

SCOTTISH FARMING UPDATE

Autumn 2023

FARMING OVERVIEW

Welcome to this quarter's Farming Update, which is produced by our Farming Research Group and reports on market and administrative issues that affect farmers' business decisions and on which they may need to act.

It has been a slow and prolonged harvest but fortunately weather conditions have improved towards the end. Yields are generally good. There has been significant variation in reports in relation to drying requirements across the UK, ranging from 10% to 100% of crops cut so far, and English farmers have definitely dried more than they are used to.

There is positive news in the pig sector as finished pig prices are now reported to be above the cost of production, which is the first positive net margin in ten consecutive quarters. In the dairy sector more detail has been provided by Defra about new regulations on

milk contracts, which are due to come into force later this year. These regulations are intended to ensure clearer pricing terms for farmers and allow them to challenge prices if the correct process has not been followed to generate the original price.

In farm business news, three of the main suppliers of fertiliser in the UK, CF, Yara and Origin Enterprises, made a combined net profit of \$5.45bn in 2022, which was up from £920m in 2020.

Please contact our team for further information on anything you read here.

SENIOR ASSOCIATE DIRECTOR

STEPHEN WHITEFORD

01463 723591

stephen.whiteford@struttandparker.com



MARKET UPDATE

Commodity	August 2023	August 2022
Beans £/T	221	280
Oilseed Rape £/T	350	527.6
Feed Barley £/T	153	221.30
Milling Wheat £/T	238	285.2
Feed Wheat £/T	177	243
Beef Cattle (deadweight R4L) p/kg	472.3	445.8p
Lamb (new season deadweight R3L) p/kg	568	524.6p
Pigs (SPP deadweight EU spec) p/kg	225.6	196.5
Milk (DEFRA Farmgate milk price June 2023) p/litre	36.48	43.58
Red Diesel p/litre	78.3p	99.2
UK Ammonium Nitrate (July 2023) £/T	353	841

Source: FW, AHDB & DEFRA

DATES FOR THE DIARY

September 2023	BPS Advance Payment
November 2023	SUSSS Claim Deadline
Dec 23/Jan 24	BPS top up payment
28 Feb 2024	2023 AECS Capital Claim Deadline Deadline for 2023 SACGS claims

ARABLE

GLOBAL GRAIN MARKET

- Global supply and demand of grain remains finely balanced, with the International Grains Council (IGC) forecasting an increase in global consumption of all grains in the current year 2023-24 to 2,307 million tonnes. Production is forecast to be 2,294 million tonnes meaning that, once opening stocks are taken into account, ending stocks are forecast to fall to their lowest level in nine years.
- Markets have continued to react to changes in the Black Sea although the news from Russia that it would not extend the Black Sea Grain initiative after 17 July 2023 had only a modest effect on values. Grain continues to make its way out of Ukraine and Russia, despite Russian attacks on river ports and other infrastructure.
- Analysts are also keeping a close eye on weather across the US following drought conditions, which have affected Midwest corn and soybean production and caused production estimates to be revised downwards.
- EU quantity and quality concerns remain in focus, after the heavy rain across northern Europe in the weeks leading up to and during harvest.

UK OUTLOOK

Wheat

- Wheat yield data is encouraging and roughly in line with the five-year average of 8.3t/ha.
- Moisture and quality are variable; Many standing crops weathered due to the wet weather in July and August which has resulted in quality problems.
- There has been significant variation in reports of drying requirements. Each region is varied, ranging from 10% to 100% drying requirements.

Barley

- Barley yields appear to be in line with the five-year average, with the GB average estimated between 6.8 – 7.2 t/ha.
- Lower yields have been seen on lighter soils, which previously suffered from water stress, across most regions.

OSR

- 2023 yields have been relatively poor, with the GB average at 2.7 - 3.0 t/ha. From 2018 to 2022 the GB yield averaged 3.3 t/ha.
- These lower yields could be a combination of factors including bad weather, pigeon and pest damage, and smaller seed sizes due to high temperatures in early June. Scottish yields have not suffered this drop.

Oats

- The GB average yield by 29 August was 4.9 – 5.5 t/ha.
- The majority of oats have needed drying.

Source: AHDB & Defra

S&P Comment

What started out as a difficult and unpromising harvest has turned out remarkably well. Rape yields have held up compared to the South, and the highest-yielding NIAB TAG trials sites were in Aberdeenshire (6.85 t/ha), Midlothian (6.49 t/ha) and Fife (5.76 t/ha), while their sites south of the border gave 4 – 5 t/ha and English crops in general were even poorer, on average. Wheat prices have been somewhat disappointing, especially in view of the lack of an extension of the agreement in the Black Sea, and some growers who sold wheat forward are feeling sorry that they did not commit more tonnes at the mid £200s. Current spot price is £185 and there is little if any premium for distilling. Those with quality wheat for biscuit or breadmaking have achieved better outcomes and a premium to reward the better spec.

Spring barley harvest is coming after wheat, which is unusual, and with the large amount of secondary tillers that appeared, the use of preharvest glyphosate has been much higher than normal. Malting barley quality is inconsistent across the country. There are many reports of very high grain Nitrogen levels and those below 1.7% seem to be in the minority. Farms using organic manures have fared worst, and there are more flat crops of spring barley than we have seen for many years. Skinning is another feature of the year. Growers are waiting in hope for the maltsters to ease the spec for N.

With gas oil at 80p/litre the cost of drying grain will be greater this year than in 2021 – the last time many farmers will have had to dry any significant quantity. At that point gas oil was almost 20% cheaper, and electricity probably 40% cheaper than it is today.

Autumn sowing is well under way, with rape crops generally at 3 – 4 true leaves and past the stage of concern about pest damage from beetles or slugs.

LIVESTOCK



LAMB

- GB deadweight new season lamb (NSL) SQQ averaged 574.22p/kg for the month of August 2023, a fall of 31p from July.
- Defra statistics showed 1.02m lambs slaughtered in August 2023. This was an increase of 108,000 head from July.
- NSL was slower to come to market through April and May, possibly reflecting the impact of last year's challenging feed and forage conditions on ewes, mixed with a wet and cold spring.



BEEF

- Domestic demand has been under pressure, as consumers contend with increased inflation; figures show that volumes of beef sold through GB retailers are below 2022 levels.
- Consumers are buying less volume and are also switching to cheaper proteins.
- AHDB revealed that beef production is predicted to decrease by 1.7% in 2023, compared to 2022 beef production figures



DAIRY

- All retailers in the AHDB league table dropped their milk price for August with Tesco making the largest announcement of the month at -1.68ppl.
- GB milk production is estimated to have totalled 1,028 million litres in July 2023. Total volume for the month is 0.8% (+8.6 million litres) higher than July 2022.
- Grass growth has been good this year. However, for some farmers the continued wet weather has been causing issues with turn out, leading to an increased use of concentrated feeds, and it has been challenging to cut and collect for forage.
- New regulations have been announced by Defra to come into force later this year. They will ensure clearer pricing terms for farmers and allow them to challenge prices if the correct processes have not been followed to generate the price.



- The EU-spec SPP hit new highs during July 2023, averaging 225.0p and reaching 225.4p for the week ending 29 July 2023. The EU Price has since eased back to 2.05p at the beginning of September
- GB estimated slaughter saw an average of 179,265 pigs slaughtered per week in August 2023, giving a monthly total of 171,060 head. August 2023 saw a drop of 25,887 in clean pigs slaughtered for the month compared with August 2022
- The estimated cost of production for Q2 (Apr-Jun) in 2023 was 196p/kg. This led to net margins of £22 per head, or +25p/kg – this is the first positive net margin in ten consecutive quarters.

Source: AHDB & DEFRA

S&P Comment

The weather is continuing to affect not only harvest but also livestock. The wet spring meant that new season lamb has been slower coming to market and it has also affected dairy turnout. The rain has meant that grass growth has been good this year; however, it has been challenging to cut and collect the forage. The new regulations announced by Defra in relation to milk pricing will hopefully provide a little more certainty for producers. Finally, some good news for pig meat production, with the first positive net margin in 10 consecutive quarters.

FERTILISER & FUEL

Fertiliser

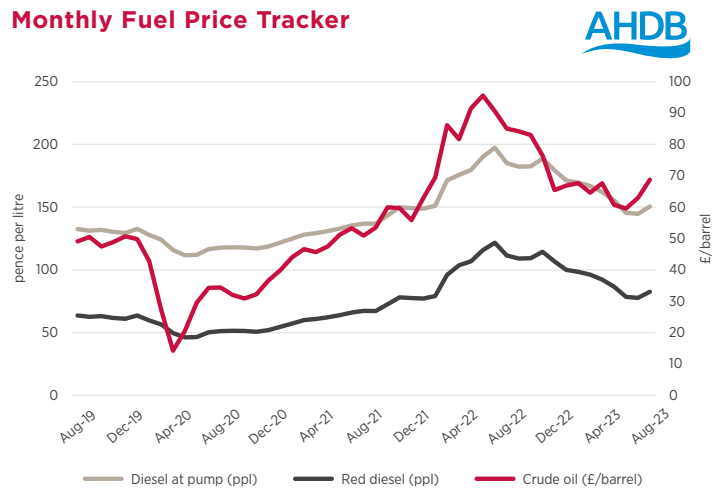
- Prices of UK Ammonium Nitrate have risen since the initial prices were released in June by manufacturer CF. In July the average price was around £353/t, up from £344 in June but a massive £488/t lower than the same time last year
- Fertiliser prices have been falling following the decrease previously reported in our summer update (May 2023) due to the decrease in natural gas prices.

Fuel

- The average price of oil stands at \$87.33/barrel (August 2023), a \$14.57/barrel reduction compared to August 2022.
- Red diesel prices have increased since our previous Farming Update in May 2023) to 82.61 p/l in August 2023, however this is still a 28.75 p/l decrease compared to July 2022.

Source: FW & AHDB

Monthly Fuel Price Tracker



Source: HMRC, Defra, Decc, Opec

FARM BUSINESS NEWS

Basic Payment Scheme advance payments

The Scottish Government commenced BPS payments on the 11 September, with the balance due in December along with Young Farmer top-ups and LFASS. If you have any questions about BPS or the payment you have received, please contact Stevie Whiteford, Hamish Dunbar-Nasmith or Mary Munro.

Amount of profit made by fertiliser companies 'exceptional' during 2022

Three of the main suppliers of fertiliser in the UK, CF, Yara and Origin Enterprises, made a combined net profit of \$5.45bn in 2022, which was up from £920m in 2020, according to analysis by the Energy and Climate Intelligence Unit think tank. The analysis showed, for example, that the gross margin earned by CF by product tonne of ammonia went up by 1,745%. The report also states that government figures show that farmers and supermarket profits did not rise substantially at the same time

as the fertiliser companies' profits. Separate analysis showed fossil fuels and climate change added about £400 to the average household food bill in 2022, which amounted to about 88% of all food price inflation in 2022, which the ECIU says demonstrates how fossil fuel reliance can feed through to food prices (and food price inflation).

Proposed Land Ownership and Public Interest (Scotland) Bill

A consultation closes on 12 September on the proposal put forward by Mercedes Villalba, Labour MSP for North-East Scotland, for a Members' Bill to address the centuries old, concentrated pattern of land ownership in Scotland. She has called for a presumed limit of 500 hectares on individual sales or transfers of land and on the aggregate amount of land any person can own, and by strengthening the regulation of Scotland's land market by making land transfers over the 500-hectare limit subject to a public interest test.

FARM BUSINESS NEWS

Short-term lets regulation

The short-term lets licensing scheme is mandatory for all short-term let accommodation across Scotland. This includes holiday cottages, B&Bs, guest houses, rooms within a home and unconventional accommodation such as glamping pods and yurts. Applications for a short-term let licence are made to the local authority in which premises are located. Existing hosts must apply for a licence before 1 October 2023 (previously 1 April 2023) and can continue operating while their application is being determined. The requirements are onerous:

The key documents that need to be sent in with the application form are:

- An annual Gas Safety Record (if applicable);
- An EICR (this needs to be carried out once every five years);
- A PAT report;
- A private water supply report (if applicable);
- A legionella risk assessment;
- Records that upholstered furnishing and mattresses comply with Furniture and Furnishings (Fire Safety) Regulations 1988;
- An EPC;
- Buildings insurance and public liability insurance; and
- An updated welcome booklet, containing the licence once granted, fire, gas, electrical safety information (including Gas Safety Report, EICR, PAT Report) and how to contact the emergency services.

The licence will be shared with the local Chief Constable and fire service/authority, and it may be advertised in the local paper. So far, a tiny percentage of the expected applications have been submitted.

Analysis of proposals to extend Agricultural Property Relief

Strutt & Parker has worked with the Energy & Climate Intelligence Unit (ECIU) to quantify the costs and benefits for government and farmers arising from UK Treasury proposals to extend Agricultural Property Relief (APR) to newly created non-agricultural habitats. One of the aims of this project was to address potential barriers to creating new wildlife habitats. <https://rural.struttandparker.com/article/analysis-of-proposals-to-extend-agricultural-property-relief/>

Public Opinion of Forestry survey

A new report has highlighted strong public support for more trees to be planted, but also reflected growing debate about where they should be located. Forest Research has recently published the results of its Public Opinion of Forestry survey which saw more than 11,000 people questioned across the UK. When respondents were asked for their views on the management of UK forests in response to the threat of climate change, 84% said 'a lot more trees should be planted'. <https://rural.struttandparker.com/article/survey-shows-the-need-to-promote-positive-benefits-of-forestry/>

What bird is that? Download the Merlin app to find out

The app allows users to identify birds by their songs and has been downloaded by over half a million people in the UK and six million globally. It was developed by Cornell University in 2002 and uses a global database called eBird. The data allows the researchers to know exactly where birds are in every week of the year, providing useful information. For example, it was used to confirm a new migration route for cranes across Italy in 2013.

CONTACT US



DIRECTOR, FARMING

MARY MUNRO

01738 783354

mary.munro@struttandparker.com



SENIOR ASSOCIATE DIRECTOR

STEPHEN WHITEFORD

01463 723591

stephen.whiteford@struttandparker.com



FARMING CONSULTANT

HAMISH DUNBAR-NASMITH

07443 168011

hamish.dunbar-nasmith@struttandparker.com

For more information on how the Strutt & Parker farming team can help contact your local farming office today:

Banchory
01330 824888

Cambridge
01223 459500

Chelmsford
01245 258201

Inverness
01463 719171

Newbury
01635 576910

Northallerton
01609 780306

Norwich
01603 617431

Oxford
01865 366660

Perth
01738 567892

Salisbury
01722 328741

Shrewsbury
01743 284204

Stamford
01780 484040

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