliser prices, some farmers are regretting their decision to buy early but getting their fingers burned two years in a row, just wasn’t an option.

While there will be a shuffling of shoes on the political front, to help land managers plan ahead; the Scottish Government has published its Agricultural Reform Roadmap which sets out the timetable for changes to farming and environmental policy between now and 2027 While the existing support will continue as expected in 2023 and 2024; new conditionality and new tiers of support will be brought in from 2025 onwards. The recently introduced Animal Health and Welfare Intervention Funding will provide livestock farmers with funds of up to £750 in 2023; the aim being to encourage livestock keepers to enhance the health and welfare of their flock/herd, which in turn, aids efficiency of production, resulting in lower greenhouse gas emissions per kg of output.

On a lighter note, please take time to dip into the Peatland Restoration article by James Banks; the benefits of looking after our peatlands is definitely something to whistle about.

Next month:

- Northern Ireland Protocol Update
- Seasonal Workers

Contents

This month’s editor:
Christine Beaton

Health is Wealth

As part of the Preparing for Sustainable Farming (PSF) initiative, the Scottish Government has introduced new Animal Health and Welfare Intervention funding open to all livestock producers with a Business Reference Number (BRN). The aim is to encourage livestock keepers to enhance the health and welfare of their flock/herd which aids efficiency of production, resulting in lower greenhouse gas emissions per kg of output.

Intervention Funding Options

Each year, producers can pick two interventions from the list below:

- Bull pre-breeding examination to British Cattle Veterinary Association standard.
- Calf respiratory investigation +/- virus screen.
- Screen 12 animals per management group (or all sheep if less than 12 in the flock) to determine sheep scab status of whole flock.
- Targeted iceberg disease investigation (options: Maedi Visna, Johnes Border Disease, Contagious Lymphadenitis, lung scanning for OPA). Screen cull ewes prior to sale, selecting animals with low condition scores.
- Flock lameness assessment by vet: identify conditions (including Contagious Ovine Digital Dermatitis) and their prevalence within the flock.
- Liver fluke: Faecal Egg Count on sentinel animals and flukicide efficacy testing.
- Gastrointestinal parasite (worm) investigation (Faecal Egg Count and wormer efficacy testing).

While having a carbon audit when choosing options is recommended; it is not currently mandatory.

Payments & Regulations

A standard cost of £250 can be claimed for each intervention. In addition to which, with the first claim, producers are eligible to receive an additional payment of £250 for doing development activities (time spent researching animal health and welfare best practice) appropriate to their flock or herd.

Payment will be made on evidence of investigation plus advised action provided on the standard supporting document. The action must be defined by an Expert Advisor, e.g. a vet or agricultural consultant, without this, no payment will be made.

Work needs to be carried out by 31st December 2023 and claims made by 28th February 2024.

SACGS

The deadline for submitting Sustainable Agriculture Capital Grants Scheme (SACGS) claims has now been extended to Friday 31 March, in response to issues affecting the equipment supply chain.

2023 Payments Strategy Timetable

To help with budgeting going forward, for details of the 2023 payment timetable covering Direct Payments and Scottish Rural Development Programme (SRDP) payments, please click here.

Ending the Sale of Peat in Scotland

As part of the fourth National Planning Framework (NFP), the Scottish Parliament has approved a new national planning policy whereby proposals for new commercial peat extraction, including extensions to existing sites, will not be supported, except in very limited circumstances.

Currently ~ 1,000 ha of peat is used for commercial peat extraction, most of which is used by the horticulture industry, a small amount for fuel and ~ around 1% is used in the malting process of whisky production. As part of the Scot Gov's wider plans to protect peatlands and reduce carbon emissions, the intention is to ban the retail sale of peat for home gardening first, before considering how a wider ban would affect commercial users. As part of the Ending the Sale of Peat consultation views are being sought from those who extract peat, supply peat and other users of peat such as the fuel and whisky industries. Responses to the consultation will inform plans and timescales for moving away from using peat products in order to protect peatlands from further damage.

Facility for Investment Ready Nature (FIRN)

As part of Just Transition – a fairer greener Scotland, the FIRN in Scotland programme managed by NatureScot is offering grants of up to £240,000 to organisations and partnerships to help restore and improve the natural environment, e.g. woodland creation and peatland restoration. Applicants need to demonstrate the means to engage and share benefits with communities.

Key Date	Action
24 Mar 23	AECS Slurry storage application deadline
31 Mar 23	SACGS Claim deadline extended from 28th February

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Cereals and Oilseeds

Rising world exports pressure prices

World wheat markets are seeing short-term downward price pressure from the large Russian export surplus, undercutting EU wheat exports into North Africa. At the same time, Brazil is harvesting record soya and maize crops and this is pressuring world feed grain and oilseeds values lower. Soya production in Brazil/Argentina/Paraguay in 2022/23 is now seen at 204mt, compared to 177.6mt last year, despite the drought in Argentina.

Looking to new crop, spring plantings are just beginning but winter crops are suffering from dry conditions in Europe and winter wheat is suffering possible winter damage in the US. The concern in Europe is that the dry spell is forecast to continue into April and soil moisture levels are already low in many areas. This means crop potential will be linked to regular rainfall during the growing season.

Will the US see big crops in 2023?

The USDA released their first estimates of US crop areas, production and use for 2023 harvest. The trend is for higher cropped area led by wheat and maize with soya broadly stable. Better yields are also seen assuming a return to average weather conditions – always a big IF at this early stage.

US crop area and production estimates - USDA

	Maize	**Wheat**	**Soya**
	Harvested area (m ha)		
2022	32.0	14.4	34.9
2023	33.6	15.5	35.1
Change (%)	+5%	+8%	+1%
	Production (m t)		
2022	349	44.9	116.4
2023	383	51.4	122.8
Change (%)	+10%	+14%	+5%

Maize sowings are expected to rise despite high fuel and fertiliser costs. US (and global) interest rates are also rising; now at 4-5% versus 0.5% just 1 year ago. This makes input intensive crops such as maize less attractive than soyabeans. Also, high interest rates are a disincentive to store grain increasing harvest price pressure. US soyabeans are expected to face growing competition from a much larger South American soya crop.

The USDA also estimated a fall in maize and other crop prices. This all depends on weather and crop yields as projected. Based on this, USDA project US ex-farm maize prices falling £40/t from £223/t in 2022/23 to £183/t in 2023/24. This is almost in-line with current UK wheat futures prices which at present are set to fall from £254/t to £234/t in 2023/24.

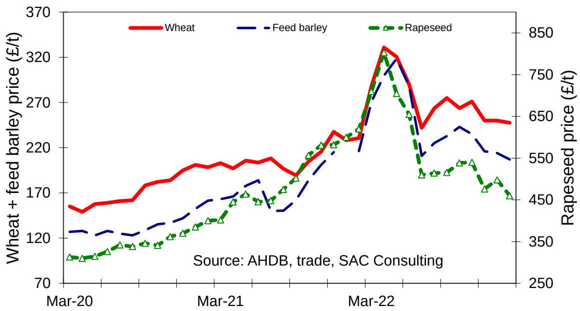
- Increased US grain and soya production and rising exports on world markets projected.
- US crop production remains subject to unknown weather conditions.
- High input prices and rising interest rates continue to dampen market incentives for maize in particular.

UK late season market factors

UK wheat prices have ended around £5/t down on a month ago having fluctuated widely in recent weeks. Export demand remains strong. There are some local UK factors that suggest a risk of weakness for UK grain prices towards the season's end though these local factors could be over-ridden at any time by wider global weather and political events:

- UK wheat export pace remains below that needed to clear the wheat surplus – risk of stock overhang at year-end.
- Domestic feed barley demand drops in late spring if grass growth resumes on time

On the upside, the dry conditions across the south and east of England are a growing risk factor for cereal yields with the forecast for the dry spell to extend into April. At particular risk is the large area of spring malting barley grown in north Norfolk on light soil that is important for the UK's overall malting supply and demand balance and ultimately prices in Scotland too.



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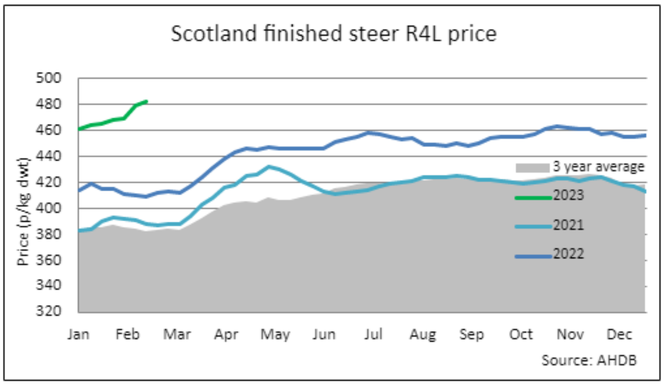
Indicative grain prices week ending 24th February 2023 (Source: SAC/AHDB)

£ per tonne	Basis	Mar '23	May '23	Nov '23
Wheat	Ex farm Scotland	247	249	247
Feed Barley	Ex farm Scotland	206	208	206
Malt. dist. Barley	Ex farm Scotland			255
Oilseed Rape	Delivered Berwick	460	462	470

Beef

Record Prime Cattle Prices

Prime cattle prices have continued on an upward trend, reaching record highs in recent weeks due to reduced supplies. At the time of writing, Scotch R4L grading steers were sitting around 482p/kg. The continuing shortage of cattle throughout the UK, alongside a strong Irish price is pushing beef prices to a record levels with processors having to pay out more to secure numbers. Reports suggest that in the short term, the finished price could increase further.



Southern Demand Fuelling Higher Prices

English demand for cattle continues to be a driving force in the store ring, fuelling price rises as bigger heavier types are highly sought after as English finishers actively look to source these. Given that English buyers are prepared to pay more for heavier cattle, due to heavier weight limits; increasing numbers of cattle are heading south.

Many Scottish finishers are now unwilling to compete for these expensive stores, with reports suggesting Scottish abattoirs might look at dropping their limits in order to maintain supply.

Beef Boom

Store cattle prices have continued to increase and are now being traded at never seen before prices. Continental steers are averaging 300p kilo with heifers averaging 290p/kg. Many suckler producers are taking advantage of the strong store trade, opting to sell now instead of the spring sales.

The current beef boom is offering great encouragement, coupled with a recent drop in fertiliser and grain prices. There is a lot of positivity and optimism currently. However, margins continue to be squeezed for finishers with the high prices being paid in the store ring.

Strong Cull Cow Trade

For yet another consecutive month, cow trade remains strong, with prices in the live ring continuing upwards. Beef cow numbers are now tightening due to the volume of cull cows already slaughtered, so those now available are breaking records at markets throughout the country. Week on week markets are reporting new record highs.

The strong cull price has undoubtedly been a major factor in decisions made on farm with regards to suckler cows, however lack of succession and tenancy issues have also influenced the numbers forward.

With milk prices potentially dropping, there could be an influx of dairy cows available, which will help with demand for manufacturing beef.

Strong Prices Lead to Optimism

While a year after Russia's invasion of Ukraine, many farmers are still feeling the effects with many businesses struggling with cash flow following 2022's inflated input costs; optimism amid store cattle prices and fat cattle being at recorded levels was reflected at the recent spring bull sales where bulls met a buoyant trade after strong demand from commercial buyers.

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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-Feb-23	**469.3**	-1.8	-7.5	**468.8**	5.9	-5.1	465.9	4.2	408.9	378.5
11-Feb-23	**479.0**	9.7	-4.3	**475.7**	6.9	-1.6	466.2	-7.0	414.6	392.9
18-Feb-23	**482.4**	3.4	-4.3	**481.9**	6.2	-1.0	468.4	1.9	420.0	392.1

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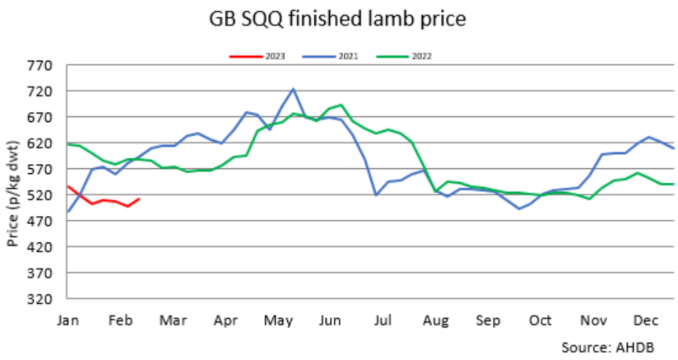
Sheep

Hogg Trade Remains Depressed

The hogg trade has continued to be dampened with lower prices than we have experienced in the last number of years. With a typical prime lamb being back in the region of £16/head on the year (SQQ £5.86/kg 19/02/22 V £5.11/kg DW 18/02/23).



Typically, lamb trade is influenced by various factors including, supply, demand, international trade and currency exchange.

The euro is currently at a favourable trading level (1 euro = £0.879 23/02/22). However, in the UK AHDB have predicted the 2022 lamb crop was 3% higher than 2021 resulting in a total of an estimated 17.7 million lambs, increasing our supply to the market. While our production has increased, the national consumption has fallen mainly due to recession and consumers choosing cheaper sources of protein.

Some are commenting that the supermarkets look to be stocking an increased level of NZ lamb. But looking at data from beef and lamb NZ for October to January over the last three years, the trend is for less lamb coming into the UK and more lamb entering the closer market of China.

	October – January	
	UK	**China**
2020 – 2021	11,050 tonnes	45,941 tonnes
2021 – 2022	10,366 tonnes	38,299 tonnes
2022 - 2023	6,495 tonnes	45,915 tonnes

In addition to the increased supply and reduced demand, the number of lambs that are being marketed as prime, which are light and under finished may also be impacting the prime price.

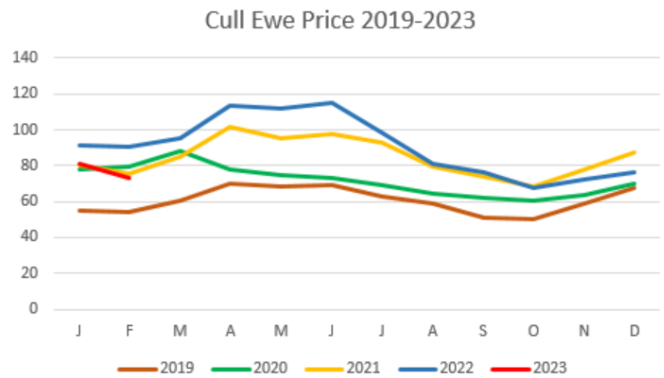
We have seen the price fluctuate slightly in the last month for lambs, this is largely due to producers reacting to the trade. In a week that there are less lambs and trade is improved, the following week, more lambs come forward, which then decreases the price.

Religious Festival Timing

The Muslim festival Ramadan will start on the 22nd of March and finish on the 21st April. While Easter is in the middle of this, being the 9th of April. This March and April timing will be towards the end of hoggs, which as supply reduces, and demand increases, the price should benefit.

Ewes

The ewe trade has been similar to the lamb trade, with the edge being taken off previous years prices. The average ewe price is back ~£17 on the year (Scottish average £88.43 19/02/22 Vs £71.36 18/02/23). With many producers now scanning, barren sheep are coming forward to the sale ring, while the domestic demand is depressed. However, many are reporting good scannings and a low volume of barren ewes. This may assist in reducing a vast volume in supply over the coming month as scannings for late lambing flocks progress.



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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
04-Feb-23	**511.6**	-3.1	-0.2	2.0	**224.70**	-9.0	8.0	6.2	72.62	74.33
11-Feb-23	**502.2**	-9.4	-0.4	0.6	**236.50**	11.8	12.0	9.5	76.49	78.74
18-Feb-23	**515.5**	13.3	-2.1	-1.3	**232.70**	-3.8	5.4	7.5	71.36	83.31

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: Pigs

Still in the red but light at the end of the tunnel with record prices being received and tight supplies at home and abroad.

The new year has brought new hope to the pig sector with price records being broken on an almost weekly basis. There is some optimism that 2023 will finally see the pig sector turn the corner after two years of sustained heavy losses by producers and the inevitable contraction in the number of farms keeping pigs and breeding sows. With supply getting much tighter, it is hoped that prices continue to rise allowing the beleaguered sector to return to profitability.

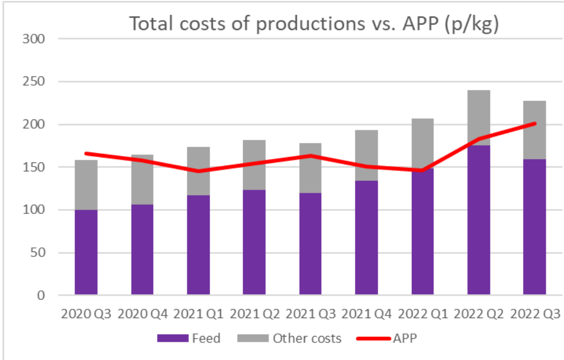
Standard Pig Prices (SPP): From a low of 137 p.p.kg in February 2022, as supplies of pigs tighten, the SPP has risen by 50% to just over 206 p.p.kg. While the steady influx of much cheaper product from the EU has kept a lid on prices in the UK, the past few weeks has seen prices rise significantly on the continent with the influential German price now at 2.20 EUR (equivalent to 194 p.p.kg.). This should act as the catalyst for further price rises for UK producers in the weeks and months ahead.

Slaughter Weights: Slaughter weights have remained consistently around 89kg since the start of the year, which is 6kg lighter than 12 months ago when the backlog of pigs on farms was at its height (AHDB). The reduction in sow numbers has fed also through to the number of finished pigs coming through, with 36,000 and 31,000 fewer clean pigs slaughtered than the same week in February 2022 and 2021 respectively in the UK (AHDB).

Cull Sows & Weaners: Cull sows have struggled over the past couple of years due to the effects of BREXIT, the pandemic and plentiful numbers coming forward as herds were reduced or dispersed due to the ongoing pig crisis with cull sows worth only around £0.25/kg last spring – a lot of meat for not much money. Just like the finishing pigs, a corner seems to have been turned, with steady rises through the summer and autumn and the past few weeks has seen further large increases in prices with cull sow values now over £1.10/kg. The more positive outlook has seen more specialist finishers return to the marketplace with 30kg weaners trading at ~ £55/head, although supplies are tight.

Costs of Production: Despite prices hitting record levels, as can be seen in Figure 1, with production costs estimated to be close to £2.20/kg, the latest published margins from AHDB (for Q3 of 2022) with estimated losses of £0.26/kg or £23 per pig are continuing to take their toll on producer's bank balances and business viability. Recent price rises have seen the gap close further with some of the most efficient producers close to breaking even.

Figure 1. GB APP vs. Cost of production July 2020 to Sep 2022, (Source: AHDB Pork)



Imports & Exports

2022	Change - Kt	Total - Kt	Value £ million
Imports	+69	801,500	£2,524 m
Exports	+ 23	372,597	£623 m

Despite the UK being a little over 50% self-sufficient in pig meat, imports increased in 2022 although exports also increased particularly of fifth quarter products. News of a free trade deal with South Korea has been welcomed by the pig sector with the National Pig Association (NPA) calling for the UK government to support the development of exports into the country, which has the third highest levels of pork consumption per capita.

Outlook: Based on the contraction of the pig breeding herd due to a combination of poor prices and sow fertility being impacted last summer by hot weather and the subsequent knock-on effects on numbers of finishing pigs, UK pig meat production is expected to reduce by 15% in 2023 according to AHDB's Pork Outlook. On a more positive note, the same study also expects the breeding herd to recover by 7,000 head by June 2023.

Falling consumer demand has also been blamed for some of the sector's woes with AHDB Outlook predicting a 2% fall before the current cost of living crisis. In the 12 weeks to 22 January 2023, volumes of pig meat purchased by UK consumers were back 2.8% on the year although total spend increased by 8.1% in the same period (Kantar).

Quality Assurance: QMS has launched new standards for its pig assurance scheme which will be effective from 1st May 2023. Mandatory training for those handling, moving and managing casualties is to be introduced along with enhanced biosecurity and fallen stock containment measures being some of major changes.

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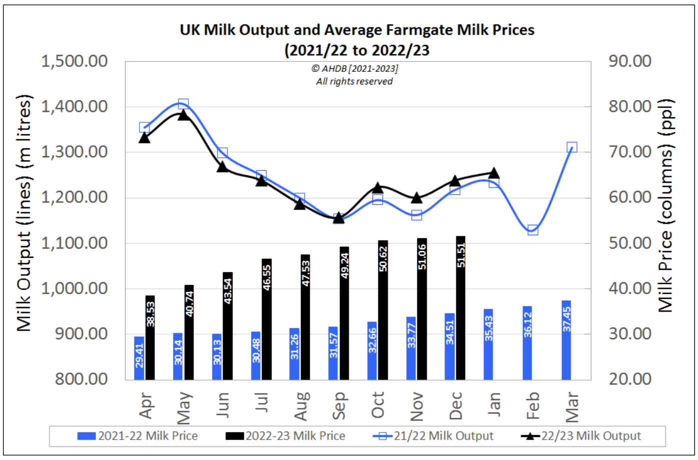
High output forcing UK prices down

- *UK milk output increased to 1,256.09m litres during January 2023 (up 22.91m litres on the year).*
- *2022/23 has been characterised by low milk volumes during the first half of the year and high milk volumes during the second half of the year.*
- *Elevated milk output across the UK and the EU coupled with reducing product demand is triggering milk buyers to cut farmgate prices.*
- *The spring flush of milk will bring further downward pressure on prices.*

AHDB milk production data shows that output for January 2023 is estimated at 1,256.09m litres (before butterfat adjustment) – an increase of 22.91m litres on a year-on-year basis. Cumulative UK production for the 2022/23 milk year to the end of January 2023 stands at 12,486.27m litres (before butterfat adjustment). Cumulative production for the 2022/23 production year has been running behind 2021/22 production levels for most of the 2022/23 production year, however, that has changed during January 2023. Cumulative production to the end of January 2023 is now 13.13m litres higher than the same time last year. At the time of writing, the UK average milk price for January 2023 is not yet available from DEFRA or AHBD. The UK average milk price for December 2022 was previously reported at 51.51ppl and represents a record high, however, UK farmgate prices are now reducing across the board for March 2023 (see below). Given the usual rise in milk output towards May each year, further price reductions are expected.



Farmgate prices: March 2023

Announcements for March 2023 are as follows:

- Sainsburys – Members of the Sainsbury Dairy Development Group (SDDG) will receive a 2.06ppl price reduction from 1st March 2023. This takes the liquid standard litre price down from 46.50ppl to 44.44ppl for Muller suppliers. Arla members of SDDG will receive the same 2.06ppl reduction from 1st March 2023 and will see their prices move down from 46.38ppl to 44.32ppl.
- Tesco – The Tesco Sustainable Dairy Group (TSDG) milk price is to reduce by 3.00ppl from 1st March 2023. The decrease takes the liquid standard litre price down from 47ppl to 44ppl, in line with the Müller Direct milk price reduction (below).
- Müller Direct – 3.00ppl price cut confirmed from 1st March 2023. This takes the liquid standard litre price for Scottish suppliers back to 43.75ppl (44ppl for English & Welsh suppliers). See table, below.
- Müller organic – 2.00ppl price cut confirmed from 1st March 2023. The organic farmgate milk price reduces to 53.00ppl for March 2023.
- Müller Lidl – 3.00ppl price cut to the Müller-Lidl three-year fixed price contract from 1st March 2023. The reduction is in line with the reduction to the Müller Direct milk price and takes the liquid standard litre price down to 44ppl from 1st March.
- Co-op – 2.68ppl price reduction confirmed from 1st March 2023. This takes the liquid standard litre price down from 46.83ppl to 44.15ppl.
- First Milk – 4.00ppl price cut from 1st March 2023.
- Fresh Milk Company – 5.00ppl price cut confirmed from 1st March 2023, liquid standard litre = 41.81ppl.
- Yew Tree Dairy – 3.00ppl reduction to A volume litres from 1st March 2023. This takes the liquid standard litre price down from 47ppl to 44ppl.
- Arla Directs – 2.65ppl price cut confirmed from 1st March 2023. The manufacturing standard litre price reduces to 45.93ppl & the liquid standard litre reduces to 44.09ppl.
- Arla Foods amba – There was a late announcement at the end of January 2023 in relation to the milk price for February. The Arla milk price reduced by 3.00-euro cents from 1st February 2023. The manufacturing standard litre price reduced by 2.65ppl to 48.47ppl whilst the liquid standard litre price reduced by 2.54ppl to 46.57ppl.

Annual average milk price estimates for March 2023 (ppl)	
Milk Prices – Scotland	**Standard Ltr***
Lactalis / Fresh Milk Co. (No profile or seasonality) [1]	41.81
First Milk Liquid [1, 2]	44.16
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	45.69
Müller - Müller Direct - Scotland [1, 3]	43.75

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 2022.

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.

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 (ppl)	**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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Milk Price and Input Costs – Where is it heading and what are the options?

Milk Output and Cost of Production

GB milk production for the 2022/23 milk year is projected to be 12.44 billion litres (0.7% above 2021/22), with production to mid-Feb 23 being ~ 3% higher than mid-Feb 22. With more milk available, a building of product stocks and reduced sales of dairy products due to incomes being squeezed, commodity prices are falling, resulting in many processors announcing sizable price cuts for March milk.

Outlook

With some farmers faced with low forage stocks due to last year's dry summer, turning out cows early could exacerbate the current over-production and potentially drive down prices further or quicker. However, equally, falling milk prices and high prices for cull cows may prompt producers to cull unproductive cows and/or, to scale back production, or to decide to give up dairying. This could result in a potential fall in milk production, especially if coupled with a cold, late spring and drought conditions in early summer, which could help stabilise farmgate milk prices.

With falling milk prices, it is important that producers don't make 'knee jerk' changes with regards cost of production that could harm herd health, fertility or milk yield going forward.

Cost of Production and Input costs

Factoring in the approaching spring flush of milk, producers are concerned how low prices might drop given that the average cost of production is currently estimated at 45ppl.

Fertiliser & Grassland Management: Given that linked to falling fuel prices, fertiliser prices have dropped significantly (imported Ammonium Nitrate fell by £188/t from Oct 22 to £682/t in Jan 22 and is expected to drop into the £400's/t soon), producers should not cut back on fertiliser requirements, as it will reduce grass yield and nutritional quality, leading to higher feed costs next winter.

Tightening up on grassland management by opting for rotational grazing/paddock grazing over set stocking will help to improve grass production and quality over the grazing season.

Is there potential to turn stock out earlier than normal e.g. in-calf heifers and low-yielders? Use a plate meter or sward stick to measure grass covers and look to graze the driest fields, even if only for a few hours a day will save on bedding, forage and concentrate costs.

Feed & Feeding: With barley now below £200/t ex farm, some lower protein cereal-based purchased feeds have reduced by ~ £10-15/t over the last month. However, soya has soared to £590/t delivered (linked to the drought in Argentina), which has increased the demand on mid-proteins such as rapeseed meal and distillers' dark grains.

With straights prices up on average 15% since the Ukraine war began, unfortunately the reduction in cereals will have little impact on overall farm feed costs. However, if not currently contracted until the summer, test all forages to review rations and shop around for feeds – be prepared to try something new and make changes on the back of sound nutritional advice. Equally, review management practices i.e. more regular push ups, improving ration presentation and minimising sorting behaviour can all help increase forage and overall dry matter intakes to drive milk output.

Health and Efficiency

Health is wealth. Producers are advised to keep accurate records of production diseases, lameness, mastitis, and fertility issues which can affect feed conversion efficiency and reduce milk output. These should be reviewed regularly and discussed with the business's vet and nutritionist with regards potential areas for improvement.

Individual cow productivity is important. Scrutinise their milk production in relation to their feed or keeping costs and determine whether they justify their position in the herd. If there are sufficient heifers coming through and cull prices are good, it could be worth culling less productive animals.

Finances

Faced with falling milk prices, some producers may be tempted to cut inputs to reduce their costs of production, especially if faced with cashflow issues. However, care must be taken ensure cuts can be made without harming herd health, fertility or milk yield. Keeping an open dialogue with lenders and suppliers will help to manage outstanding creditors and overdraft levels. Equally, given the uncertainty in milk price and when the milk market may start to stabilise, sitting tight and not making any major changes, or scaling back slightly to take advantage of high cull cow prices is well worth considering.

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Environment: Peatland Restoration

Peat is amazing, it has been used to heat our homes, flavour our whisky and, when I was little, it helped me to grow carrots. However, when I started walking in the hills, I hated peat. Peat meant battling through sucking filthy bogs, trying to hop from tussock to unstable tussock, sliding down slimy black gullies and climbing through a maze of haggs. Peat meant wet feet, stained clothes, fatigue, and fear of being swallowed in a dirty quagmire. That was in the Dark Peak hills between Sheffield and Manchester.

But then, while at university, my eyes were opened. One of my lecturers showed me the beauty of sphagnum moss under a magnifying glass, revealing the intricacies of the leaves wrapped around tiny branches in wonderful shades of red, pink, green and subtle browns. I also discovered the stunning birds and flowers of a healthy peatland ecosystem and was astonished by volume of water a handful of sphagnum can hold.

Before the current appreciation of the importance peatland restoration, I helped with a small project that tried to reduce the sediment flowing in a little stream. The Pennine peatlands of Lancashire, Cheshire and Yorkshire were hammered by the Industrial Revolution. A toxic legacy of acidic rains and soot reduced the vitality of the plants, and overgrazing and burning created a dark, bleak landscape with swathes of bare peat, hollows and haggs to trap unwary walkers. Peat eroded, washed into the water courses, and occasionally dried into summer dust. Our project was an attempt to reduce the burden on the water companies. If we could reduce the mass of peat entering the rivers and reservoirs it would substantially reduce the water treatment costs. Water flowing from degraded peatlands is "peat tea", stained with tannins and humic acids and is full of sediment and expensive to treat.

We nailed planks across gullies and used forestry thinnings to slow the flow of water. We tried pegging lumps of turf to block streams aiming to make little ponds. We also used sandbags and stone, taken from some path work. Some of our attempts worked quite well, showing the way forward, but it was difficult, slow, and messy work and there was no money to continue.

Later, as I understood more of the science of climate change, the potential of peatlands to reduce the volume of carbon dioxide added to the atmosphere, became clear to me. Scotland can reduce about 15% of its carbon emissions by fixing its peat bogs. Wildlife gains, water quality gains, flood risks diminish, and landscapes improve, with no lifestyle changes by the public. Peatland restoration is the single most useful thing Scots can do to help heal our degraded land and address the twin emergencies of Climate Change and Biodiversity Loss. Damaged peat bogs leak huge amounts of carbon. Healthy bogs only absorb a little bit of CO_2, but crucially, they hold onto it for thousands of years.

The Peatland Action funding programme of NatureScot can pay for most of the restoration of our peatlands. The target is huge, the skilled and experienced workforce small. At SRUC Barony, I lead training programmes to boost the numbers of people who can restore peatland ecosystems.

Ecologists don't always have an easy relationship with gamekeepers, but when I explained to one why I was driving up his track, he surprised me. The most widespread bog restoration technique in Scotland is to block the grips that draining vast areas of our landscape. These drains were put in to try to dry out the peatlands in order to improve grazing. They seem to have had no real benefit and done a great deal of harm. A typical grip might be 50cm wide and 60cm deep, just enough to trap young grouse. The keeper explained how delighted he was that we were blocking the grips, so he wouldn't have to pull out handfuls of little bodies from the channels after heavy rain. Fisheries scientists and hydrologists seem to love peatland restoration too. Reduced sediment in the water running off a restored bog means that delicate fish gills are less likely to become damaged and dams don't fill up with eroded peat. Healthy peatlands smooth out water flow, meaning that small-scale hydroelectric schemes have more consistent and reliable water levels. Salmon need large areas of gravel bottomed burns in which to lay their eggs and have them successfully hatch. Peat sediment smothers and kills fish eggs and many of the aquatic invertebrates small fish need to eat.

The Scottish Government, through NatureScot's Peatland Action programme, has allocated £250 million pounds to restore 250,000 ha by 2030. In the last ten years we've managed about 30 000 ha. To restore the rest, we'll need about 1,500 more people who have the relevant skills. The SRUC/ NatureScot training courses are trying to address this need, by teaching how to survey, map and assess the condition of peatlands and how to select and evaluate the most appropriate restoration techniques. By providing training in all the aspects of the design process, we are aiming to enable participants and the companies they represent to access the Peatland Action funding and develop effective projects. Together we hope to facilitate a workforce that can take Scotland on a journey towards Net Zero and a richer biodiversity.

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Management Matters

Agri-Reform Programme (ARP)

To help farmers, crofters and landowners prepare for the changes ahead the new Agricultural Reform Route Map published by the Scottish Government as part of its Vision for Agriculture published in March 2022, sets out the timescales for changes to its farming environmental policies.

In addition to confirming that the existing support will continue in 2023 and 2024; the route map outlines the changes to support from 2025 - 2027 linking in with the Government's environmental targets for 2030.

Basic Payment Scheme (BPS)

BPS will continue in its existing form until 2024. In 2025, new conditionality requirements will be introduced with land managers being required to meet clearly defined essential standards that ensure activity, climate, biodiversity and business efficiency as well as safeguarding animal health and welfare and workers' rights. BPS will be replaced by a tiered support system in 2026; initially providing Base and Enhanced support, with Elective and Complementary levels being added in 2027.

Tier	Payments	From	Conditionality / Aim
1	Base	2025	Direct payments linked to meeting essential standards.
2	Enhanced	2026	Building on Tier 1 and linked to additional measures that will reduce greenhouse gas emissions and restore and improve nature.
3	Elective	2027	Targeted actions to support nature restoration, innovation and providing supply chain support.
4	Complementary	2027	Linked to developing people and management tools.

LFASS, AECS & Forestry Schemes

While existing schemes such as Less Favoured Area Support, Agri-environment and Climate Scheme and Forestry grants schemes will continue until 2026, changes may be introduced from 2025 "to support the transition towards a more economic and sustainable model for the sector".

Targeted Capital Support

Schemes including Agricultural Transformation Fund, Crofting Agricultural Grant Scheme, Knowledge Transfer and Innovation Fund, and Food Processing, Marketing and Cooperation will continue until 2026.

Preparing Actions for Sustainable Farming

The transitional support measures which are aimed at supporting land managers to prepare for changes to future support payments e.g., carbon audits and soil sampling, support for animal health and welfare, and MyHerdStats are expected to end by March 2025.

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Key Economic Data

General Indicators	
Base interest rate	4% (3.5% Dec 22)
ECB interest rate	2.5% (2.0% Dec 22)
UK (CPI) inflation rate	10.1% (target 2%)
UK GDP growth rate	0.0% (Q4 '22)
FTSE 100	7,93710 (27 Feb 23)

Price indices for December 2022 (Defra 2015 = 100)			
Output Prices		Input Prices	
Wheat	226.4	Seeds (all)	122.1
Barley	225.0	Energy	210.0
Oats	209.9	Fertiliser	271.1
Potatoes	138.2	Agro chemicals (all)	170.2
Cattle and Calves	138.7	Feedstuffs	180.1
Pigs	152.5	Machinery R&M	128.2
Sheep and Lambs	147.7	Building R&M	156.8
Milk	210.6	Veterinary services	118.5

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