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March 2025

News in brief

Tariff tensions: ripples in commodity markets

The new year has brought not just strong storm winds, but strong winds of change in the landscapes of global commodity markets.

One of President Trump's early policies has been to place tariffs on Chinese imports to the US, which has been reciprocated by China. With China a major importer of soya, and the US a major global producer, American farmers are projected to reduce soybean planting by 3.6% this year; at the same time, however, Brazil are increasing production by 10%, another major global soy producer. Since 2022, China has begun to see population decline, and experts observe a risk of declining agricultural capacity, furthering China's already high dependence on imports (it accounts for 60% of global imports currently). In recent news, increased tariffs on fertilisers, as well as possible carbon taxes on high emissions imports like fertiliser, indicate that prices could rise in coming years, although exact impacts are still uncertain. For more updates on China in global markets, see Agribusiness New's December 2024 Sector Focus article.

What does this mean for Scottish farming? China's demand for agricultural commodities, and US trade decisions, shows the impact both can have on global markets, and by extension, how domestic markets will have to respond to this volatility. The breakout of war in Ukraine in 2022, following supply chain disruption with both EU exit and the Covid-19 pandemic, emphasises the vulnerabilities of British farming to global market volatility, but also capacity for adaptability and resilience.

February also saw an announcement providing indications of components of a £14m+ Future Farming Investment Scheme, including a new phase of capital grant schemes, and AECS, among other programmes; more details are expected later this year.

An audio version of Agri Business News is available on the FAS Website under FAS Sounds, and through podcast providers.

Next Month

- Sustainable proteins; Pollinators; Seasonal workers

Contents

This month's editor:
Anna Sellars

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Preparing for Sustainable Farming

The Scottish Government has extended the Preparing for Sustainable Farming payments for a further year.

Farmers and crofters can access funding for soil analysis, carbon audits, and animal health and welfare interventions during 2025, with payment claims being accepted up until the end of February 2026.

For full details on eligibility and payment rates, please see online at Preparing for Sustainable Farming: Full Scheme Guidance.

Restoring Scotland's Natural Environment

Legislative proposals to help restore nature and protect biodiversity in Scotland have been introduced to Parliament. The legislation is a key part of the Scottish Government's Strategic Framework for Biodiversity.

The Natural Environment (Scotland) Bill will place a duty on Ministers to set legally-binding nature restoration targets and will modernise how national parks and deer are managed. The Bill proposes actions to tackle the twin crises of climate change and nature loss with measures to protect biodiversity and reduce harmful carbon emissions.

Delivering for Rural Scotland

As the Scottish Government is committed to publishing a plan setting out how all parts of the Government are delivering for Scotland's rural communities by the end of the current Parliament; they have launched a survey to ask people living and working in rural communities what the government priorities should be to improve their lives.

The survey will help to shape the Rural Delivery Plan which will cover a range of areas such as agriculture, transport, housing, health and social care, marine, land reform, population, skills, digital connectivity and economic development.

To take part in the survey, please click on this link: Rural Delivery Plan.

The survey closes on the 17th of March 2025.

Supporting Farmers, Crofters and Food Producers

As part of the Scottish Government's Small Producers Pilot Fund, which has provided a total of £256,500 to support private kill abattoirs in Shetland, Barra, Dingwall, Mull and Wishaw; the Orkney Auction Mart has been awarded £15,000 of funding to help build a business case for a new, fit-for-purpose processing plant.

By creating more localised supply chains, the Small Producers Pilot Fund aims to increase the proportion of food grown and processed by smallholders and small farms, and consumed within their local community.

Brexit Trade Barriers

Five years on from when the UK left the European Union, analysis published by the Office of the Chief Economic Advisor has estimated Brexit trade barriers could impact Scotland's economy by £4 billion. This estimated economic cost is from the reduction in trade alone – not counting changes to productivity, investment, or migration.

According to the Trade Modelling Report, Scottish exports could be lower by 7.2% or £3 billion compared to continued membership of the EU.

The chemical and pharmaceutical sector is estimated to be one of the hardest hit by post-Brexit trade barriers, with an estimated 9.1% reduction in output, followed by the computer and electronics at 7.7%. The textiles, wood and paper sector which includes tanning & dressing of leather products is predicted to fall by 5.9%. The 4.9% output drop estimated for the agrifood sector represents a loss of £827 million.

The Scottish Government's Brexit Trade Modelling Report analyses the impact of the UK's post-Brexit trade agreements on Scotland's economy and the expected effect of actual or potential Free Trade Agreements between the UK and Australia, India, Switzerland and Turkey, as well as the Trade and Cooperation Agreement between the UK and EU.

While the analysis includes the expectation that, as a result of FTAs with Australia and India exports of prepared animal feeds will increase by 0.3% equivalent to £34 million; processing & preserved meat exports will fall by 0.1% equivalent to £26m.

However, it should be noted that the report makes estimates based on the impact of trade barriers and does not account for changes in productivity and investment due to Brexit.

Key dates

Date	Point to Note
15th March	Single Application Form 2025 opens online. Closes on 15th of May 2025
15th May	Single Application Form 2025 closes online at Midnight

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Cereals and Oilseeds

Global overview

Although we've not seen it here, global grain prices have risen in recent weeks reaching multi-month highs due to tightening stocks and weather-related risks. The USDA's latest reports indicate declining stock levels providing strong market support. Agricultural markets are expected to maintain a firm tone, possibly stronger than in the past two years.

Currently severe cold in Russia and Ukraine is threatening winter crops, particularly in areas with insufficient snow cover. Similarly, the U.S. state of Kansas, a major and significant wheat producer, is experiencing record-low temperatures, which may result in crop damage. In South America, La Niña-driven drought and extreme heat have impacted crop estimates in Argentina. The USDA has lowered its corn production estimate to 50 million tonnes (MT), though local estimates are 4 MT lower. Soybean conditions are worse, with only 15% rated good to excellent. Recent rainfall may stabilise the situation. Meanwhile, Brazil's central region is drying up, accelerating fieldwork. Soybean production is projected to reach a record 165-170 MT, and most of the second corn crop is expected to be planted without major setbacks. In Europe, excessive rainfall in northern regions, particularly the UK, France, and Germany, is raising concerns. In contrast, dry conditions in Central Europe and the Black Sea region may impact yields. The overall winter crop area has increased, but spring weather conditions will be crucial for production potential.

Market movements

Funds have adjusted their positions in response to lower stocks, limited Black Sea exports, and emerging crop risks. The shift in market sentiment has led to price rallies, albeit out-with the UK, with funds covering shorts and moving towards long positions on MATIF wheat. A weaker euro has also improved European wheat competitiveness, boosting exports and supporting EU prices. Conversely, the strengthening of the Russian Ruble due to ongoing peace talks has made Russian wheat less competitive, increasing global wheat prices. Despite these rises, MATIF wheat has remained relatively low due to sluggish export demand. EU exports are currently 7.5 MT below last year's levels as buyers continue to prioritise cheaper supplies from the Black Sea, Argentina, and Australia. However, Black Sea availability is expected to be 50% lower than last year, potentially shifting demand back to EU wheat later in the season.

UK wheat prices have remained relatively flat due to strong EU imports and an unfavourable currency impact. A strong Sterling (at 1.21 against the euro) has made UK wheat exports less competitive while making imports cheaper. Without this currency effect, LIFFE prices would be closer to £200 per tonne. The appreciation of Sterling against the euro (+4%) equates to an £8 per tonne price loss. We still have 50% of the UK wheat crop to sell. The first half was sold at season highs above £200 per tonne, but further sales for many, wait in anticipation of stronger EU demand. However, this demand has yet again failed to materialise, creating a risk of last-minute sales pressure. For the new crop, there is more time to assess the market. Nov 2025 futures have been weakening to £193 per tonne as February closes out and sales decisions for the new crop may best be postponed until April-May to capture potential market upswings.

Outlook

While so far UK wheat prices have been slower to react, they are expected to follow broader market trends. The International Grains Council has lowered its 2024/25 global maize and soybean production forecasts due to weaker outlooks in Brazil and Argentina. Global maize production is now projected at 1,216 MT, down 3 MT from previous estimates, while global soybean output has been reduced by 2 MT to 418 MT. Wheat output, however, has been revised up by 1 MT. In summary, while adverse weather conditions and shifting market dynamics continue to shape global grain markets, UK wheat prices remain under pressure from currency movements and slow EU export demand. However, a shift in global demand could lift prices later in the season.

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Indicative grain prices week ending 28/02/2025 Source: SAC//United oilseeds/AHDB/Hectare)

£ per tonne	**Basis**	Mar '25	**Jul '25**	**Nov '25**	Mar '26
Wheat	Ex farm March; Futures thereafter	195	187	192	199
Feed Barley	Ex farm March; Futures thereafter	172	163	177	184
Malting Barley	Ex farm March; Futures thereafter	205			
Oilseed Rape	Del Dundee	429	435	407	412
Beans	Ex farm Scotland	213			215

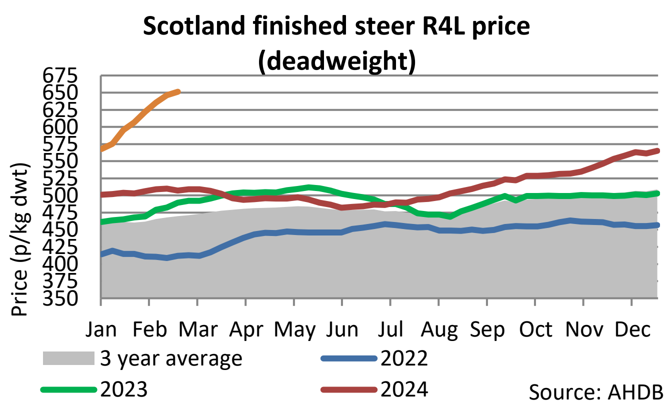
Beef prices rocket

Finished beef prices have again risen throughout February. Only a few months ago, prices were breaking records at £5/kg/dwt, however, prices have since rocketed above £6/kg/dwt. Prices are now up by more than 25% on the year and over 50% higher than the five-year average, sitting around 645-650p/kg/dwt, with Aberdeen Angus cattle maintaining a 10p to 20p premium. Finishers have never experienced a market with price rises such as these, with weekly price lifts of between 10 to 15p/kg/dwt and £200 to £300 a head since the start of the year.

While this return is needed for producers, current market volatility, is not what the industry needs. There are fears beef cattle finishing will become a boom or bust industry. Remember finishers were selling cattle in the summer for 475p/kg/dwt, which had cost 335p/kg live in the spring of 2024, which at the time were record breaking averages. Scottish deadweight prices have risen from a low of 470p/kg/dwt in June, to smashing £6/kg by some margin. How can farmers budget when the market continues to show such volatility?

Demand

Demand for beef has continued this month with Valentine’s Day driving sales for steaking cuts. Simply supply is not meeting the demands. There are fewer cattle out there, and the higher prices reflect this. Production is reaching its seasonal high, with peak slaughter age of 21 months and the dominance of spring calving, which is seeing processors battle to secure supplies.



The challenge looking ahead to this year is supply, with AHDB forecasting UK beef production to fall by 5%. The number of cattle available for slaughter this year in Scotland is also expected to reduce with smaller calf crops from 2023 & 2024 filtering through.

Dream store cattle prices

Demand for store cattle remains high with no let-up, with many markets reporting store cattle prices rising by £50 a head per week over the past month. These prices are encouraging for suckler producers, however, to incentivise farmers to continue with keeping suckler cows or increase herds, price stability is needed to support beef production. There are concerns that current store prices are unsustainable. The money tied up with trading cattle is now colossal, with finishers suffering from the inflated store trade and many will be questioning margins, at these levels. If the current finished prices drop, many will be considerably out of pocket.

Consensus for the foreseeable future is that store cattle prices will remain at these levels; demand for store cattle is expected to increase in the coming weeks, as we head towards the grazing season, which is contributing to the price rise of younger stores.

Manufacturing Beef Demand

High cull cow prices continue, at abattoirs and in the live-ring, with prices surpassing £5/kg deadweight, currently sitting at 520p/kg/dwt. There is high demand for manufacturing beef, with AHDB reporting an increase of 2% for mince sales in January compared to 2024 alongside an increase of frequency of purchase. It is likely that demand for manufacturing beef will remain high, as consumers continue to look for quick and convenient meal options. Recent Kantar data highlighted the average preparation time for an evening meal reduced from 34 minutes in 2021 to 31 minutes in 2024.

Cow numbers however are running short, AHDB reports show UK cow slaughterings in 2024 up by 1.8% compared with 2023. Scotland’s critical mass is at a level where we cannot really lose more. Suckler herd contraction is expected to remain despite current farmgate prices, with pressure from production costs, changing government support, and market volatility.

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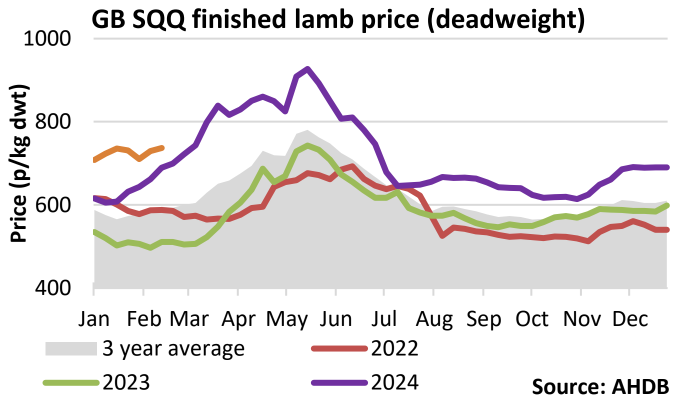
Scotland prime cattle prices (p/kg dwt) (Source: drawn from AHDB and IAAS data)

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
01-Feb-25	**621.8**	15.2	2.4	**624.0**	16.1	11.9	615.2	22.7	497.5	474.1
08-Feb-25	**635.3**	13.5	3.4	**635.6**	11.6	2.3	617.4	16.0	505.1	482.4
15-Feb-25	**646.2**	10.9	-3.1	**646.8**	11.2	-1.0	619.0	-3.9	520.2	490.8

Ramadan Ramping Up Trade

Ramadan is set to commence on Friday 28th February (depending on the sighting of the moon), this month-long fasting festival is set to end on the 30th March, and then Eid-al-Adha on the 31st to celebrate the end of Ramadan. The timing of this festival is very significant for the sheep sector, with a huge demand often being seen at this time for both lambs and ewes. For the week ending 15/02/25 the SQQ stood at 736.9p/kg DW, 47p/kg DW increase on the same week last year.



Slaughter numbers have been increasing with the week ending 15/02/2025 seeing 207,100 head of lambs, sum 14,300 up on the week. However, slaughter numbers remain 1% down on the year at the current time.

Breeding sales are showing good demand for females, showing confidence in the sector following high prices in recent years. The flock has declined over recent years, forced further with producers cashing in on high priced ewe lambs prime last year. Over the coming months we will keep a close eye on producers' decisions with these females this year, but we could see the national flock increase slightly due to this confidence in the sector.

Import Figures Jump

AHDB have recently reported total import and export figures for sheep meat in 2024. Imports have increased quite significantly due to a low domestic supply, high farmgate price and demand generated through religious festivals. These imports of sheep meat in 2024 were 37% higher than in 2023, reaching 76,500 tonnes. Imports from New Zealand rose 51% to 45,800 tonnes and Australia rose 62% to 19,000 tonnes. The largest import months coincided with religious festivals, Ramadan and Eid-al-Fitr in March and June.

Australia had access to import 30,556 tonnes of sheep meat with no tariff under the free trade agreement; 62% of this was imported. With China and the Middle East being their main line for export. The total imported to the UK from Australia in 2024, accounted for only 3% of their total export volume.

Exports of sheep meat from the UK dropped on the year by 5% to 86,800 tonnes, however the value showed an increase of 6% on the year.

Social Media Opportunities?

Meat and Livestock Australia are currently seeking participants for their Social Media Academy. In this programme red meat ambassadors participate in workshops to learn how to build an online community and a following, at TikTok head offices in Melbourne. The aim is to assist in building trust with red meat customers, and to highlight best practice for caring for livestock and the environment. 20.8 million or 78.3% of the Australian population are on social media; 40% of these are on TikTok, with approximately 42 hours+/month being spent on the platform.

Looking at UK figures, latest figures show 56.2 million or 82.8% of our population are on social media; 54% of these are on TikTok, with the largest growing group being 45-54 year olds. Is there an opportunity here for the UK to learn from Australia? It will be interesting to watch the content created #farmtok

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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
01-Feb-25	**716.6**	-21.8	2.3	0.4	**338.10**	14.5	7.6	15.0	119.44
08-Feb-25	**734.2**	17.6	-0.5	-0.1	**344.20**	6.1	8.6	12.8	123.92
15-Feb-25	**742.6**	8.4	1.2	-0.2	**340.30**	-3.9	15.0	16.1	113.86

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 trends

Potato planting is underway for early crops under fleece in Jersey, Cornwall, and Ayrshire but most producers are finalising field plans and securing seed potatoes.

Prices for the 2024 crop have been relatively firm across the sector, but export markets for seed potatoes have been particularly favourable. The export trade is of key importance for many Scottish producers and is dominated by a handful of free varieties such as Cara and Hermes. South of the border in England seed potato production is almost exclusively centred on controlled varieties such as Sagitta and Taurus.

Packing potato prices have also been reasonable, they have not seen the same strengthening of demand as the export seed trade and current reports are that the free-buy trade is quiet for the time of year.

Pest and disease

Quality in store has been good, but mechanical damage is a common fault. Some issues with dry rot have been reported in susceptible varieties.

Levels of aphid vectored virus have been a concern for the industry, particularly in Scotland where levels have historically been very low. Although level reported still concerning, the incidence of virus faults within the Scottish Seed Potato Classification Scheme (SPCS) was considerably lower in 2024 compared with 2023, indicating that an increased focus on management is having a positive impact.

Managing the issue has put pressure on seed availability however, and this has driven prices upwards and made sourcing some varieties challenging.

Levels of potato cyst nematode (PCN) species have also been a concern over the last decade. Land must be certified as free from PCN before seed potatoes can be planted – in areas of intensive production such as Angus and Perthshire scheduling of land for PCN infestation has reduced field availability for seed production.

These three trends (1) demand for export varieties, (2) PCN distribution and (3) management of stocks to reduce virus risk along with supply and demand in other sectors of the industry have led to a substantial increase in the value of land for potato rents although this does vary somewhat by region.

Varieties and Classification

As AHDB Potatoes no long exists there is no central body collating planting statistics across the UK potato crop. However, good data is available from the SPCSs in Scotland, England & Wales, NI, and out with the UK.

For Scotland, export seed varieties and the multipurpose Maris Piper dominate. A substantial proportion (31%) of the 2024 crop was of the top three varieties (MARIS PIPER, HERMES, CARA).

However, there are some shifts further down the ranks. The most notable is probably Elland, which has seen year-on-year rises in area share since its introduction. This variety has resistance to one species of PCN (*Globoderia pallida*) and acceptance by end markets which has helped its popularity.

Variety	Total 2023 (ha)	Total 2024 (ha)	Area Difference (ha)
1. MARIS PIPER	931.40	1100.47	+169.07
2. HERMES	950.97	1080.79	+129.82
3. CARA	1115.84	1043.07	−72.77
4. DESIREE	390.86	406.20	+15.34
5. ATLANTIC	332.94	340.36	+7.41
6. LADY ROSETTA	242.13	327.15	+85.02
7. INNOVATOR	335.70	291.35	−44.35
8. ROYAL	311.99	262.50	−49.50
9. BROOKE	222.28	251.15	+28.87
10. ELLAND	136.27	213.90	+77.63

Figure 1: Top ten varieties by planted area in the Scottish SPCS administered by SASA. Note that these data are based on published final grades.

The area of classified Scottish seed was up slightly for 2024 to 10,393 ha an increase of 6.3%.

A substantial amount of classified seed (3153 ha) is grown in England and Wales – primarily, but not exclusively, on the Yorkshire Wolds. APHA administer the E&W SPCS and report that the three most popular varieties in the 2024 growing season were SAGITTA (405 ha), TAURUS (318 ha), MELODY (194 ha), and MARKIES (172 ha). In Northern Ireland a small amount of classified seed (299 ha) was planted in 2024. The top three varieties were MARIS PIPER (47 ha), KERR'S PINK (42 ha), and ROOSTER (31 ha).

Export Markets

Although seed movement is currently centred around the home market, some interim data is available for Scottish seed potato exports abroad. Egypt is by far the most important export partner (over 61,000 tonnes in 2024) – opening and expansion of new markets are a priority for the sectors sustainability. Exports to the EU remain closed, but a recent audit by the Commission of the sector is a positive development and we hope to hear news of the outcome soon.

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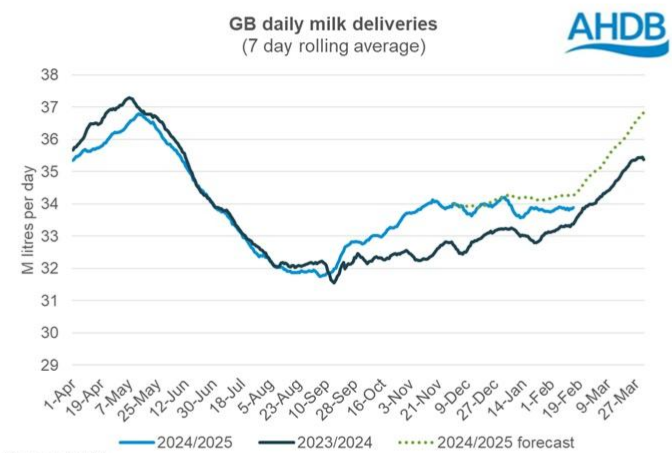
Milk production data

Milk production continues to stay ahead of last year, with GB volumes for January up 2.2% to an estimated 1,047m litres. The latest data from AHDB puts daily production at 33.89 million litres for the week ending 15th January, 1.6% above the same week last year. UK production for January was estimated at 1,283 million litres, 3.3% more than in January 2024.



Source: AHDB

Farm-gate prices

At the time of writing, Müller, First Milk and Graham's announced price holds for March. Aligned supermarket contracts are on average running at much lower prices, with Müller Coop at 40.95ppl and Tesco at 40.02ppl for February. Organic milk prices are currently around 56-68ppl depending on the contract.

Milk Prices for Nov/Dec 2024 Scotland	Standard Ltr ppl	
First Milk[2]	Mar	45.35
Müller - Müller Direct - Scotland [1, 3]	Mar	42.25
Grahams[1]	Mar	40.00
Arla Farmers[2]	Feb	48.27
Lactalis / Fresh Milk Co.[2]	Feb	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

With the exception of bulk cream, average monthly wholesale prices for dairy commodities continued to decline, with the biggest drop seen in butter, back 4% from the January price. Trade was fairly quiet with buyers keen to wait and see what happens with increasing volumes and product availability ahead of the spring flush. However, stocks of butter are still reported to be low. With mild cheddar only down 1% in February, the market indicator MCVE showed little change from January, down just 0.25ppl. However, AMPE dropped just over 2ppl on the back of butter and SMP prices easing. The Milk Market Value (MMV) indicator fell 0.64ppl to 43.00ppl for February, the fourth consecutive drop since October (46.37ppl).

UK dairy commodity prices (£/tonne)	Feb 2025	Jan 2025	Aug 2024
Butter	5,920	6,180	6,100
Skim Milk Powder (SMP)	2,020	2,090	2,020
Bulk Cream	2.626	2,630	2,703
Mild Cheddar	3,960	3,990	3,860
UK milk price equivalents (ppl)	**Feb 2025**	**Jan 2025**	**Aug 2024**
AMPE	42.00	44.01	42.68
MCVE	43.25	43.50	40.95

The latest GDT auction (18th of February) resulted in little change in the price index from the previous auction, moving down by just 0.6% to a weighted average price across all products of $4,370/t. Only butter was up in price (+2.2%) and the biggest falls were seen in cheddar and lactose, both down 3.4%. The previous two auctions showed overall positive changes, with the price index up 3.7% in late January and 1.4% in early February.

Investment at Scottish creamery

Arla has announced plans to invest nearly £90 million into its Lockerbie creamery, with the aim of creating a "centre of excellence" for manufacturing Lactofree and UHT milk. The creamery's cheddar production facility also benefited from a £34 million investment last year. While this is seen as a positive move for Scottish producers, with the investment doubling the site's milk processing capacity and creating 90 jobs in the local area, it comes at the expense of Arla looking to close its creamery at Settle, North Yorkshire, towards the end of 2026 with the loss of over 120 jobs.

Scottish dairy herd trends

According to the Scottish Dairy Cattle Association, there are 764 dairy herds in Scotland (as of 1st January 2025), which is 30 less than the previous year and nearly 24% less than ten years ago. Cow numbers have remained relatively stable, and the average herd size is now 236. The highest number of herd losses was seen in Ayrshire, with a net loss of 15, followed by Dumfriesshire (net loss of 5 herds).

December dairy costings

The latest monthly costings from Promar for December 2024 revealed a daily yield per cow of 28.4 litres, with 6.49 litres being produced from forage. Concentrate use was 0.37kg/litre, with a total feed cost of 11.71ppl and a margin over purchased feeds of 34.15ppl. Compared to 12 months ago (December 2023), the milk price is up 20.5% and feed costs are down 5.8%, resulting in the margin over purchased feeds being 33.3% higher.

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NZ still living off the animal's back

Farmers upbeat

New Zealand farmers are feeling upbeat. For despite a tough spring in the south of the country; dairy, beef and sheep prices are nicely up. Good news for farmers and the Kiwi economy given that food, fibre and drink exports accounts for over 80% of the country's goods exports. Dairying is the star sector well ahead of meat, with timber, horticulture and wine also contributing.

Yet Kiwi farmers feel underappreciated by their urban mates, and trading may soon become more difficult given the new Trump administration's potential impact on global trade.

Dairying the main sector

Fonterra, the farmer owned co-operative, that accounts for the majority of New Zealand dairy processing, forecasts this season's payout above NZ$10/kg milk solids (MS) beating an average breakeven price of NZ$8.02 calculated by DairyNZ the industry levy body. Last season, the average producer did not breakeven with a payout of just NZ$8.11.

The Kiwi dairy model is still built around early spring calving to maximise production off pasture but has evolved in recent years due to economic (especially land, building and labour costs) and environmental pressures. While per hectare production has remained relatively steady, per head performance has been lifted through more supplementary feeding. Especially so in Southland where per cow production this season is forecast at 446kgMS/cow compared to a national average of 406kg (c.4.500 litres at 9% MS).

Sheep farming in long term decline

The prospects for Kiwi drystock farmers have also improved in the past couple of months with lambs now selling for NZ$8/kgDWT (about £4) and dairy bulls destined for the US burger market making around NZ$7.40/kgDWT, a third up on last year. After two loss making years, drystock farmers are hopeful of breaking even this season.

Nevertheless, better prices are unlikely to reverse the long-term decline in sheep production which is the cornerstone of Kiwi drystock farming. Simple economics has driven the conversion of vast swathes of the best livestock (and mixed cropping) country into dairying. While a generous emissions trading scheme has resulted in outside investors planting 270,000ha of poorer drystock country in trees since 2017.

Still, sheep farming has responded to market pressures. Better productivity means that since 1990 lambing percentage has lifted from 100% to near 140%, lamb carcase weights from 15 to 18-19kg DWT while at the same time labour productivity doubling so that 2,500 ewes can be run by one labour unit. Meat quality has also improved while (low) emissions per kilo of lamb are world leading.

Some substitution of (beef) cattle for sheep is also evident especially in the north island. Cattle are less labour demanding, while also giving farmers better scope to manage the growing threat from wormer resistance.

Growth opportunities limited

NZ dairy and red meat production remains very competitive internationally. Their farmers are rightly proud of the fact that they don't depend on subsidies to make ends meet. Their knowledge sharing and transfer mechanisms remain first class helped by levy organisations that remain focused on production agriculture with due regard to minimising environmental harms.

But there appears limited hope of the industry growing export earnings. Unlike Brazil, there is no untapped land to exploit, and planning controls have all but ended converting drystock land to dairying.

A step change in productivity is also unlikely. The decline in production research and, until recently, reluctance to explore use of new gene technologies to, for instance, lift pasture productivity, puts a firm ceiling on the growth ambitions of New Zealand's pasture based production industries.

Farming's environmental impact is an issue: nearly half of the country's greenhouse gas emissions come from agriculture, with water usage and quality also a concern where dairying dominates land use. There is a notable friction between town and country on the issue, with urban Kiwis seemingly unaware of the nation's financial dependence on farming.

What of adding value to that which is produced? Niche dairy processor Tatua paid NZ$2.67/kgMS more than Fonterra last season thanks to higher valued products. Yet Fonterra has recently taken the decision to exit production of consumer brands. As for meat processing, operating efficiency is the priority. A loss of critical mass has placed Alliance, the one remaining wholly farmer owned processor, in a very difficult position.

The long-term global market prospects for dairy and meat are a welcome positive. But Kiwi agriculture is very dependent on Chinese demand, which could be an issue given the political forces reshaping world trade. Rebalancing New Zealand's exports toward its traditional markets, has obvious implications for us.

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Inputs: Fertiliser Use trends in Scotland

Fertiliser Use trends in Scotland

Is crop performance being compromised?

Thankfully fertiliser prices have returned to a more tolerable level than that of recent years; however, this extreme price spike has forced a change of attitude towards the use of inorganic fertilisers.

Farmers are actively looking at cheaper alternatives such as the use of organic manures or increasing the use of legumes for nitrogen fixation to supply major nutrients and bring down the annual fertiliser bill. Whilst fertiliser use in Scotland has been declining over the last couple of decades the high prices of 2021 and 2022 have sparked a more significant drop in application rates.

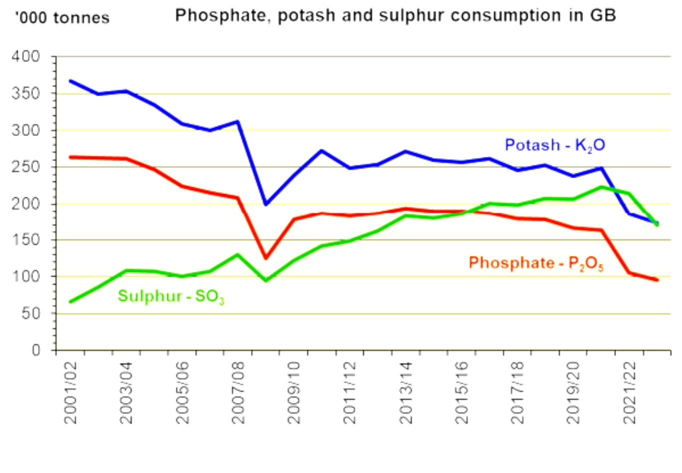
The British Survey of Fertiliser Practice in 2023 highlighted some interesting trends in fertiliser use across the United Kingdom. Table 1 shows a snapshot of fertiliser use in Scotland. The sharp drop is to be expected in response to dramatic price rises, but with another drop in use in 2023, we may be in danger of underapplying phosphate and potash.

Table 1. Total quantities of Nitrogen, Phosphate and Potash used in the UK. Extract from British Survey of Fertiliser Practice 2023. Figures are use in Scotland. Source: https://www.gov.uk/government/collections/fertiliser-usage.

Harvest Year	Nitrogen 000t	Phosphate 000t	Potash 000t
1966	76	81	61
Peak Use	194 (1990)	75 (1980)	77 (2017)
2019	150	46	68
2020	131	39	63
2021	135	45	69
2022	118	32	55
2023	114	29	51

Optimal plant uptake of nutrients for growth and root development requires a balance across all major nutrients in the soil. Failure to maintain recommended soil fertility levels will impact the yield and quality of crops and grass but it also increases the potential of negative environmental impacts.

The following graph demonstrates the fluctuations in nutrient use in Great Britain as a whole (Source: AIC Fertiliser Statistics 2024).



Source: British Survey of Fertiliser Practice and AIC Statistics

Whilst infrastructure and technology mean we can use organic manures more effectively, soil testing is the only true way to measure if what is being applied is appropriate for crop offtakes and soil requirements. Scottish Government have announced that Preparing for Sustainable Farming (PSF) funding for soil sampling will continue in 2025, so it is an ideal opportunity to ensure your soil samples are up to date and identify any emerging patterns in soil fertility levels.

Fertiliser markets

Fertiliser markets have been fluctuating since the turn of the year, after what was a more settled market in 2024. Rises at this time of year are typical due to increased demand for gas and reduced supply. Storage levels of gas in the UK and EU are at lower levels than usual for this time of year. A combination of increased imports to boost stocks and the uncertainty of good tariffs from the United States would suggest we could see further rises in fertiliser prices.

	June '24	Oct '24	Jan '25	Feb '25
Urea (46%)	350	369	409	445
AN (34.5% imported)	330	334	352	370
MOP	365	341	325	345
TSP	449	455	472	485

Ensuring the right product is being used in the best possible conditions will provide the maximum return on fertiliser spend and should be considered before the price per tonne. For more advice contact a FACTS qualified advisor.

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Management Matters: Wills and Power of Attorney

Autumn Budget 2024 – fundamental change to Inheritance Tax

The Budget brought significant changes to Inheritance Tax, particularly concerning Agricultural Property Relief (APR) and Business Property Relief (BPR). These changes could result in some farming assets now being subject to IHT. Given these developments, estate planning has never been more crucial.

Many farmers still lack a will or a Power of Attorney, putting their farms at financial and operational risk.

Why every farmer needs a will

1. **Avoids intestacy laws** – If you die without a will, your estate will be handled according to Scotland's intestacy laws, which may not reflect your wishes.
2. **Reduces inheritance tax exposure** – Helps structure assets in most tax efficient manner.
3. **Prevents family disputes** – Clearly sets out your wishes reduces the likelihood of conflicts.
4. **Appoints guardians for young children** – Enables you to appoint guardians to take care of children in the event of your untimely passing.

Seek advice to structure your estate efficiently. Regularly update your will to reflect changes. Clearly outline succession plans for the farm to avoid confusion and legal disputes.

Why every farmer needs power of attorney

A Power of Attorney (POA) allows you to appoint someone to make decisions on your behalf should you become incapacitated.

1. **Ensures business continuity** – Allows a trusted person to make financial and operational decisions.
2. **Protects personal and business finances** – Without a POA, no one can access your bank accounts, or manage financial affairs on your behalf.
3. **Avoids costly and lengthy legal proceedings** – If you become incapacitated without a POA, your family may have to apply to the courts for guardianship, a lengthy and expensive process.
4. **Gives you control over who makes your decisions** – Allows you to choose someone to manage your affairs rather than leaving it to the courts to decide.

Types of Power of Attorney in Scotland

- **Continuing Power of Attorney (CPA)** – Covers financial and property matters and can be used while you are still mentally capable or in the event of incapacity.
- **Welfare Power of Attorney (WPA)** – Allows your chosen attorney to make health and welfare decisions if you lose capacity.
- **Combined POA** – Covers both financial and welfare matters to ensure full protection.

Seek advice to draft a POA that suits your personal and business needs. Register the POA with the Office of the Public Guardian in Scotland to make it legally effective.

The changes to APR and BPR highlight the importance of proper estate planning for farmers. The failure to have a will or a POA in place can lead to unnecessary stress, legal battles, and financial hardship for loved ones.

For further guidance on wills, Powers of Attorney, and estate planning for farmers, contact a trusted agricultural solicitor. Your family and your farm depend on it.

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Key Economic Data

General Indicators		Price indices for November 2024 (Defra 2020 = 100)			
		Output Prices		Input Prices	
Base interest rate Jan 25	4.5% (4.75% Feb 25)	Wheat	113.1	Seeds (all)	106.5
ECB interest rate Deposit	2.75% (3.00% Jan 25)	Barley	119.5	Energy	141.2
UK (CPI) inflation rate	3% (target 2%)	Oats	118.4	Fertiliser	148.9
UK GDP growth rate	0.1% (Q4 2024)	Potatoes	174.2	Agro chemicals (all)	109.2
FTSE 100	8,669.95 (25/02/2025)	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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