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POLICY & BUSINESS

Farm Business Income

Defra has released its revised Farm Business Income (FBI) figures for 2019/20. Taken from the English Farm Business Survey (FBS), the data shows FBI for various standard farm types. FBI can be thought of as equivalent to the 'Net Profit' measure widely used in accountancy. These results update the provisional ones released earlier in the year. The FBS works on Feb/March year ends so the period being reported covers harvest 2019 and the 2019 BPS. The full release can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/944352/fbs-businessincome-statsnotice-16dec20.pdf

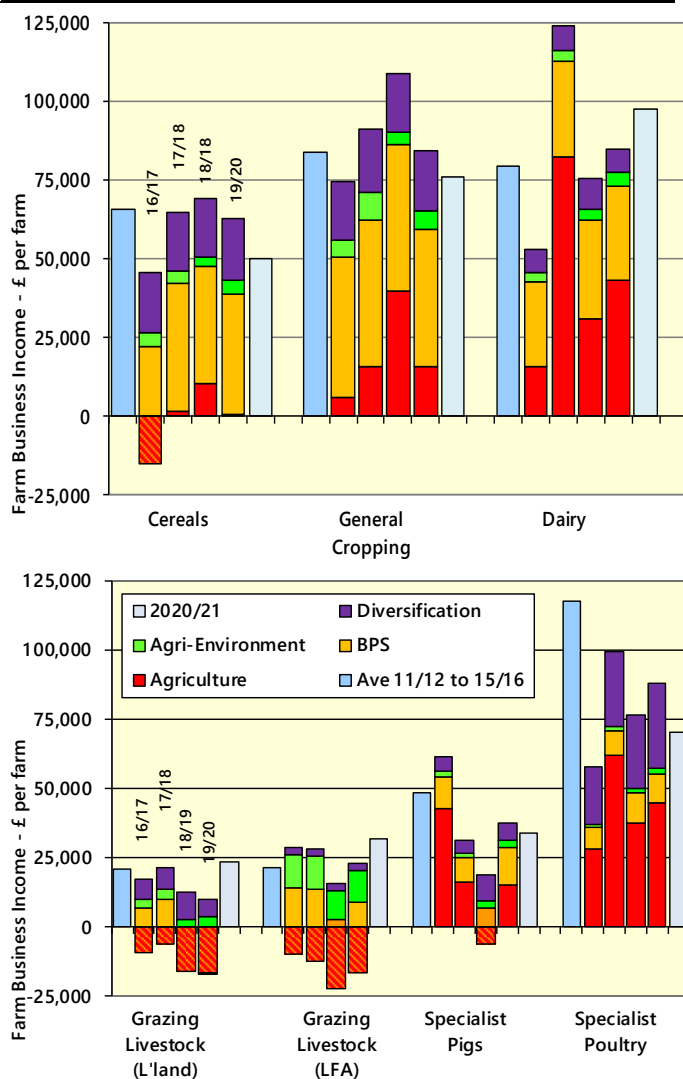
In the charts on the next page, the first column for each sector shows the average FBI from 2011/12 to 2015/16. The next four columns show the FBI for the subsequent four years, broken down into four 'profit centres'. The final, light blue column is Andersons' estimate for the current 2020/21 year. As can be seen, only Dairy, LFA Grazing and Specialist Pigs and Poultry farms saw an increase in returns in 2019/20 compared to the year before.

The charts also show a breakdown of where the profit comes from for the years 2016/17 to 2019/20. It can be seen for the two Grazing Livestock farm types, the return from agriculture is consistently negative; it takes part (or all) of the Basic Payment to return these farms to profit. *This is of real concern when looking ahead to the removal of direct support which is commencing this year.*

Of course, FBI is only an average for the sector. The range in performance across farms is vast, and the more efficient units are likely to have made a much better return than these average values show. Unfortunately, the opposite is also true.

We have made some initial estimates of 2020/21 FBI, shown in light blue on the chart. These show the Grazing Livestock farm types seeing significant improvement mainly due to the better livestock prices experienced since spring 2020, but these are from a pretty low base. Dairy farms are also forecast to see a further increase on the back of solid milk prices and a decline in costs. Lower cereal and other crop output from harvest 2020 are forecast to impact on Cereal and General Cropping farm profits.

Farm Business Income – source Defra / Andersons



Brexit Deal

On 24th December, the UK farming industry received an early Christmas present as a Free-Trade Deal (FTA) was agreed with the EU, meaning that agricultural goods' trade with the EU will not be subject to tariffs or quotas. However, with a whole range of Non-Tariff Measures (NTMs) (checks, paperwork etc.) being imposed with the end of the Transition Period, there will be added friction. This article examines some of the top-level implications of the UK-EU Trade and Cooperation Agreement (TCA);

- **Trade in goods:** will be tariff-free and quota-free on all goods trade between the UK and the EU. This includes agri-food products.
- **NTMs:** will be applicable on UK exports to the EU from January. For EU imports to the UK new rules will become applicable on a phased basis between January and June 2021, based on the provisions of the UK Border Operating Model (see previous article

- <https://abcbooks.co.uk/uk-border-operating-model/>.

- **Fisheries:** the quotas for EU fishing vessels' access to UK waters will be reduced by 25% over a five-and-a-half-year transition period. This quota will be repatriated to UK flagged vessels over this same period. Thereafter, annual negotiations would take place on the level of access that EU fishing vessels would have to British waters. *This arrangement has met with criticism from the UK fishing industry which was anticipating a greater Brexit dividend.*
- **Level Playing Field (LPF):** the EU pushed very hard on this issue which relates to upholding existing standards on the environment and labour laws so that the UK cannot gain a competitive advantage in the future by undercutting EU rules. The agreement includes mechanisms to enable one side to retaliate against the other if it is found that there is a breach of the LPF provisions. *Theoretically, this could mean that retaliatory tariffs could be introduced on agri-food trade in the event of such a breach, even if this violation occurs in another sector.*
- **State Aid:** importantly, from a UK perspective, Britain can have its own independent system of subsidy control and neither party is bound to follow the rules of the other. However, LPF provisions apply to prevent one side from gaining a significant competitive advantage over the other.

The announcement of a UK-EU trade deal was greeted with a sense of relief by the UK food and farming industry as it provides much greater certainty. The major exception to this is the seed potatoes sector as exports from the UK to the EU will become prohibited. This is a significant loss as the EU is a major export market for the British seed potatoes' sector, particularly Scotland, which has amongst the highest product standards for seed potatoes globally.

Overall, the anticipated impacts on UK agricultural output and trade are expected to be limited. Estimated NTM costs generally range from 0.1% (wheat, barley), through to 3% (beef), and up to 8% for fresh produce. However, effects on trade from the new rules and regulations are already being seen which is covered in the article below.

Given the extremely limited timeframe during which the UK-EU TCA was agreed, it is inevitable that a whole myriad of other issues will emerge once experts have had time to parse through the 1,246 pages of legal text and annexes. Overall, the trade deal is historic and marks the beginning of a new era in the UK's relationship with Europe. However, as with trading relationships between other close neighbours (e.g. the US and Canada), the UK's

trading relationship with the EU is going to evolve. This will necessitate further negotiations in the future, both on the implementation and governance of the existing agreement, but potentially on developing new accords. In this respect, we've not reached the end of the road on Brexit. Whilst the topic might (mercifully) move down the agenda as we move forward, it will not disappear from the news.

Further information on the UK-EU Trade and Cooperation Agreement, including the legal text, is available via:

<https://www.gov.uk/government/publications/agreements-reached-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-the-european-union>

TCA 'Teething Problems'

Having been agreed on Christmas Eve and becoming effective just over one week later, it is unsurprising that challenges have arisen for agri-food traders as a result of the UK-EU Trade and Cooperation Agreement (TCA). A longer version of the article, with more detail is available online. Trade frictions have been experienced in two key areas:

- **Customs and Sanitary & Phytosanitary (SPS) controls:** traders have suddenly been faced with a substantial increase in paperwork with only a few days' notice. Some have reacted by limiting the number of consignments being shipped to the EU until they get a greater understanding of how the procedures work. Hauliers are unwilling to depart warehouses, processing plants etc. until the paperwork for each shipment is in order. This has meant that port traffic volumes are lower than normal. For instance, traffic on the Dublin-Holyhead route is down by 50%. Volumes traditionally start to increase during the spring. This will be a key test of the ability of border control systems to cope. Checking of agri-food products is a major issue. Physical check rates vary from 100% for live animals; through to 1% for highly refined products. Most meat and dairy products are at either 30% or 15%.
- **Rules of Origin (RoO):** essentially determine the 'economic nationality' of a goods consignment. They aim to prevent goods manufactured in third countries, but routed through the UK (or EU), taking advantage of the zero tariffs. They are particularly significant for industries (e.g. car manufacturing, composite foods) where components/ingredients are sourced from multiple countries. The rule-of-Thumb for agri-food is that at least 85% of content

by weight needs to be sourced from the UK/or EU to benefit from tariff and quota free provisions. There are complex certification requirements to prove the RoO requirements are being met which are onerous for traders. In addition, the end product has to have undergone sufficient processing in the UK before it is exported. This is problematic for retailers such as Marks & Spencer who operate a distribution hub covering the UK and Ireland. Some of their products are procured from the continent in large consignments and then broken down into smaller consignments for shipment to Ireland. As such products have not undergone sufficient processing, a tariff is payable upon re-entry to the EU.

Other Trade Agreements

With the UK-EU Trade and Cooperation Agreement (TCA) in place, attention will increasingly shift towards Free Trade Agreements (FTAs) with non-EU countries. These can be divided into two broad categories;

- **Rollover FTAs:** these are agreements that the UK had access to when it was an EU Member State. In recent weeks, there has been significant progress. To date, the Department for International Trade (DIT) has already completed agreements with 63 countries, 60 of which became effective from 1st January. The other 3 (Canada, Mexico and Jordan) have been partially applied. This is an impressive feat considering the enormous challenges associated with Brexit and Covid-19. Discussions continue with 6 more countries including Serbia and Ghana. *As our previous article noted, although the negotiation with Japan was technically a 'new' FTA negotiation, the deal is essentially a rollover of the existing EU-Japan Partnership agreement. The UK-Japan agreement has some slight adjustments in terms of UK access to Tariff Rate Quotas (TRQs) and market access for products such as cheese.*
- **FTA Negotiations Underway:** before the end of the Transition Period, DIT was already focusing on progressing FTA discussions with several countries. From an agricultural perspective, the most notable of these are the US, Australia and New Zealand. These negotiations will need to be watched closely as 2021 progresses.

Although the US trade deal negotiations get the most attention, progress may dissipate somewhat during 2021 as the Biden administration will have other priorities to deal with. However, talks will continue particularly as the

UK-EU TCA has largely safeguarded the Good Friday Agreement – a key 'red-line' for the US.

Perhaps the negotiations which are most likely to conclude in 2021 are those with Australia and New Zealand. As the tables below show, both countries are major exporters of meat (beef and lamb), dairy products and wine. A trade deal with these countries will exert the most pressure on UK grazing livestock. Admittedly, imports of beef and lamb from both countries into the UK and EU have been below historic levels recently. This is mainly a function of a greater emphasis being placed on the Asia-Pacific region. However, if the UK agrees an FTA with these countries it will lower trade barriers significantly versus current arrangements which operate via TRQs and standard WTO terms.

Australian and New Zealand Agri-Food Exports – source DFAT, NZ Government				
Australia - £m	UK	EU-27	RoW	World
Meat and Offal	65	149	8,757	8,972
Dairy	-	1	1,350	1,351
Fruit and Veg	16	105	2,120	2,241
Beverages	206	132	1,582	1,920
Other	37	713	12,747	13,497
Total	324	1,100	26,557	27,981
New Zealand - £m				
Meat and Offal	216	514	3,421	4,151
Dairy	22	68	8,233	8,323
Fruit and Veg	48	339	1,734	2,181
Beverages	228	107	771	1,105
Other	24	296	3,755	4,075
Total	538	1,324	17,793	19,834

Australia has been particularly eager to progress trade negotiations with the UK. Given the relatively high prices achievable in the UK, there is the potential for exports to be diverted from Asia-Pacific towards our market, particularly as China starts to recover from African Swine Fever and produces more of its own meat. From an agri-food perspective, export opportunities to both countries are limited to niche areas. Instead, the UK will use access to its food market as leverage to secure gains for its automotive and digital services sectors.

Longer-term, it is inevitable that the UK will seek FTAs with other countries which will also exert significant competitive pressure on British farming. Chief amongst these would be an FTA with Mercosur, which includes Brazil and Argentina – two beef exporting powerhouses. In recent years, Brazilian beef prices have been £1 per kg or more below the UK price. So, whilst the UK might be a net importer of beef presently and there is some scope for prices to increase given the frictions now placed on imports from the EU, future FTAs with non-EU countries have the potential to torpedo such gains, given the large price differences.

The agri-food industry needs to play close attention to the progress of new FTAs during 2021 and beyond, as they will have a huge influence over the future direction and competitiveness of British farming. The Trade and Agriculture Commission (TAC) set-up by the UK Government in July 2020 to examine the impact of new trade deals on UK agriculture will have a central role to play. However, it remains to be seen how much influence it will have in practice as Parliament will have the final say.

SAWS Extension

The Seasonal Agricultural Workers Scheme (SAWS) will be extended to 30,000 places for 2021. The Government has announced that the Pilot scheme, which ran with 2,500 places in 2019, and 10,000 in 2020 will be extended, and expanded, for the coming year. *Whilst the fruit and veg sector has welcomed the news, the numbers still fall short of the estimated 80,000 seasonal workers required. With the end of the Brexit Transition Period and free-movement of EU labour, there are still fears of a labour shortage.* The Pick for Britain scheme which had modest success in attracting UK labour into the sector will run again in the spring and summer.

Cross Compliance

All parts of Great Britain have published their cross-compliance guidance for 2021. All cases the requirements are pretty-much identical to those for 2020. The main change is how the rules are inspected and enforced – with Brexit there is now more flexibility on how the inspection regime operates. The English guidance can be found at – <https://www.gov.uk/guidance/cross-compliance-2021>; the Welsh version at – <https://gov.wales/cross-compliance-2021>; and the Scottish at <https://www.ruralpayments.org/topics/inspections/all-inspections/cross-compliance/>.

BPS and Environment Payments

The RPA paid just under 98% of 2020 BPS claims in December. The agency paid about 82,500 eligible claimants more than £1.77bn in total making it the best performance since the BPS commenced in 2015. This was despite Covid disruptions and the BPS submission deadline date being extended by a month.

The better performance was also seen in Countryside Stewardship (CS) and Environmental Stewardship (ES) payments. Just under 68% of CS revenue and just over

57% of ES claims were paid in December totaling £67m. Agri-environment payments are made all in one tranche now, the payment window is the same as BPS; December to June. In addition, 63% of CS 2021 applicants received their offers by the end of December. Whilst this last performance indicator doesn't sound the best, considering agreements are supposed to commence on 1st January, it is much better than previous years.

LFASS & Convergence Funds

Farmers in Scotland are due to receive an additional £71.8m of funding in 2020 direct payments. This is the second (and final) tranche of 'convergence' money. A total of around £160m was provided by the UK Government, of which £90m was paid out last year – see our article of November 2019 for the background to the funding.

This year's funds will be used in two ways. Firstly, £32.8m will be used to top-up 2020 LFASS payments. Due to EU rules these were only paid at 40% of the usual, 2018, rate. This funding will bring them back to the 100% level. For 2021 onwards, payments are due to return to their full, historic level (see Nov 2020 article). The other £38.9m will be used to top-up 2020 BPS payments – following a similar pattern as was seen for 2019 BPS. This results in payments of £9.65 per Ha in Region 1, £17.97 in Region 2 and £9.69 in Region 3. More details can be found at

<https://www.ruralpayments.org/topics/customer-services/common-agricultural-policy/convergence-funding/>.

Nitrate Vulnerable Zones

Zones for 2021-2024

The Environment Agency has concluded its four-yearly review of Nitrate Vulnerable Zones (NVZs) in England and has recommended the zones should remain the same for the period 2021-2024. Defra will contact farmers in writing to confirm this.

Grassland Derogations for 2021

The Environment Agency (EA) has said it will try and process grassland derogation applications received between 1st and 31st January 2021. The statutory deadline for applications was 31st December 2020, but with Defra only announcing the application window was open from 14th December, the EA has recognised this was a very short

period. Anyone requiring a derogation who has not submitted they are advised to do so as soon as possible. The grassland derogation allows, in certain circumstances, farmers to increase the amount of nitrogen from livestock manure applied to a holding from 170kg per hectare to 250kg per hectare.

AECS Reopens

The Agri Environment and Climate Scheme (AECS) is to reopen in Scotland in 2021 – but on a very limited basis. The new round will open on 25th January and after an 'extended application period', will close on 30th June 2021. But will only be available for the following types of application:

- **Organic Farming** – Organic conversion and maintenance
- **Protected Areas** – Appropriate management for designated sites, features, habitats or species
- **Management for Priority Bird Species not in designated sites** – Corncrakes, Corn Bunting and Waders within target areas
- **Slurry Storage** – Applications for slurry storage provision in priority water quality catchments
- **Improving Public Access** – Applications to improve public access provision throughout Scotland.

The Scottish Government has said further guidance is being developed and will be published on the Rural Payments and Services website in January 2021. The AECS, the flagship agri-environment scheme for Scotland, was not open for new applications in 2020, although expiring agreements were given a one-year extension. The industry is calling for more certainty, in order for it to plan and to prevent large areas dropping out of environmental management in the next few years.

In Brief

Countryside Productivity Small Grant Scheme

Defra has announced the Round 3 claim deadline has been extended by two months. Applicants now have until midnight on the 31st May 2021 to buy and install all their items, and submit their claim for payment.

Scottish Agricultural Wages

The Scottish Agricultural Wages Board (SAWB) is seeking views on a proposed increase to wages. The proposal is for a single minimum hourly rate for agricultural workers, irrespective of their age or duties. This would mean the hourly rate would increase by 21p per hour to equal the UK Government's National Living Wage of £8.91 per hour.

Written representations need to be made to SAWB by 27th January 2021.

Slurry Storage

The Scottish Government has opened a consultation on introducing new rules on the storage of silage, slurry and digestate. Under the proposals, for both silage clamps and slurry stores, the exemption for facilities built before 1991 will be removed. Slurry store storage capacities will be aligned with the NVZ rules (22 weeks for cattle, 26 weeks for pigs). Rainfall calculations will have to be done on a once-in-five-year maximum rather than average figures. Deadline for responses is the 13th April 2021. The full consultation can be found at – <https://www.gov.scot/publications/delivering-scotlands-river-basin-management-plans-silage-slurry-anaerobic-digestate-improving-storage-application/pages/1/>.

Environment Bill Progress

The Environment Bill has passed the Committee stage in the House of Commons. It now moves on to the House of Lords. However, due to a lack of Parliamentary time, the passage of the Bill will be delayed until the start of the next session in May. It is now expected that the Bill will become law in the autumn.

Insect Safe for Human Consumption

Yellow mealworms are safe for human consumption according to the European Food Safety Authority (EFSA). The insect has become the first to be found safe by EFSA after an application was submitted by the French company EAP Group Agronutris back in early 2018. The EFSA Panel on Nutrition, Novel Foods and Food Allergens found that mealworms were safe to eat in the intended uses, which include snacks, protein for sports people and biscuits. *Insect-based food has long been seen as part of the solution to cutting the emissions of greenhouse gases in food production by providing a substitute food to animal proteins. But the industry has been held back by a lack of EU-wide approval.* The products are prohibited from sale in a number of EU countries including France, Germany, Italy and Spain. Previously the UK, Netherlands, Belgium, Denmark and Finland have allowed consumption. But in 2018 a law stipulated that insect-based dishes would require novel food (NF) authorisation. A transition period has allowed companies already producing insect-based food to continue until a final judgement was received. This has, until now, limited expansion in the sector, but this looks set to increase now. The Commission is expected to submit a draft proposal to Member States, with a view to authorising and marketing the product across the EU, possibly by the middle of 2021.

ARABLE

Combinable Crop Markets

The UK wheat crop from harvest 2020 is an estimated 10.1 million tonnes - down significantly on previous years. Supply is augmented by imports, estimated to be 2.2m tonnes - 1.2 million tonnes more than last year and over half a million tonnes more than average. There were also higher carry-over stocks of 2.4m tonnes - about half a million tonnes more than usual. Total availability is estimated at 14.7 million tonnes – this is 4.5m tonnes lower than the harvest 2019 figure.

The market has always priced the 2020 harvest crop higher than 2019 with a full carry (prices continue rising) from the end of the 2019 delivery period into the 2020 season. For that reason, more people did not sell their old crop, but kept it into this year. The opposite is already taking shape for 2021 crop, with a drop of over £40 per tonne for delivered wheat before harvest and shortly after. Clearly, there will be as little carry-over as possible.

Old crop wheat peaked this month at £214 per tonne, a great price to sell at. However, only one person gets any

business at the peak of the market, and that might have been a speculator, not a farmer and might have been a single lot (100 tonnes). Prices have since declined to a still respectable £205 per tonne. For those with any crop left unsold, selling at this level should be seriously considered. As well as the reduced 2020 harvest, the continued weakness of Sterling is helping to buoy domestic prices.

Barley has also risen this month, but the price spread with feed wheat has remained close to, or over, £50 per tonne – a gap that is almost unheard of. The new crop price spread is inevitably smaller with less barley and more wheat likely to be harvested. Nevertheless, it is still between £15 and £20 per tonne, historically quite high.

Oilseed prices have also lifted with the rise of cereal prices worldwide, with OSR gaining £15 per tonne this month at one point. Pulse prices are currently in a high position, compared with the range they tend to occupy, but arguably low compared with the current wheat values. They are cheap in the current matrix, but there is a maximum inclusion rate in many compounders' recipes meaning demand is capped regardless of price. It will not be long before the generous Australian crop reaches a

European harbour, then the value of local beans might fall a bit.

Sugar Quota

The UK sugar industry faces increased competition after it was confirmed that additional tariff-free imports will be allowed. As we wrote in July, the Government was proposing to introduce an Autonomous Tariff Quota (ATQ) allowing in 260,00 tonnes of raw sugar per year without having to pay the UK's import tariff of £280 per tonne. It has now been confirmed that the quota will be enacted. This is likely to increase price pressure in the UK market as low-cost cane sugar competes with UK beet. The Government argues that this volume will merely replace sugar imports from the EU. With the Brexit deal, however, then EU sugar can continue to come into the UK tariff-free too.

Gene Editing

Defra has launched a consultation on the rules surrounding Gene Editing (GE). Announcing the consultation at the Oxford Farming Conference, George Eustice said 'now that we have left the EU, we are free to make coherent policy decisions based on science and evidence'. At the end of the Transition Period on 31st December 2020, the EU legislation controlling the use of Genetically Modified Organisms (GMOs) was retained in the UK (similar to a number of other pieces of legislation). The GMO legislation required that all GE organisms are classified as GMOs irrespective of whether they could be produced by traditional breeding methods. It is Defra's view that organisms produced by GE or by other genetic technologies should not be regulated as GMOs if they could have been produced by traditional breeding methods.

The NFU has welcomed the consultation, describing new breeding techniques such as GE as 'absolutely critical in helping us achieve our climate change net zero ambition'. The consultation which can be found via <https://consult.defra.gov.uk/agri-food-chain-directorate/the-regulation-of-genetic-technologies/>. It is in two parts. Part 1 focuses on the regulation of GE and Part 2 will start to gather views on the wider regulatory framework governing genetically modified organisms (GMOs). Responses need to be made by Wednesday 17th March 2021

Neonicotinoid Authorisation

Sugar Beet producers will be relieved to hear Defra has authorised the emergency use of neonicotinoids on sugar beet seed in 2021. The authorisation is for the use of Syngenta's Cruiser SB seed treatment in England only, once a threshold for virus levels has been reached. The emergency authorisation has strict conditions attached including:

- the application rate will be below the normal commercial rate
- no flowering crop is to be planted within 22 months of the sugar beet crop, with no oilseed rape crop to be planted within 32 months (no clarification whether this is from planting or lifting of the crop)
- an industry-recommended herbicide programme must be followed to limit flowering weeds in and around the sugar beet crop.

In 2018, there was an EU wide ban on the use of neonicotinoids, which the UK said it would continue to adhere to once we left the EU. But in 2020 Virus Yellows disease has had a significant impact on the UK sugar beet crop, with total production forecast to be 25% less than year earlier levels. This led to British Sugar and the NFU lobbying for an emergency authorisation. The Secretary of State has decided that the requirements for the emergency authorisation have been met and England joins a number of other countries which have granted emergency use, including Belgium, Denmark, France and Spain.

In Brief

NI Protein Payment

Northern Ireland is planning on introducing a coupled payment for growing protein crops. A consultation for a pilot scheme in 2021, on a maximum of 1,000 Ha, suggests a payment of £330 per Ha. This would be payable on beans, peas and lupins. Northern Ireland only grew 153 Ha of such crops in 2020 and the new payment is designed to reduce the reliance on imported soya as well as encouraging more sustainable crop rotations. *Although none of the other home nations has indicated it is looking at such a payment, the whole of the UK has a significant protein deficit. It will be interesting to see if this initiative changes cropping noticeably.* The full consultation can be found at – <https://www.daera-ni.gov.uk/consultations/daera-consultation-proposal-introduce-protein-crops-payment-pilot-scheme-2021>.

Vydate Loss

Vydate has not been re-authorised for use in the UK as from 31st December 2020. The pesticide, which is vital, not only in the control of potato cyst nematode (PCN), but also used to control pests in carrots, parsnips, bulb onions, garlic and shallots can no longer be used, sold or distributed in the UK. The decision was made just one week before authorisation ended and only gives until February 28th 2021 to dispose of any product. *Vydate was*

particularly important in the control of PCN in short-season potato crops as it had an eighty-day harvest interval compared to the remaining two active ingredients which have much longer restriction period and, therefore, will not be viable for these crops. The AHDB has submitted requests for emergency approvals for Vydate users where there is a lack of alternative pest control options. We will endeavour to keep readers updated with the outcome.

DAIRY & LIVESTOCK

Meat Market Update

Beef

Prime cattle prices have started the New Year strongly. For the week ending 16th January 2021, all deadweight price categories recorded an increase. The R4L steer price increased by 6p per kg on the week with the all-prime price rising by 5p to average 376p per kg. This measure is now 46p above last year's level for the same week and 33p above the five-year average. *In 2020, the price started the year at a 5-year low and ended at a 5-year high.* The cull cow market has also made a strong start to the year, with the deadweight price rising by 9p per kg on the week. According to British market research company, Kantar, in the last 12 weeks to 27th December 2020, total spend on beef was up 12.8% year-on-year to £1.1bn and volumes grew by 9.7%. All beef products have seen volume growth for the third month in a row. 'Ready to cook' is the fastest growing category, with volume up by 36.8% on the year and 45.1% in the last 12 weeks to 27th December.

Total UK beef and veal production in 2020 increased by 2% compared with 2019 to 931,000 tonnes, the highest since 2011. Prime cattle slaughterings rose 2%, mainly due to an increase in heifer numbers, which were up by 4%. Young bull slaughterings were down by 5% on the year, the fourth consecutive yearly decline.

Lamb

Similar to beef, the lamb trade has also made an impressive start to the year. After breathing a sigh of relief following the trade deal with the EU, lamb producers saw the deadweight SQQ price increase by 50p per kg to average 569p per kg, for the week ending 16th January 2021. This is some 114p per kg above the same week last year, which itself was the highest for the last 5 years. The liveweight price, however, did fall back, but is still 42p per kg above the same week at the beginning of 2020. The domestic lamb price has been supported by a reduction in imports, driven in particular by a decline in shipments from New Zealand. Total imports fell by 9% in November

compared to 2019. This was the lowest import level for the month of November since 1997. Imports from New Zealand for the month declined by 10%. For the whole year to the end of November, imports were down by 7%. However, exports have also seen a decline, particularly to our main trading partner, France. Demand from France has been hit by the Coronavirus pandemic, with volumes to the country down by 27% in November compared to the same month in 2019. In total, November saw a 17% decline in exports, compared to the previous year's levels.

Pork

Over-supplies of pork and lower pig prices on the continent continue to pull the domestic price down. According to the AHDB, GB prices are still amongst the highest in Europe, but for the week ending 16th January 2021, the EU-Spec Standard Pig Price (SPP) fell by 1.7p per kg to average 143.1p per kg. This measure is now nearly 20p per kg less than last year. Because of lack in demand and Covid-related disruptions at processors, market ready pigs are being kept on farms and carcass weights keep breaking records, now averaging 90.96kg up by 250g on the week. Clean pig slaughter numbers did see a year-on-year rise in December by 5%, but this was not enough to offset the declines in the previous two months and market ready pigs remain on farms.

Dairy Roundup

Prices

The GDT average price index, often seen as the bellwether for the dairy markets, has seen strong improvements at both events held in January. At the auction on 5th January 2021 the average price index was up by 3.9% and rose a further 4.8% at the latest event held on 19th January to close the month at \$3,593. Only cheddar experienced a small drop, by 0.3%; SMP and WMP rose by 7% and 2.2% respectively, with butter up by 4.6%. SMP is now at \$3,243 per tonne, the highest value for the last five years. Anhydrous Milk Fat (AMF) saw a 17.2% increase. The index has risen at every event now since the

end of September 2020, except for one at the end of November. *This is despite Covid-19 impacting the demand from the food service sector, but recently there has been a weakening of the US Dollar making products cheaper which looks like it has more than offset the lack of demand due to Covid disruptions.*

This positivity is also reflected in domestic farmgate prices, which according to Defra's latest release were averaging 30.38ppl in December (See Key Farm Facts). And this looks set to continue with a number of processors announcing prices will be maintained until at least March, these include; First Milk members, Arla members, Credition Dairy, Saputo, Barbers and Belton Cheese. As a result of the Tesco cost tracker review, Tesco aligned suppliers will receive a 0.4ppl increase from 1st February and suppliers to the Co-op Group will also see a rise from the beginning of February of 0.22ppl.

Production

The AHDB is forecasting global milk production to rise by around 1% in 2021, increasing total supplies by 3.1bn litres. This is at a slower rate than 2020. Despite disruptions caused by Coronavirus it is expected deliveries increased by just under 4.9bn litres in 2020, up by 1.7% compared with 2019.

Meanwhile, the EU is forecasting milk production in the EU-27 to increase by 0.6% per annum, reaching 157bn litres in 2030. This is the forecast in the EU Commission's latest Agricultural Outlook 2020-2030. The full report can be found via https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/agricultural-outlook-2020-report_en.pdf. The growth in production is less than in recent years due to a reduction in estimated herd size and a lower yield growth (1.4% per annum). According to the report, this is because non-conventional systems are expected to experience an uptake in response to consumer demands for sustainability and the environment; the share of organic milk is expected to grow from 3.5% to 10% by 2030.

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Key Farm Facts (January 2021)

Farm Support Payments (estimates in italics)

English Basic Payment Scheme Rates				
€ per Ha ^①	2018	2019	2020	2021 ^②
Lowland (non-SDA)	259.52	261.39	261.77	249
SDA	257.53	259.45	259.92	246
Moorland	70.23	71.19	71.78	68
L'land Payment (£ per Ha)	228.43	229.54	232.50	221.8

Scottish Basic Payment Scheme Rates				
€ per Ha ^①	2018	2019	2020	2021
Region 1	215.37	266.30	248.36	249
Region 2	42.15	80.70	50.28	49
Region 3	12.68	28.10	15.18	15
Reg. 1 Payment (£ per Ha)	214.34	233.80	221.27	221.8

Coupled Payments are approx €110 per beef calf; €160 in the Islands; €76 per ewe hogg for farms with >80% Region 3 land. 2019 includes Convergence uplift

Welsh Basic Payment Scheme Rates				
€ per Ha ^①	2018	2019	2020	2021
All-Wales Region	118.16	135.29	135	135
Redistributive Payment	102.00	127.54	127	127
Payment (£ per Ha)	135.69	118.81	118.8	120.3
Redistributive Payment made on first 54 Ha of claim.				

€ Conversion and Deductions				
	2018	2019	2020	2021
€1 = £	0.8928	0.89092	0.8909	0.8909
Financial Discipline %	1.412	1.4327	-	-

Entitlement Trading Values			
prior to 2020 claim	Eng	Scot	Wales
Multiplier range	0.4-0.6	0.9-1.1	0.4-0.6
Scottish and Welsh multipliers are on Basic element only			

① before Financial Discipline deduction; includes Greening payments

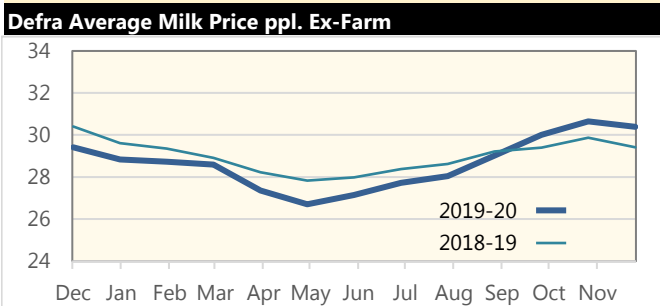
② includes 5% Ag. Transition deduction. Larger reductions on bigger claims

Dairy Prices and Production

Commodity Milk Prices				
	Present	Last Month	12 Mths Ago	
week ending -	22/01/21	11/12/20	24/01/20	
GDT Auction (\$ per tonne)	3,593	3,317	3,434	
Intervention Milk Price Equiv. (ppl)	19.50	19.51	18.31	
Actual Milk Price Equiv. (ppl)	28.69	28.64	31.33	

UK Farmgate Milk Prices (DEFRA average)			
	Dec-20	Nov-20	Dec-19
Price for the month (ppl)	30.38	30.65	29.41
Rolling 12-month average (ppl)	28.56	28.47	28.87

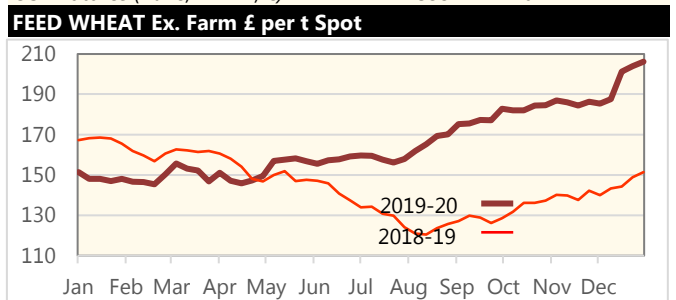
UK Milk Production				
	Dec-20	Nov-20	5-year average	
Monthly				million litres
	1,251	1,187	1,210	
	4.30	4.31	4.19	butterfat
		5.4%	3.3%	% difference - ltrs
Cumulative				million litres
	11,256	10,006	11,026	
	4.13	4.10	4.06	butterfat
		12.5%	2.1%	% difference - ltrs



Crop Prices

UK Ex-Farm Prices - source: AHDB				
£ per tonne	Budget Nov 21	Present	Last Month	12 Mths Ago
spot prices		22/01/21	11/12/20	24/01/20
week ending -				
Feed Wheat	165	206	184	151
Full Spec. Milling Wheat	175	224	203	168
Feed Barley	150	159	141	125
Malting Barley	165	n/a	161	n/a
Oilseed Rape	350	367	356	334
Beans	210	218	212	193
Potatoes (BPC ave.)		169	154	184

Futures			
contract date -	Nov-21	Nov-22	Nov-23
Wheat Futures (UK, LIFFE, £)	166	157	-
OSR Futures (Paris, MATIF, €)	399	0	-



Sugar Beet Contract Prices			
£ per adjusted (16%) tonne	Price	Transp't	Total
2020 Crop			
Contract Tonnage	19.6	5.30	24.90
Surplus Beet	15.0	5.30	20.30
2021 Crop - note			
Contract Tonnage	20.3	5.30	25.60
change in sugar scale			
Surplus Beet	15.0	5.30	20.30

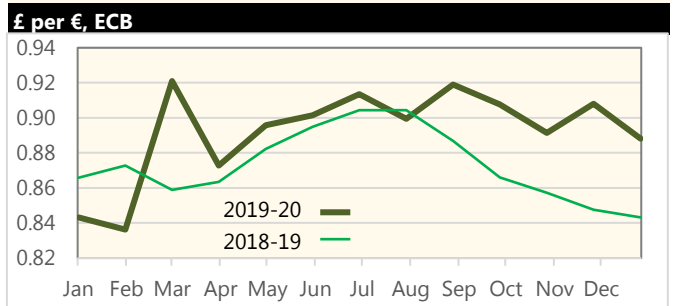
Financial Data

Exchange Rates			
	Present	Last Month	12 Mths Ago
effective date -	26/01/21	16/12/20	27/01/20
Euro: €1 = £ (ECB daily rate)	0.888	0.908	0.843
Euro: £1 = € (ECB daily rate)	1.126	1.101	1.186
Annual Average, £1 = £	0.895		
Dollar: £1 = \$ (market rate)	1.368	1.337	1.309

Base Rates			
	Present	Last Month	12 Mths Ago
United Kingdom	0.10	0.10	0.75
Eurozone	0.00	0.00	0.00
United States	0.25	0.25	1.75

Inflation			
% change on year earlier	Dec-20	Nov-20	Dec-19
United Kingdom (CPI)	0.8	0.6	1.4

Economic Growth			
% change on same quarter, year earlier	Q3 2020	Q2 2020	Q3 2019
United Kingdom	-8.6	-20.80	1.40
Eurozone	-4.20	-13.90	1.60
United States	-2.80	-9.00	2.08



Livestock Prices

Livestock Prices - source: AHDB (or ① East Mids markets)				
ppkg deadweight unless stated otherwise		Present	Last Month	12 Mths Ago
week ending -		22/01/21	11/12/20	24/01/20
Finished Steers	Eng. & Wales	374.2	368.2	331.3
	Scotland	386.8	383.7	346.3
Cull Cows	Dairy Bred	120.8	105.6	107.8
	Beef Bred	131.7	114.5	115.0
Calves① Cont. X Bulls (£ per Hd)		277	199	151
Hereford X Bulls (£ per Hd)		178	136	84
Finished Lambs (SQQ)		568.8	479.1	454.7
Cull Ewes① (£ per head)		85.9	67.4	79.4
Finished Pigs (SPP - UK)		143.1	151.1	162.3
Weaners (30kg) (£ per head)		n/a	n/a	n/a

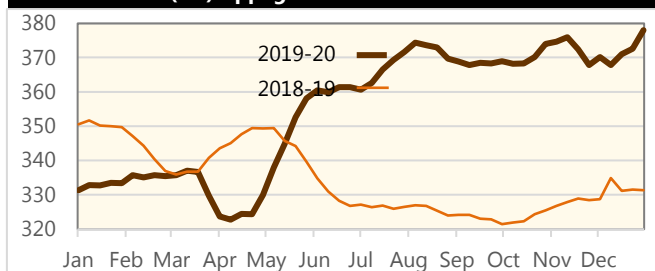
Wages

Minimum Wage Rates from April 2020				
£ per Hour	age -	16-17	18-20	21+ Appren.
National Minimum Wage		4.55	6.45	8.20 4.15
National Living Wage (25 years+)			8.72	
Agricultural Wages Boards continue to operate in Scotland and Wales, but wage rates now largely aligned with Minimum Wages				

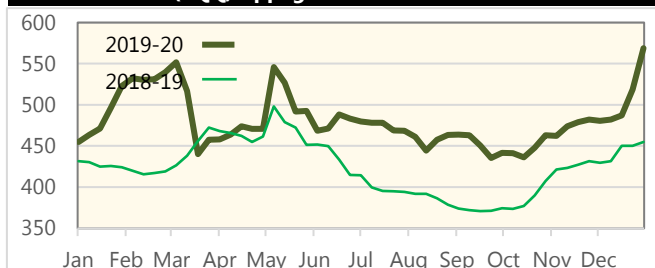
Input Prices

Spray Prices			
On-farm price		Spot	12 Mths
£ per litre/kg		Price	Ago
week ending -		22/01/21	24/01/20
Active Ingredient	Example		
Cereals - Herbicides			
Diffenican	Hurricane	25.50	22.23
Flufenacet + diflufenican	Liberator	44.00	49.60
Flufenacet + pendimeth.	Crystal	10.20	10.50
Florasulam	Lector	118.00	-
Mesosulfuron iodosulfuron	Atlantis OD	30.00	33.44
MCPA	Agritox	3.70	3.62
Pinoxaden + Cloquint.	Axial Pro	54.33	56.18
Cereals - Fungicides			
Azoxystrobin	Amistar	21.00	22.00
Folpet	Arizona	7.90	-
Prothioconazole	Proline; Butus	44.80	45.10
Cereals - Insecticides / Molluscicides			
Metaldehyde (3%)	Gusto	1.80	1.83
Ferric Phosphate	Sluxx, Ironmax Pro	2.55	2.73
Lambda-cyhalothrin	Hallamrk Zeon, Generi	65.00	67.00
OSR - Herbicides			
Propyzamide	Kerb Flowable	27.00	21.90
Metazachlor	Makaila	10.20	10.30
Quizulofop-P-tefaryl	Panarex	10.90	10.90
Clomazone	Backrow; Centium	78.00	82.80
OSR - Fungicides			
Metconazole	Caramba,Metal	25.43	25.43
Tebuconazole	Deacon, Agate	8.40	6.80
Arylex	Belkar	115.0	105.00
Potatoes - Herbicides			
Carfentrazone	Spotlight	39.00	-
Potatoes - Fungicides			
Cyazofamid	Ranman Top	39.60	38.60
General Sprays			
Glyphosate	Roundup,Gallup XL	2.03	2.10

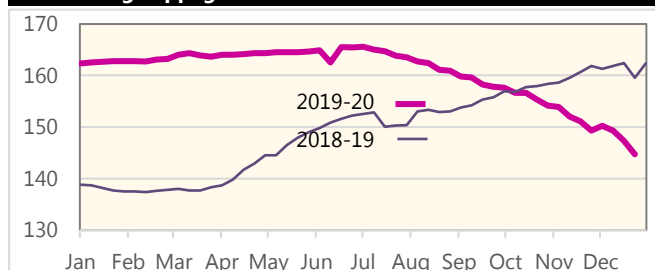
Finished Steers (GB) - ppkg dw



Finished Lambs (SQQ) - ppkg dw



Finished Pigs - ppkg dw



Input Prices (£ per tonne unless stated otherwise)

Fertiliser Prices			
600kg bags delivered, granular		Spot	Last 12 Mths
week ending -		Price	Month Ago
22/01/21		11/12/20	24/01/20
Nitrogen: 34.5% An (home)		263	230 225
20-10-10		250	240 226
0-24-24		245	237 240
Urea (46% N)		295	258 243
Triple Super Phosphate: 0-46-0		278	250 250
Muriate of Potash: 0-0-60		245	240 250
Ammonium Sulphate: 21%N-24%S		202	200 220
Fuel Prices			
Oil Price① (\$ per barrel)		52.9	47.6 53.7
Gas Oil② (ppl)		47.0	45.6 53.6
① West Texas Intermediate ② > 2,000 ltrs, Midlands			
Straight Feed Prices			
Hipro Soya		458	390 317
Rape Meal		315	280 204
Maize Gluten		259	251 202
Compound Feed Prices (bulk delivery unless stated otherwise)			
Dairy Feed (18% CP)		244	244 229
Calf Starter Cudlets (bags)		330	330 302
Beef Nuts (16% CP)		222	222 204
Premium Ewe Nuts		243	243 230