

LKL Newsletter

May 2019



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ARLA HOLDS FOR A FOURTH MONTH

Arla's May milk is 30.23p/manufacturing litre for 2,500 UK co-op members. The May announcement includes an unchanged organic price, at 41.98p/litre.

EU AND GLOBAL PRODUCTION STEADY

Overall, EU milk production is stable despite GB volumes booming with milk output running 4-5% higher than last year. World commodity markets are higher than current European prices, good news for export opportunities and prices going forwards. Record milk production in the UK coupled with strong production in Ireland, Poland and Denmark offset declines by France, the Netherlands and Spain. The New Zealand dry conditions resulted in its milk production posting a five-year low for March. Australian production was also lower following a very challenging dry season.

MEDINA SCRAP BASKET PRICING, BUT ARE SURVIVING

Watson's Dairies, owned by Medina, gave three weeks' notice of moving away from a basket pricing structure to a monthly price set by itself, discretionary pricing! No minimum price or forecast for future months, yet it will still enforce a 12-month notice period for farmers to leave the contract. It seems drastic, however a counter view is that Medina are surviving and paying their milk cheques and failing as a company is even worse! Things are obviously very difficult in the processing business.

LAST CALL FOR 2019 DAIRY MANAGEMENT ACADEMY ENTRIES

Please talk to **LKL** about any young people wanting to join the 2019 intake.

It is a 2 year training course to equip young people to manage dairy units in the future. They undertake 8 modules on farm over a two year period with a foreign study tour in the middle. A fantastic opportunity for a young person!!



MILK PRICES

Tesco is to decrease its TSDG producer milk price by 0.34ppl from May as a result of lower feed costs in its tracker and takes liquid standard price for Muller Milk Group TSDG supplier down to



31.27ppl. South Caernarfon is to decrease its milk price by 0.75ppl, taking the manufacturing standard litre down to 28.03ppl, liquid to 27.09ppl. Belton reduced its producer milk price by 0.75ppl from May, manufacturing down to 28ppl. Freshways reduced its producer milk price by 0.3ppl from April to 27.06ppl. Lactalis drop 0.37ppl to 28.27ppl.

MILK PRICES HOLDING

MULLER STAND ON AT 26.75PPL

CREDITON 28.5PPL

PATTEMORES 28PPL

DAIRY CREST 29.9PPL

BARBERS 29.13PPL

FIRST MILK 28.68PPL

LKL OPEN DAYS

Advance diary warning, your invitations will follow shortly.

Thursday 13 June

D Dalton & Son,
Salisbury

Thursday 20 June

C & H Ford Ltd,
Somerset

Thursday 27 June

Price Farmers, Warwickshire

Thursday 4 July

R G Nash & Sons, Horsham



MORRISONS ABANDON £1.15 OFFER AFTER NO OTHER SUPERMARKETS JOINED IN

Morrisons tried to increase the price of four pints in store to £1.15, and has been forced into reducing its price back to £1.09 as none of its rivals followed. That is a sad state of affairs and will lead to a continued squeeze in the liquid supply chain.



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NEWS

SAINSBURY'S

Sainsbury's takeover of ASDA offered to sacrifice 150 stores to get the deal through, but has been rejected by competition authorities. It offered £1 billion worth of reduced prices every year for three years, by securing lower prices from suppliers. Now this is rejected, Sainsbury's must find a new way forwards, it had already announced a review of its milk buying contracts. Its main milk supplier, Müller, is rumoured to be suffering £1m a week losses. Müller states it wants a series of significant structural announcements, with no tinkering around the edges. Sainsbury's wants to save money in its milk sourcing, at the same time as Müller is putting up the cost of milk sourcing, some interesting negotiations ahead! Sainsbury's current tender was announced in May 2016, with the contract starting in 2017 and running until 2020. Half of the milk is supplied by Müller, 20% by Arla and the rest by Medina. The farmer price is on a three month COP adjusted formula, the contract processing rate which Sainsbury's pay to its processors will be up for fierce negotiation.

Sainsbury's

EXPORT TO IMPROVE PRICES

Improving the 'appalling' UK export record to ensure farmers received a fairer price for their produce is vital, according to OMSCO chairman Nicholas Saphir who was speaking at a Westminster Food and Nutrition Forum. Mr Saphir highlighted European economies with higher farmgate prices had stronger export records than the UK. If you take out whisky, we only export about £12 billion worth of UK agricultural food products. Compare this to Germany at £68bn and France at £57bn.



EXPORTS TO EU CONTINUE WITH NO DEAL BREXIT

Exports to the EU will not be stopped in a no-deal Brexit as the UK's 'listed status' application has been approved. EU states agreed to approve the application after the UK met the animal health and biosecurity assurances that were demanded by the EU.

MILK PROCESSING TRENDS

According to AHDB Dairy, there has been a shift away from liquid milk, which accounted for 20% of all milk processing in 2007, down to 17% by 2017. In 2007, 17% of milk was processed into "other products". But by 2017 this had grown to 25%. Milk going towards traditional dairy commodities is unchanged at about 23% of the total, butter is down from 10% to 9%, cream is unchanged at about 4% and yogurt is down from 7% to 5%.

LIQUID MILK FROM PASTURE

Lidl Germany are changing their 'Milkbona' brand fresh milk with 'Pro Weideland' certified pasture milk from cows that spend more than 120 days a year on pasture for more than six hours a day.



CHINESE TO BUY NZ COOP WESTLAND

China's largest dairy producer Yili is set to buy New Zealand dairy cooperative Westland for £212m. It follows a strategic review by the Westland board, as it looked at ownership options following its inability to deliver a competitive milk payout in recent years.



CHINESE IMPORTS SURGING

Chinese imports are soaring and are estimated at 622,200 tonnes for two months. NZ supplied 60%, the highest for four years, and the EU 24%.



CONCERNS OVER CAPACITY

AHDB warns GB milk production could hit a 29-year high this month, perilously close to the maximum the UK can process on any day. Chris Gooderham, AHDB head, said: "Cows are in really good condition and milking extremely well". The position is not helped by Brexit uncertainty, with questions over whether mainland GB can process Northern Irish milk, which would ordinarily head to the Republic.

NEWS

**US DAIRY FARMS FALL
2,731 (6.8%) TO 37,468 -
AVERAGE HERD SIZE IS 251
COWS**

Trump's trade wars have heralded tough times in the US for dairy. 2,731 US dairy farms hung up clusters for the final time this year, reducing dairy farms in the US to 37,468. In 2001, 7.3% exited compared to 6.8% this past year. 1998 had exits at 8%. Since 1992, commercial dairy farm numbers have fallen 94,041 from 131,509 to 37,468, a 72% drop. Average herd size has grown 240% from 74 to 251 cows. With 8,500 farms, Wisconsin was home to 23%. Next is Pennsylvania with 6,200 farms.

**US TARIFFS RISK TO
DAIRY IN AIRBUS V
BOEING ROW**

The US has threatened the EU with additional tariffs on EU dairy products. The World Trade Organisation ruled that the EU was giving illegal subsidies to Boeing rival Airbus. The US is threatening the EU with tariffs worth US\$11 billion (£8.4bn). Last year, the EU exported 134,000 tonnes of cheese to the US. AHDB says three-quarters could be affected if tariffs were implemented.

**GLANBIA IRELAND
DECLARE €57.8M PROFIT**

The above is a joint venture between Glanbia Coop 60% and Glanbia plc 50%. Average milk price paid by Glanbia in 2018 was 36.9c/l.

**THE NEW NATIONAL
MINIMUM WAGE IS
£8.21/HOUR**

Only four countries - France, Portugal, New Zealand and Australia - have a higher minimum hourly wage (as a proportion of average salaries) than the UK. Many countries have much lower minimum wages, including the US, Spain and Japan. *Source: OECD*

**£1M FOR STRATEGIC
FARMS FROM VOLAC
WIDOW**

AHDB's strategic dairy farm network has secured £1 million in additional funding via the little known Betty Lawes Foundation, a £29m charity fund set up by Betty Lawes, the wife of the founder of Volac. It will be used to expand AHDB's strategic dairy farm network, supporting AHDB to recruit and manage an additional eight strategic dairy farms and expanding it to a total of 25 farms. There are another eight farms in Wales as part of the Dairy Improvement Programme funded through the Welsh Government. AHDB Dairy is actively recruiting for more strategic farmers. Applications close on 19 May 2019.

**NEW INSPECTION REGIME
FOR RED TRACTOR - SPOT
CHECKS**

The assurance body has in excess of 10,000 assured dairy farms across England, Wales, Scotland and Northern Ireland. Chief executive Jim Moseley has made it clear that farms who comply with every standard, every day, will be unaffected. From April, dairy units will have their usual pre-arranged farm inspection by an independent assessor with any non-conformances reported back to Red Tractor. In some cases, non-conformances raised will result in the farm being allocated an additional spot check which is unannounced and paid for by the farmer. An unannounced spot check, means extra work is required to ensure compliance with standards, vital to protect the reputation of the scheme and all its members. Farmers are told if they are due to receive an unannounced inspection which takes the form of a spot check rather than full audit. Those who require an unannounced visit will be asked to provide information to reduce the chance of no-one being available to carry out the inspection. The assessor will wait for a time period but if no-one is available and the assessor hasn't been able to speak to anyone after calling the contract numbers, a failed inspection card will be left. The Red Tractor member will then have to pay for a rescheduled unannounced inspection. If improvement can be demonstrated, members will then continue with the normal inspection frequency. If no improvement has been made, membership will be suspended.

PEOPLE CELEBRATING SPECIAL BIRTHDAYS!

Constantin Lungu, Robert Setford, Nigel Brooks, Charlie Hall, Ollie Payne, Simon Nash



WELCOME TO:

FARMERS

R & E Kingman & Son Ltd, A L & P A Cooke



I was going to tell a Formula 1 joke, but I think it might be too racey.



As a farmer, I hear lots of jokes about sheep. I'd tell them to my dog, but he's herd them all before!



"I used to play a musical instrument on cruise ships"
"Piano?"
"No, Cunard"

Every time I get something stuck in my throat, I just dislodge it by drinking a pint of lager. It's called the Heineken Manoeuvre. 🍺🍺

Nobody knows how the fire started at Notre Dame, but Quasimodo has a hunch.



My wife has asked for something silky for her Birthday. No doubt the tin of emulsion will be the wrong colour.

My friend said what rhymes with orange? *No it doesn't.*
I told my girlfriend she drew her eyebrows too high. *She seemed surprised.*

Cleaning up with the children is like shovelling in a blizzard.

A committee is a group that keeps minutes and loses hours.

I want my children to have all the things I couldn't afford. Then I want to move in with them.

A clear conscience is usually the sign of a bad memory.

I thought I was really tired, but it's been 5 years now so I guess this is how I now look.

You know you're older when you have a party and the neighbours don't even realise it.

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