

Farm inputs overview



January 2021

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Key figures: Jan 21



Red diesel:

51.51 ppl (Dec 20)

Source: Defra, DECC

Annual change (%)

-16%



Ammonium Nitrate (UK produced)

£219/ tonne (Nov 20)

Source: AHDB

-15%



UK Feed wheat (ex-farm)

£203/tonne

UK Feed barley (ex-farm)

£151/tonne

Annual change (%)

+38%

+23%



Soyameal (Brazilian, 48%)

£463/tonne

Source: AHDB

+51%

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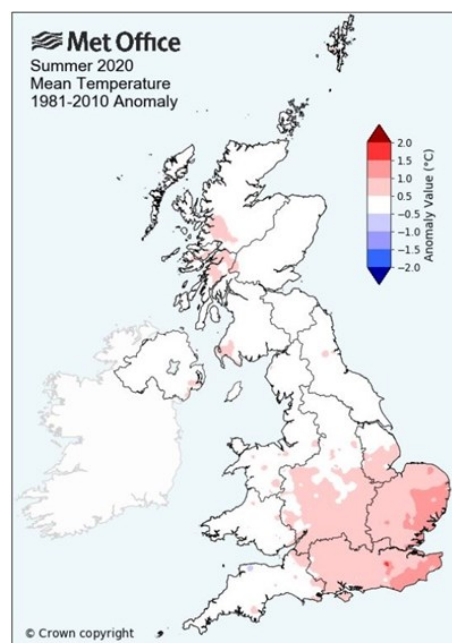
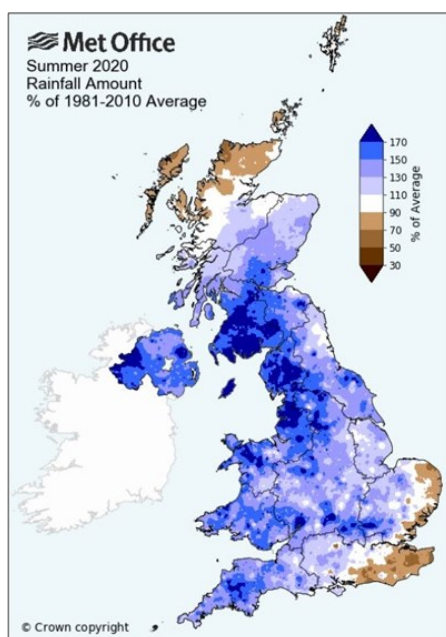
Summary

- On farm fuel costs are currently increasing steadily after a significant drop back earlier in 2020. Crude oil prices are forecast to rise in 2021, with industry estimates ranging from \$44 to \$65/barrel.
- During 2020, fertiliser prices dropped back on the previous year. Looking forward, reports from the wider industry forecast prices to rise by around 3% to 5% in 2021 year-on-year.
- Both hay and straw prices have been making gains for several months now. With demand remaining strong, and tight supply across the UK, prices are likely to remain strong in the coming months.
- Feed wheat continues to hold a significant premium to feed barley, although they are both up on the previous year. Global grain markets are getting a lot of support at the moment so the outlook for both wheat and barley prices remains bullish.
- Oilseed markets have also been well supported, Soyabean prices are up year-on-year and with demand remaining strong from China, global prices are likely to remain high in the coming months. Maize prices are up on this time last year, although global demand for ethanol is still below pre-pandemic levels.

Weather overview and outlook

During the summer months (June, July, August) the average temperature was slightly above the long-term average (+0.4 °C) at 14.8 °C. Overall, June and August were warmer than average while July was rather cooler. For most places, there was plenty of rainfall throughout the summer, while sunshine was limited.

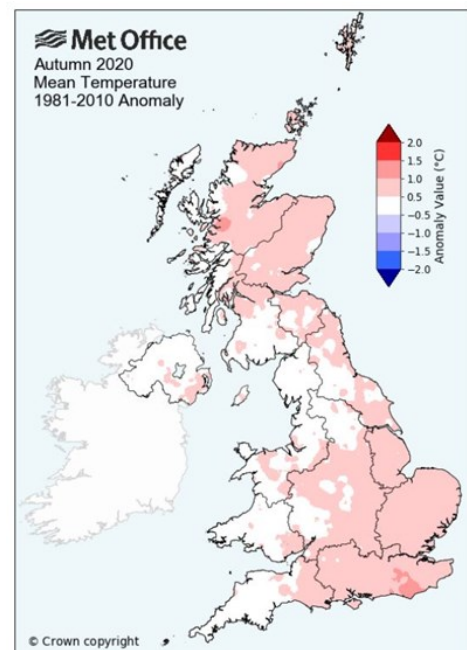
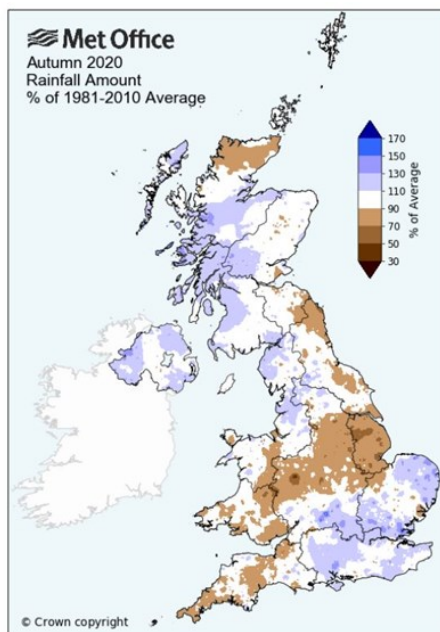
The majority of June was warmer than average, bringing the mean temperature for the month to 1°C higher than the long-term average. For most, June was a particularly wet month, with some areas exceeding twice the monthly long-term average in rainfall. Overall, the UK had 144% of average rainfall in June.



July was a cool month, particularly for those in north east regions, with the monthly mean temperature 0.8 °C below average. For many places, July was wet too, with the UK experiencing 122% of its average rainfall over this period. However, this was dependent on location, with conditions in the South East and a few other areas rather dry.

Cooler temperatures continued into August, but warmth seen mid-month lifted the average temperature. As such, the month was 1°C warmer than average overall. Again, rainfall was well above usual levels for most, with the UK having 135% of its average rainfall. Drier conditions were only seen in north-west Scotland and parts of the South East.

In September, temperatures were mixed in comparison to the summer months, making the temperature just 0.2 °C above the long-term average. September was drier than usual for most, except for those in Norfolk. October saw no extremes of temperature, but had few dry spells, with the UK having 142% of its average rainfall. November was a mild month, 1.5 °C warmer than average. Rainfall was unsettled in the beginning and mid-month of November, although some eastern areas were drier.



Looking ahead

Looking further ahead, the Met Office expects low pressure across the UK as we head into February, which could bring snowfall and hazardous wintry conditions, especially for those in the north. Through mid-February, potential higher pressure could bring drier conditions with an increased likelihood of fog and cold, with frosty nights. Although it should be noted there is lower confidence in longer-term forecasts.

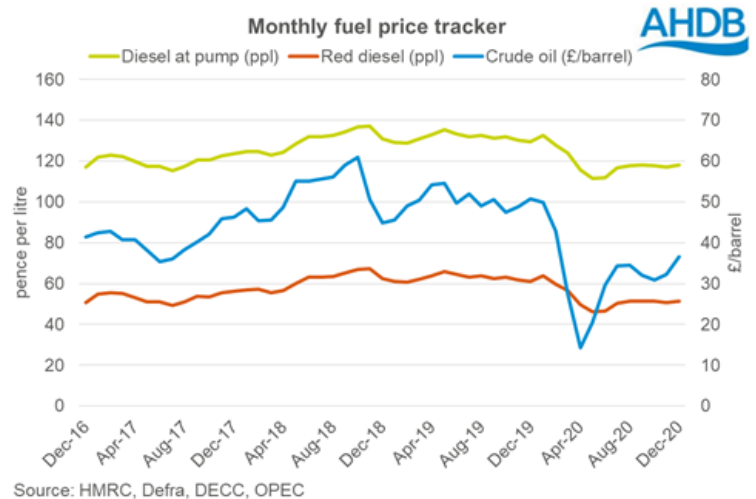
Input costs

The Defra Agricultural Price Index strengthened during the autumn, with increases for both inputs and outputs in recent months. This follows on from a period of decline that was observed earlier in the year as a result of the coronavirus pandemic. The latest data available for October 2020 shows that input farm costs such as fuel and electricity have dropped back considerably compared with the same month of the previous year, although this was still not enough to offset increases in other input costs such as increased feed and maintenance costs.

Farm gate prices have been relatively well supported, especially considering the amount of uncertainty in markets over recent months. Farmgate cattle prices are much higher than the levels seen last year, and sheep prices have also remained well above the five-year average. Farmgate pig prices have been going through an extended period of decline in recent months that is likely to continue at least in the short term.

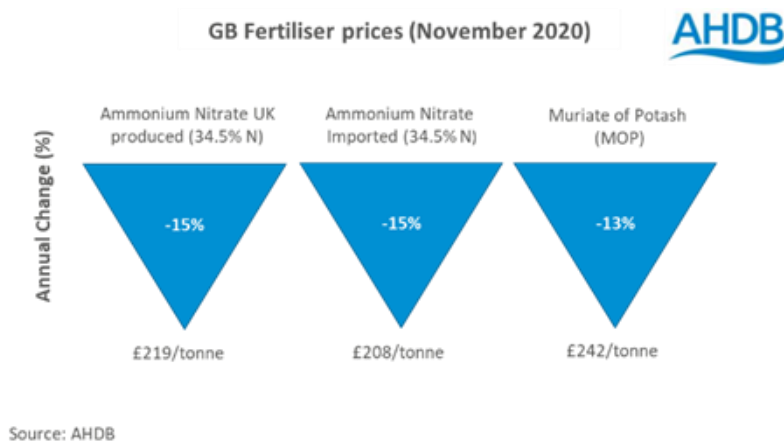
Fuel

Red diesel prices have increased slightly in recent months to average 51.51ppl for December 2020. Earlier in 2020, red diesel prices dropped right back, and although they have been rising again more recently, they are still well below last year's levels. Red diesel prices have been following the wider market trends of crude oil prices which had a fairly volatile year during 2020 as a result of a sudden drop in global demand due to the coronavirus pandemic. Crude oil prices average \$41.37/barrel during 2020. Forecasts for 2021 vary, but generally fall in the range from \$44 (World Bank) to \$65 (Goldman Sachs), although almost all agree that there will be some appreciation in prices.



Fertiliser

Fertiliser prices have also been back on last year's levels, although in more recent weeks there have been reports of an increase in prices for imports from the continent. The UK continues to be a net importer of fertiliser from the EU so it is likely demand may have been stronger during the Winter.

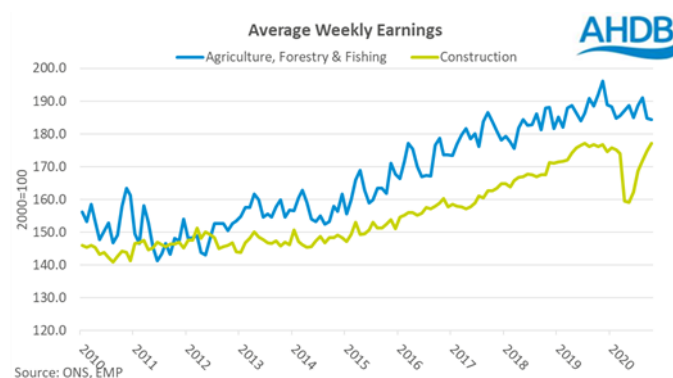


Triple Super Phosphate and Ammonium Nitrate have shown the largest year on year decline for November 2020. With sterling continuing to be fairly weak in comparison to the Euro, the cost of imports becomes comparatively expensive, although some of this cost increase is also likely to be absorbed by the vendor. The World Bank Commodities Outlook (Oct 20), forecasts global fertiliser prices to rise in 2021, by around 3%, having fallen in 2020. Teagasc forecasts prices to increase by 5% on 2020 levels.

Labour costs

Average weekly earnings for Agriculture, Forestry and Fishing have dropped back year on year. In October, average weekly earnings totalled £412 down by £8 on the same month of the previous year. The construction industry which has the most similar pool of talent, also saw a slight reduction in average weekly earnings year-on-year, but still paid a much higher wage with a weekly average of £650, widening the pay gap between the two sectors to £230 per week. Sourcing labour has been a particular issue for the agricultural industry with less seasonal workers entering the UK in recent years. It is worth noting that although earning in Agriculture may be behind other comparable sectors, it does not consider other benefits that may be included in on farm jobs such as accommodation being provided in some circumstances.

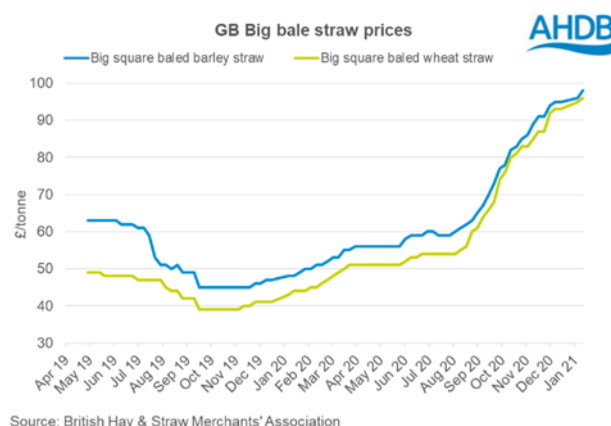
The average age of individuals working in the agricultural sector continues to be exceptionally high. In 2016, just 3% of farm holders were under the age of 35, and the median age of farm holders was estimated at 60, according to [Defra](#).



Value for October 2020 was 184.3 – agriculture and forestry index: non-seasonally adjusted regular pay including arrears. Starting with 2000=100

Straw

Straw prices have been on the rise in recent months. Both big square baled barley straw and wheat straw have shown month-on-month increases since July. Demand remains strong for straw and with less availability of straw around the UK prices are likely to remain high.

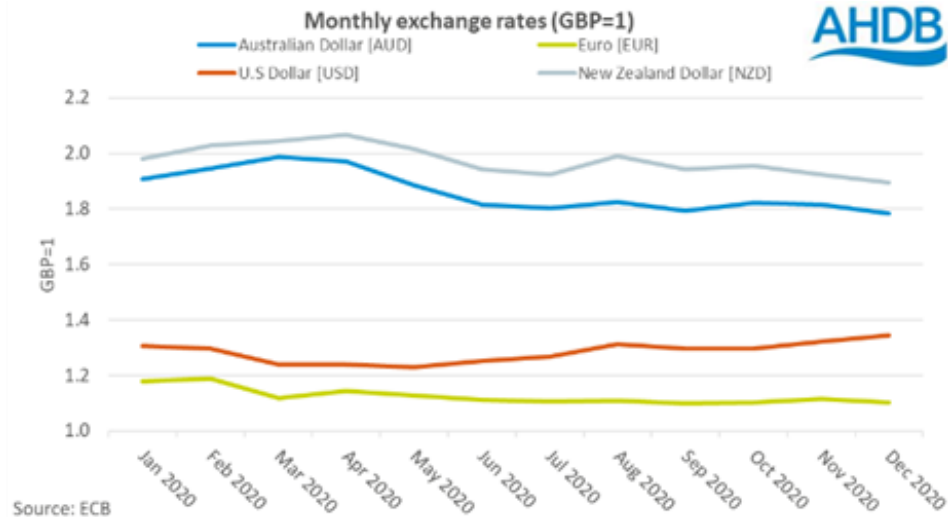


Hay prices have also been increasing throughout the Autumn, following on from a fairly stagnant period of trade during the spring and summer, according to the British Hay & Straw Merchants' Association. Hay production was fairly limited, due to an exceptionally wet spring followed by a prolonged dry spell in the summer limiting growth.

Exchange rates

Sterling has been strengthening against the US dollar for several months now, which makes feed ingredients imports from the US (priced in dollars) appear cheaper, whilst exported goods from the UK to the US may be less price competitive.

Sterling however currently remains fairly weak against the Euro. This is helping to support UK lamb exports to the continent, although it may also have a more negative impact on the cost of imported supplies from Europe such as fertiliser.

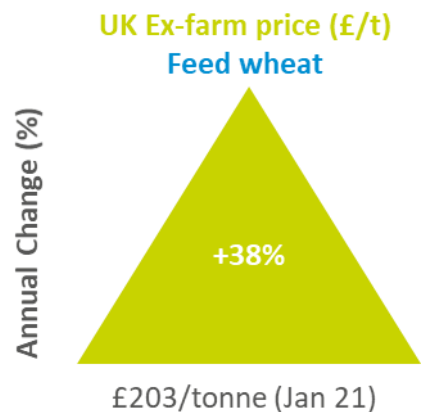


Feed market overview and outlook

Feed wheat

Wheat prices have been rallying recently, following moves higher in global grain markets. UK wheat production during the 2020 harvest was notably down on the previous year, and the lowest production figure since 1981. The exceptionally low wheat production figures are due to a much smaller planted area back in 2019/20, caused by the wet autumn and winter affecting plantings.

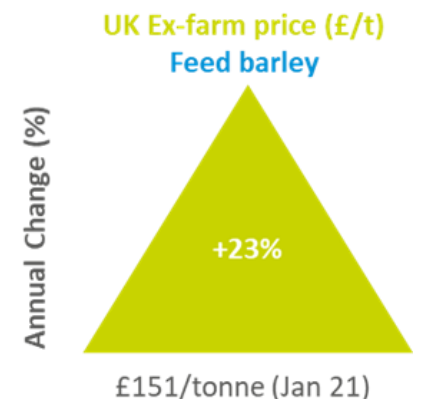
The outlook for feed wheat still remains fairly bullish with global grain markets having lots of support at the moment.



Feed barley

Feed barley prices have also been increasing in recent months but remain at a significant discount to feed wheat. Barley production in the UK was in excess of 8Mt for the 2020 harvest, due to a large increase in the amount of Spring plantings, after many delays to drilling during the previous Autumn.

Barley exports have remained behind last year's level, which has kept pressure on the domestic prices.



Soyabeans

Soyabean markets remain well supported and the outlook is currently fairly bullish. Dry weather in South America is limiting production and helping to support prices. Global oilseed production for 2020/21 is estimated to be higher year-on-year according to recent USDA supply and demand reports.

The demand for soybeans in China remains strong as they continue to rebuild their domestic pig herd, which is helping to support global oilseed markets.

UK Ex-farm price (£/t)
Soyabean meal (Brazilian)

Annual Change (%)

+51%

£463/tonne (Jan 21)

Maize

Global maize production is forecast to be up on last season, production estimates could however be impacted by the persistent dryness in South America. Global demand for ethanol is still yet to return to pre-pandemic levels. Imported any origin maize has been increasing in price since June 2020.

UK Ex-farm price (£/t)
Maize gluten feed

Annual Change (%)

+32%

£241/tonne (Jan 21)

Forage overview

Total average grass production was slightly down year on year during the 2020 grazing season. Grass growth was limited by lack of rainfall during May although later into June and July, grass growth improved well before beginning a steady downwards trend into the Autumn. Heavier rainfall throughout the autumn has resulted in some areas becoming saturated, where livestock has had to be brought inside earlier in the year than anticipated. This is likely to lead to higher on-farm feed costs and less out-wintering.

Grass growth has varied across different regions of the UK throughout the year, with some regions experiencing better grass growth than others, especially on the west coast where rainfall was more prevalent earlier in the year, and therefore less impacted by dry conditions.

