

# LKL Newsletter

## March 2019



Editor: George Gordon Layout: Amanda Hargrave

### SHOCK DROP OF 1.25PPL FOR MULLER TO 26.75PPL

700 Muller direct suppliers will see their milk prices fall from 28p to 26.75ppl from 1 March.



It is thought that one third of these producers elected to fix a portion of their milk at a fixed 28p when offered that option last year. The troubled UK liquid market is biting all concerned with non-existent loss making margins for processors and prices well below those achieved for manufacturing milk. On the face of it Muller are a massive 3.5ppl behind Arla's manufacturing price on 1 March. The chaos in the liquid market makes the Dairy Crest decision to exit the liquid business to Muller look like a good move in hindsight.

### MULLER £100M COST-CUTTING PLAN

Muller has set an objective to find £100m of savings to address their lack of profitability. The firm launched project Darwin, a 24-month project to cut costs and simplify the business. Tough decisions and changes need to be made, according to Muller Milk and Ingredients CEO Patrick Muller. Last October, Muller announced an operating loss of £132m and have lost money every year. The firm supply over 50% of GB liquid milk and will be looking at the lack of profitability in their retailer contracts.

### OMSCO CUT 1PPL

OMSCo announced a 1ppl price cut from March. There will be no 13th payment and members have been advised that expansion will have to go through an allocation system to pay a full milk price on core litres only.

### REMINDER TO BOOK YOUR PLACE FOR THE 2019 NATIONAL HERDSMANS CONFERENCE



The conference is fun and a chance to update skills. There will be a mix of conference papers, on-farm practical sessions and an informal dinner. All attending will be made very welcome. [www.nationalherdsmansconference.com](http://www.nationalherdsmansconference.com) or ring the LKL office on 01722 323546. **Only £69 for LKL sub-contractors, for a 2 day dairy conference including all food and accommodation.**

### DAIRY FARMERS DESERVE PROTECTION FROM ACTIVISTS

Michael Gove said dairy farmers deserve protection from animal rights activists. His comments come after vegan group Project Calf published a map of UK dairy farms. Mr Gove said: "My message is simple. People who are running legitimate businesses, producing high-quality products we cherish, should be protected and there should be a responsibility on the police and everyone else to ensure we do not have the sort of activism that undermines the work of dairy farmers."

### ARLA HOLDS! AND CONFIRMS 2PPL 13TH PAYMENT

Arla has held its manufacturing price for March at 30.24ppl, liquid at 29.06ppl. In a second announcement it confirmed distribution off all of its £252m 2018 profit to members, worth 2ppl. UK revenues reached £2.01 billion in 2018, up 3.3%. The food service was a major driver of overall performance, with Arla Pro growing by 49.3%. Arla-branded products grew 8.6% with Arla Organic up 80%.

### DAIRY CREST SOLD FOR £1BN

Canadian company Saputo have made their first acquisition in Europe offering 620p per share for Dairy Crest. Saputo bought Australian dairy company Murray Goulburn Coop in 2017 for £380m and have also expanded in China. The company confirms it will continue to operate existing UK facilities with 1100 staff and 150 management staff will remain in Surrey.

**SOLD!**

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### NEWS

#### MMG ISSUES £46.4M FARM PROFITS WARNING

David Herdman, chairman of farmer board Muller Milk Group (MMG), released a stark £46.4 million farm profits warning in response to Muller's price drop. The 1.25ppl drop for March, brings the Muller Direct price to 26.25ppl before 0.5ppl bonus. Using the average of the main retailer cost trackers at 31.01ppl for February, farmers would be losing 4.67ppl to £71,400 per farm for the average Muller Direct farmer. David Herdman said the liquid milk market was 'fundamentally broken'. He said the industry had to innovate more and show the value of milk, including health and sustainability messages highlighting British athletics recommended drinking milk.



#### IRISH COOP CHLORINE BAN FROM 2020



Northern Irish Coop Ornuu has decided to ban the use of chlorine-based detergents used to wash milking parlours and plants. The ban will come into effect in 2020 to protect the status of Irish dairy products. It remains to be seen if this is the start of a widespread voluntary removal of chlorine products by international milk buyers.

#### M&S + 1.407PPL TO 32.8PPL

M&S suppliers received confirmation of an increase of 1.407ppl, taking the liquid standard litre up to 32.81ppl.

#### OPPORTUNITIES FOR ORGANIC DAIRY

The global organic dairy market is anticipated to grow 50%, reaching £21.3bn by 2023, with new uses for organic dairy ingredients cited as a key growth driver, according to the 2019 global organic dairy market report released by Omsco. Richard Hampton, managing director, said: "Worldwide consumption, distribution and market reach of organic dairy is increasing, and now represents 20% of all organic food and drink sales globally. The organic dairy market in the UK has grown 3.1% year-on-year. The global liquid milk market was performing well, equating to 24% of all organic dairy sales. Mr Hampton said the primary driver of growth was emerging product categories; cheese and specialist organic dairy ingredients. The UK is already a net exporter of organic dairy products.

#### UK ORGANIC DAIRY MARKET OVERVIEW (2018)

- ◆ £351 million, 3.9% of total UK dairy market
- ◆ 480 million litres, 4% of total milk production
- ◆ 450 producers, 76,000 cows >170 cow average herd size.

Source: Omsco Global Organic Dairy Market Report, 2019

#### SMP MOUNTAIN CLEARED

SMP markets have been boosted as the European Commission has sold 99% of its intervention stocks. Dairy analyst Chris Walkland said it marked the end of political interference in the markets. It had a stabilising effect on milk prices as they did not fall as they would have without intervention, but it had also made butter prices extremely volatile.

#### FORWARD MARKETS RISE

Forward markets have risen, driven by SMP increases whilst butter is static. Overall they point to a 5% rise in markets in 4 months time. Futures volumes are tiny and the measure is only an indication of the market's sentiment, but after indicating downwards pressure all autumn this is the second positive month.



#### £337K FOR PROJECT TO PREDICT TB FROM MILK SAMPLES

A £337,000 award to Scotland's Rural College will examine the genetic variation within cows and their individual resistance to TB. Early removal of infected cows and knowledge of individual resistance is potentially one of the tools to eradicate TB.

#### BENCHMARKING UPDATED

Dairy farms can compare themselves against the top 5% after AHDB added a new category to its key performance indicators. It is in addition to the existing bands for the top 25% farms and industry average.



### NEWS

#### AUSTRALIAN FLOOD

Hundreds of thousands of cattle are dead after floods followed severe drought in eastern Australia. The state of Queensland expected the death toll to reach half a million head.

#### VEGANUARY RESULTED IN NO DROP IN MEAT SALES

Veganuary resulted in no drop-off in buying trends of primary meat. Kantar Worldpanel revealed the findings at the NFU conference, which highlighted flat volumes for meat and poultry, with fish in strong growth. Less than 4% of all main meal occasions would be termed 'vegan friendly', Kantar data showed.



#### GB HERD SHRINKS - FUTURE HEIFER SHORTAGES?

The GB milking herd has shrunk 2.5% to 1.77m. The majority of the fall is in young cows and BCMS numbers confirm youngstock are down with the biggest drop of 4% in 0-6 month old heifers.

#### MILK PRICES

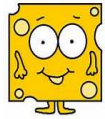
- Belton hold at 28.75ppl manufacturing, 28ppl (liquid).
- First Milk hold at 28.43ppl and liquid 27.5ppl.
- Pensworth fall 1.25ppl to 26.35ppl.

#### NEW ZEALAND DAIRY LABOUR STATION

With 12,000+ farmers and 34,000+ employees the industry is consistently 7% understaffed and has 900 vacancies at any time as reported by NZ Dairy Careers, DairyNZ, Federated Farmers and Fonterra Farm Source.

#### CHEESE FROM COWS ONLY FED GRASS ALL LIFETIME

Lye Cross Farm has launched an organic cheese, which meets Pasture For Life (PPL) certification guidelines, and is made using milk from dairy cows which have only been 100% grass-fed throughout their lifetime. It will soon be available in the UK, as well as being exported primarily to the USA.



#### HIGH VOLUMES OF MILK AND BREXIT UNCERTAINTY DAMPENS FAT PRICES, PROTEIN HOLDING

Dairy February protein prices held gains made throughout the autumn. Cream and butter prices fell on higher than expected volumes and political uncertainty. Mild cheese remained stable. Cows seem to be milking very well with higher than expected volumes reported widely.

#### 2018 RECORD YEAR FOR ANIMAL FEED COMPANIES

Total blends and compound feeds fed to dairy cows reached 2.98 million tonnes, up 3% on 2017 driven by the drought conditions and lack of forage. The rise as less than many would have expected. Useage of whole and flaked maize rose 47% driven by price competitiveness of imported maize relative to UK cereals.

#### NATIONAL TRUST ANTI CULL

A decision by the National Trust not to allow badger culling could be undermining the Government's 25-year bovine TB strategy and work being done by farmers to control the disease. NT tenants in the South West were frustrated by the blanket policy. There is a real risk infected wildlife will leave these areas and cause TB breakdowns in areas that are working to eradicate the disease. A statement on the NT website said culling in England had shown 'no conclusive evidence' of its effectiveness in tackling bTB. The Lucy Brunton report, showing culling in Gloucestershire and Somerset had led to a reduction in herd breakdowns by 58% and 21% respectively.



#### EEX AND GDT LAUNCH EUROPEAN DAIRY AUCTION

The EEX, which runs the European dairy futures exchange and GDT, the twice monthly NZ auction is to establish a joint venture for a European-based dairy auction. EEX and GDT met with 50 sellers and buyers. The two firms will now develop 'the scope of possible services, obtain commitments from potential customers, validate commercial viability and agree a partnership arrangement between EEX and GDT. If positive, the first auction of the new venture will take place in 2020.





## PEOPLE CELEBRATING SPECIAL BIRTHDAYS!

Stephen Bennett, Jan Kedzia



## WELCOME TO:

### FARMERS

Henley Grove Farm Ltd, South Battsborough Farm



Have you heard about the new restaurant called Karma?



There is no menu - you get what you deserve!

My teachers used to say  
No one is ever going to pay you  
to stare out a window.



They sure got that wrong!

And God said to John,  
come forth and you  
shall be granted  
eternal life.

But John came fifth  
and won a toaster.



Think of how stupid the average person is and realise half of them are stupider than that.

Have you ever noticed that anybody driving slower than you is an idiot, and anyone driving faster than you is a maniac?

Honesty may be the best policy, but it is important to remember that apparently, by elimination, dishonesty is the second-best policy.

Not only do I not know what's going on, but I wouldn't know what to do about it if I did.

**LKL Services Ltd**  
Agriculture House / Unit C  
Old Sarum Park  
Salisbury  
Wiltshire SP4 6EB  
Phone: 01722 323546  
Fax: 01722 335350  
amanda.hargrave@lkl-services.co.uk  
george.gordon@lkl-services.co.uk



[www.lklservices.co.uk](http://www.lklservices.co.uk)

What do you call a Frenchman wearing sandals?

Phillipe Phillope.

Two men meet on opposite sides of a river. One shouts to the other "I need you to help me get to the other side!"  
The other guy replies "You are on the other side!"

I couldn't figure out why the baseball kept getting larger.  
Then it hit me.