

Farm inputs overview

July 2020

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Key figures: June 2020



Red diesel

46.97 ppl

Source: Defra, DECC

Annual change (%)

-27%



UK Feed wheat (ex-farm)

Annual change (%)

£150.7/tonne (May 20)

-4%

UK Feed barley (ex-farm)

£122.1/tonne (May 20)

-4%

Source: AHDB



Ammonium Nitrate (UK produced)

£226/ tonne (May 20)

Source: AHDB

-14%



Soyameal (Brazilian, 48%)

£306.0/tonne

Source: AHDB

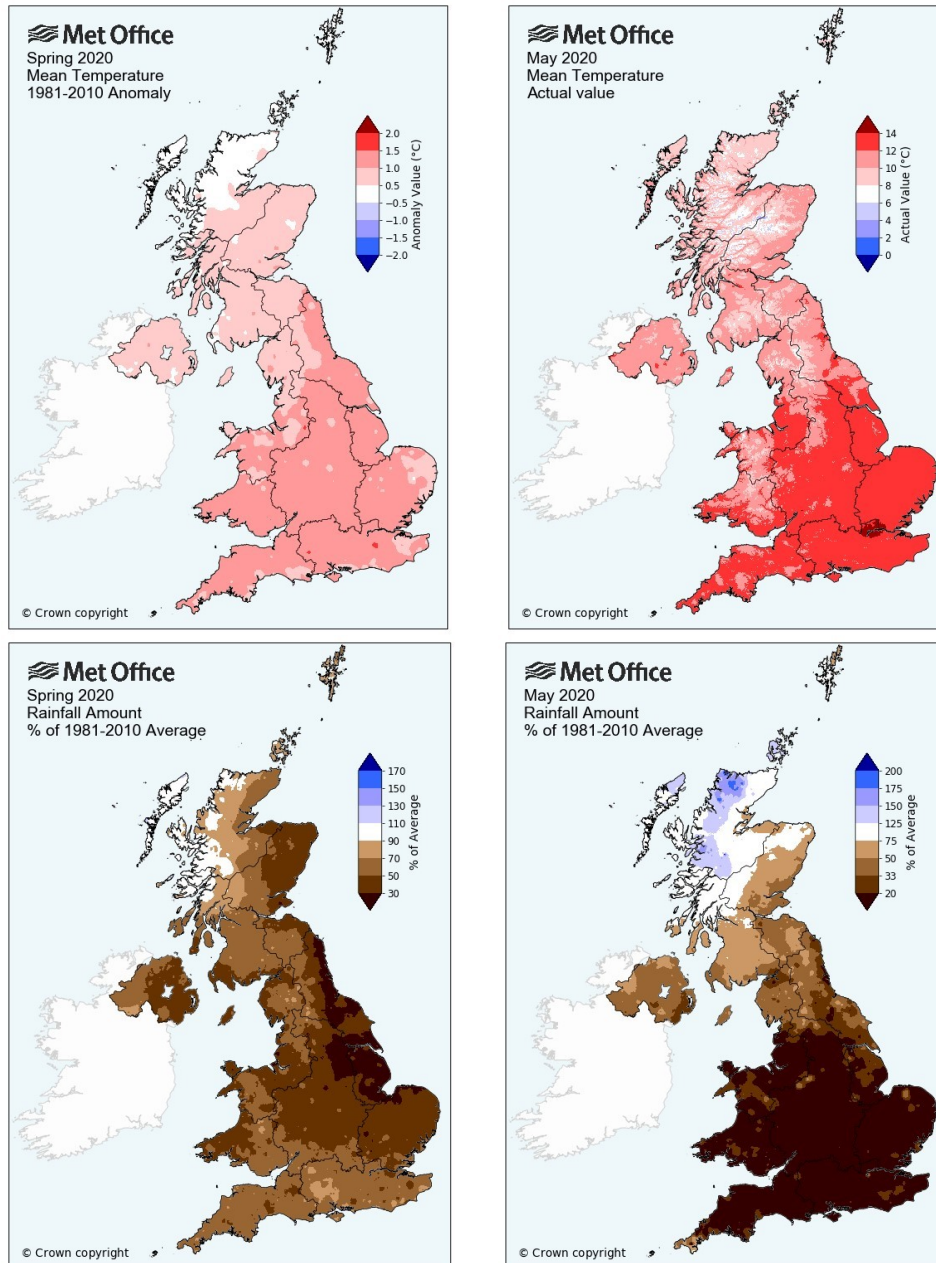
-7%

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Weather overview and outlook

During the spring months (March, April, May) the average temperature was above the long term average. This was mostly due to a very warm April, which was also much drier and sunnier than average. March had followed the unsettled theme of the winter but after that, it was much more settled and considerably drier than usual. Overall, spring was the fifth driest on record.



March saw near-average temperatures with short warmer spells bringing the average for the month to 0.1°C higher than the long term average. Rainfall was also close to average, though this depended on location. Western Scotland was wetter than eastern Scotland and the eastern counties of England were rather dry.

The majority of April was warmer than average with periods up to 1.7°C warmer, making it provisionally the fifth warmest April since 1884. April was also much drier than usual though this also depended on location. Parts of northern England and southern and eastern Scotland were much drier than usual. Meanwhile, parts of central southern England had average amounts of rainfall. Overall, the UK had 40% of the average rainfall in April.

Maximum temperatures were higher than average for May and minimum temperatures were close to normal. So, the month was 1.0°C warmer than average overall. Rainfall was well below average with the UK having 47% of its average rainfall. England saw the driest May since records began and Wales its second driest. The UK overall had its fifth driest May. The prolonged period of low rainfall and high temperatures has caused concern for fodder and crop production due to low soil moisture.

Looking ahead

Looking forwards, the Met Office expects the weather to be more unsettled as we head into July. More rainfall is expected in the west and northwest but many other areas are expected to see more settled conditions. Cloudier weather and showers are expected though temperatures could remain above average. Later, more prolonged drier and sunnier spells are expected though there is still a chance of showers. Temperatures are likely to return to a more 'normal' level.

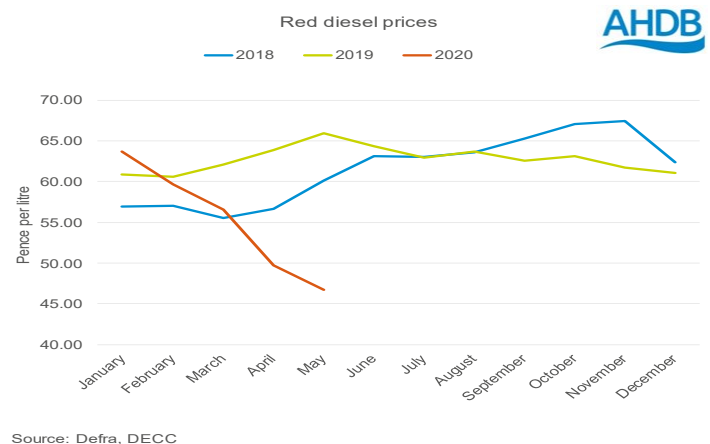
Looking further ahead, longer range forecasts suggest that summer 2020 could well be warmer and drier than average. This is particularly towards the later stages in August. July is forecast to be unsettled with higher rainfall though it is worth noting that there is lower confidence in longer-term forecasts.

Input costs

So far in 2020, the Defra agricultural price index has shown signs of decline for both inputs and outputs in some products. Partly this is due to the coronavirus pandemic affecting demand for fuels and fertilisers. The latest data, for April, shows that feed prices, however, have stayed more stable and some are higher than the same time last year. Veterinary costs are very slightly higher than last year.

Fuel

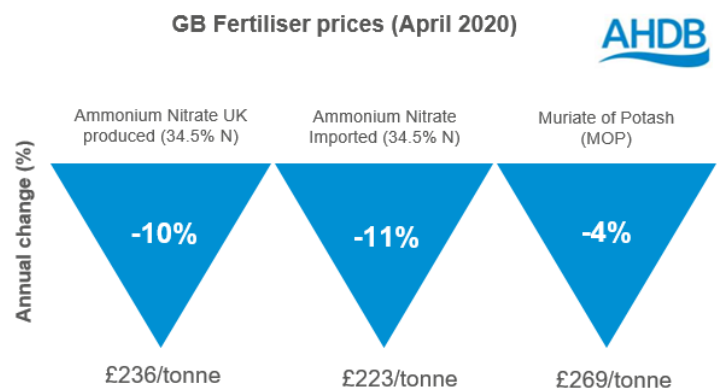
Red diesel prices started 2020 reasonably high, at above 60ppl. This dropped rapidly until May due to the huge reduction in demand for fuel caused by the coronavirus. Duty on red diesel remains unchanged at 11.14ppl.



Fertiliser

Fertiliser prices have remained relatively stable, declining slightly since the end of summer 2019, according to our [GB fertiliser prices](#). There has been a slight increase in prices into April.

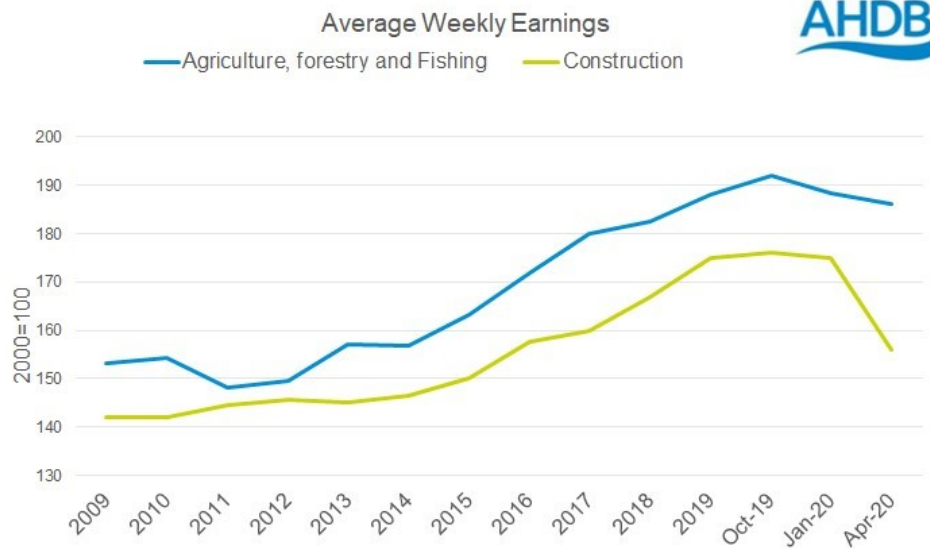
Nitrate prices have been low this year with weak levels of demand for the product and lower prices for the inputs to it have also affected the cost. The coronavirus pandemic affected the demand for natural gas against a period of high production, pressuring prices. Though there has been an increase in the natural gas price it is still far lower year on year, which will keep pressure on nitrogen prices. The UK is a net importer of fertiliser and despite a period of weakness in sterling value prices still remain low.



Source: AHDB

Labour costs

Average weekly earnings for Agriculture, Forestry and Fishing reached £412 for April 2020. Despite a steep drop in average weekly earnings for the construction industry due to the coronavirus slowing building and furlough, wages were still significantly higher at £577. Sourcing labour has been a challenge through the pandemic as so much of the seasonal workforce is from the EU and travel has been restricted.



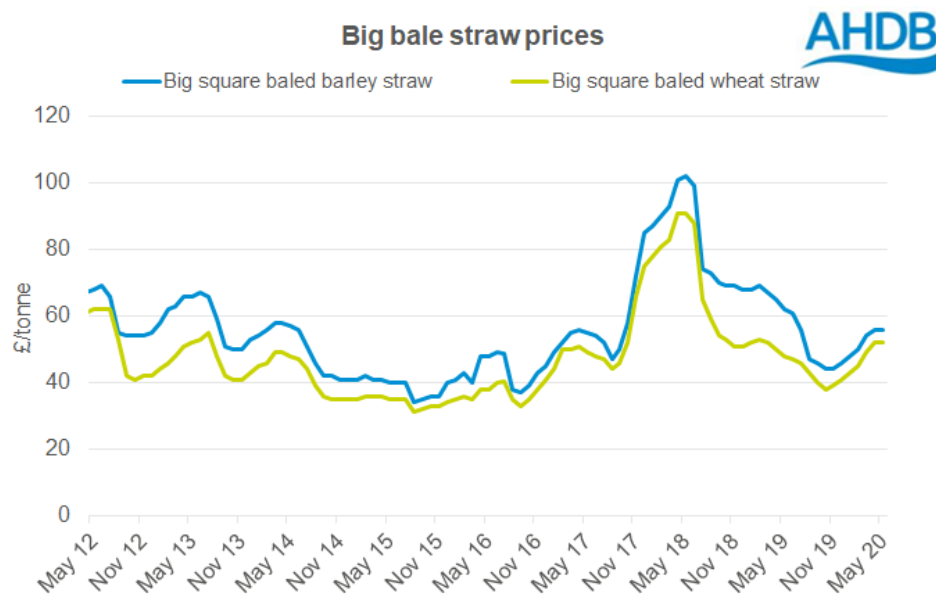
Source: DEFRA, ONS.

The average age of individuals working in the agricultural sector continues to be exceptionally high. In 2017, just 3% of farm holders were under the age of 35 and around a third were over 65 according to [DEFRA](#).

Straw

Straw prices have been rising slowly since October last year, in part due to the uncertainty around supplies after heavy rainfall hampered the planting of winter crops. The dry weather this year has also caused growth concerns for crops. Hay prices have been steady since last summer, according to the British Hay and Straw Merchants' Association. The dry weather may have affected grass growth but allowed for good weather to make hay. If grass growth picks up after the recent rainfall there may be plentiful grass available for a second cut.

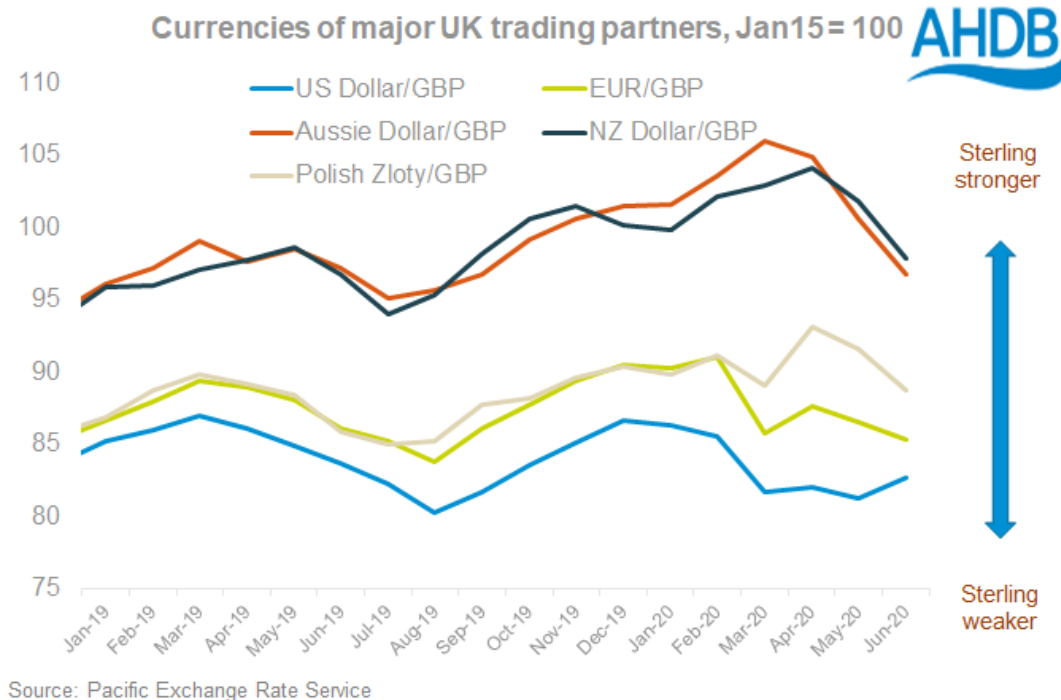
Looking forward, availability of straw next year is uncertain. Heavy rainfall during the autumn affecting planting followed by a very dry spring and early summer will have hampered crop growth. It is reasonable to expect that straw prices may continue to rise if new stocks are not plentiful.



Source: British Hay & Straw Merchants' Association, Defra

Exchange rates

Sterling has been weakening against both the euro and the dollar in recent months, which will have made our exports more competitive, but otherwise added to the cost of dollar-denominated inputs. Looking ahead, FX markets will continue to watch the ongoing UK/EU FTA negotiations with interest, and for economic news affected by the path to recovery from the coronavirus.

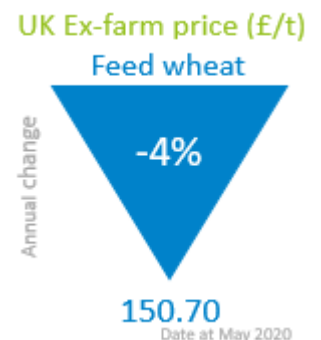


Feed market overview and outlook

Feed wheat

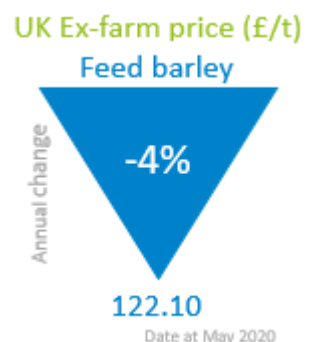
The 2019/20 growing season has been challenging, with the wet autumn delaying planting and reducing planted area, followed by a very dry spring stressing crops. Wheat yield can be reasonably expected to be low, which could increase the UK's reliance on imports in the months ahead. Downgrades to the anticipated size of the EU crop are reported to be offset by increases in other places.

A low UK yield could lend some support to prices but this will be capped by the price of available imports as the UK will be a net importer of wheat for the 20/21 season.



Feed barley

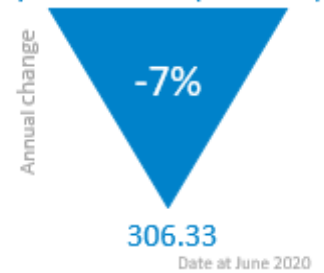
Due to the wet weather at planting last year, there was a big swing towards spring-planted crops. Despite the dry spring, there has been enough rain in many places to revive spring crops and though yields are uncertain the forecast is for another large harvest. This will be on top of a large quantity of carry-over crop from last season adding pressure to prices. Hospitality closing affected demand from maltsters and there is likely to be competition with maize for inclusion in feed rations.



Soyabeans

Recent increases in coronavirus infection rates across the US, Asia and the EU have pressured global oilseed markets. Favourable weather for soyabeans across the US MidWest also offers a degree of pressure. As such, oilseed prices have fallen back from earlier month highs. The combined England and Scotland OSR area is estimated at 387Kha, down 26% year-on-year. This means there will be a greater reliance on imported protein meal. A forecast bumper US soyabean crop and increased Brazilian stocks could pressure soyameal prices, with a knock-on effect for UK soyameal imports that feature in protein feeds. Soya cake and meal usage in GB feed production increased 3.9% year-on-year in the season to April. The US acreage report increased the soyabean area to 83.82Ma, above the March estimate by 0.31Ma.

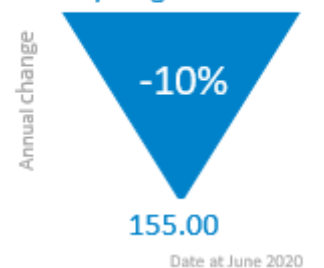
UK Feed ingredient price (£/t) Soyabean meal (Brazilian)



Maize

Major disruptions to global demand for maize and ethanol continue to be caused by the coronavirus. Demand for ethanol in South America has been showing signs of growth in June compared to the especially low levels seen in May. However, it is still likely to be a long time until ethanol production returns to the high levels seen before the pandemic. This is therefore likely to be a factor influencing maize markets and UK feed grain markets for some time.

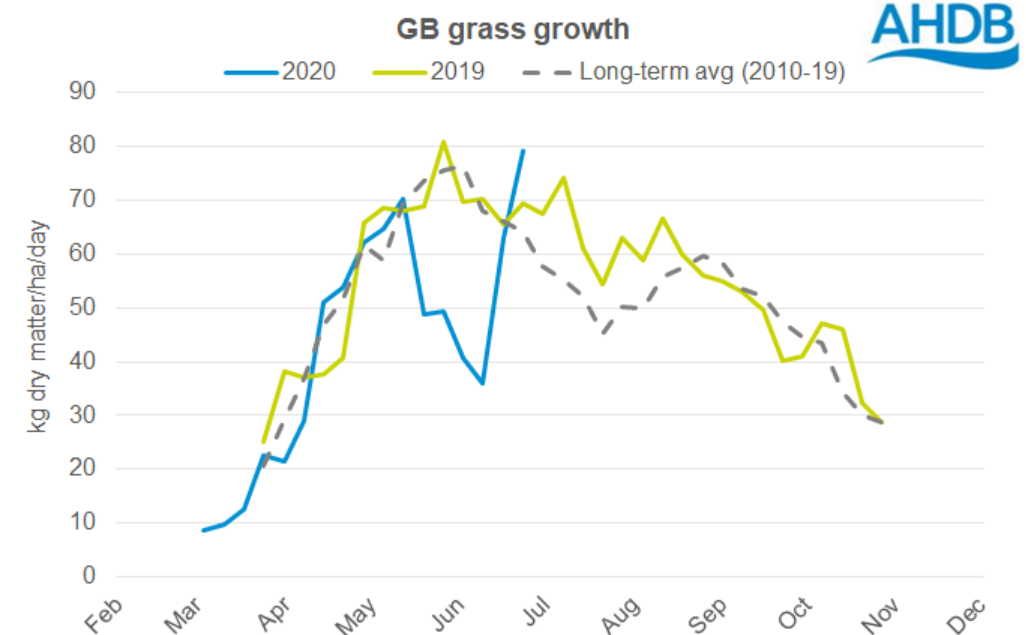
UK imported prices (£/t) Any origin maize



Forage overview

At the beginning of the year, grass growth was fairly average for the time of year. However, by the middle of May, the lack of rainfall had started to seriously restrict grass growth. There was some regional variation but overall the UK received just under 50% of the average rainfall for May.

The restricted grass growth will have meant that many producers had to consider supplementary feeding to finish cattle and sheep and to keep milk production, while waiting for more rain. By the middle of June, there had been more rainfall, which has boosted grass growth to levels higher than the last two years. However, there is still regional variation to be seen.



Source: AHDB

AHDB