

LKL Newsletter November 2018



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MÜLLER SUFFERS 5TH ANNUAL CONSECUTIVE LOSS OF £132M

Müller UK & Ireland posted an operating loss of £132m, the fifth consecutive year of net loss since accounts began on Companies House in 2013. Müller cited the acquisition of Dairy Crest as the main reason behind its drop in profit before amortisation, down to £37.9m from £51m in the previous year. This acquisition boosted sales, which were up 6% to £2.1bn. Müller said trading in the liquid milk market had continued to be challenging due to intense competition. Employee numbers grew, with the average number of workers within the business up 4% to 8,199 in 2017. Wages grew 3.7% to £314.6m.

ARLA LAUNCHES UK 360 HIGHER STANDARDS INITIATIVE

Following a 6 month trial involving 79 farmers Arla have launched their UK360 programme, a new set of higher standards than the basic Red Tractor standards, including best practice, welfare, animal health, people/staff development, environmental and natural resources, community engagement as well as economic resilience and reinvestment. Aldi is the first retailer to sign up to the new standards. Aldi will pay a premium to a named and selected group of Arla members as part of the new Aldi Dairy Farm Partnership. Arlagarten will continue to set the baseline standards for all Arla members with UK 360 linked to retailers who pay a premium to those farmers by adopting the 360 standards.



A2 PROCESSING

Crediton Dairy have a contract to process all A2 Milk's fresh milk in one-litre recyclable cartons. A2 launched as part of a partnership with Müller, which will manage the milk pool.

MARKETS WANT FAT NOT PROTEIN!

New Zealand dairy farmers will be paid more for butterfat in 2018/19 than they will for protein according to AHDB Dairy. Since the millennium, butter prices have been the driving force behind rising commodity markets. Butter has risen \$200 per tonne per year since 2001. SMP has only risen by an average of \$35 per tonne per year over the same period. Globally, butter has been more valuable than SMP since the start of 2015. In Europe historic protein:fat ratio of 2:1 is still engrained in farmgate milk prices. European dairy farmers continue to be encouraged to breed and feed for protein despite the market having moved on. If farmers are expected to be responsive to market demands, effective price based on actual markets is needed.



FRESHWAYS SUPPLIERS + 0.21P



Takes producers liquid standard litre price to 29.8ppl.

NZ FONTERRA DROPS 1.9PPL TO 24PPL FOR 2018/19

Due to global over supply particularly in Europe and the US, Fonterra has reduced its forecast milk price for 2018/2019 from \$6.75 per kg milk solids (25.3ppl) to \$6.25 to \$6.50 (23.4ppl to (24.3ppl).



FIT2FARM CAMPAIGN

Identify stress:-

- ◆ Trouble sleeping at night
- ◆ Being irritable
- ◆ Lack of appetite (or over-eating)
- ◆ Getting frequent colds or other ailments
- ◆ Feeling panicked or anxious regularly



Ways to redirect your focus:-

- ◆ Take regular exercise
- ◆ Go for a walk
- ◆ Make time for a hobby
- ◆ Watch a movie or read a book
- ◆ Spend time with family or friends

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ACTUAL MILK PRICE EQUIVALENT (AMPE*) AND MILK FOR CHEESE VALUE EQUIVALENT (MCVE*)

AHDB Dairy published indicators for the dairy sector.

AMPE	Change to Sept 18
31.84	
33.18	- 4.0%
39.87	- 20.1%
MCVE	Change to Sept 18
33.63	
33.62	0.0%
38.48	- 12.6%

* AMPE and MCVE calculations do not include the cost of transport. The range of transport costs are from 0.9ppl to 4.8ppl. *Source: AHDB*

DROP IN ANTIBIOTICS

A fall of 18% in total sales of antibiotics has been welcomed. The figures published this week in the latest Veterinary Antimicrobial Resistance report, showing total sales had reached a low of 37mg/kg between 2016 and 2017. A 40% reduction since 2013.



FARMERS FOR ACTION THREATENS FUEL PROTESTS

Farmers and hauliers are threatening protests over the rising cost of fuel and the disparity between crude oil and pump prices. FFA said the increasing cost of diesel was having a "massive effect" on the haulage industries. FFA members held a meeting on Monday 22 October; David Handley said a discussion took place about the possibility of protests.

MARKETS WEAKEN UNDER PLENTIFUL SUPPLY

September and October has seen a shift in sentiment on dairy markets. Concerns over the impact of the dry hot summer have not been realised with plentiful milk in the UK and on the continent. Cream and butter have been dropping steadily through the months. Skim milk powder and mild cheddar held relatively firm. SMP prices rose slightly, mostly due to currency movements but are still below intervention levels.

FAT-FILLED MILK POWDERS

Fat-filled milk powder (FFMP) is milk powder that has a fat content similar to whole milk powder, instead of butterfat it contains vegetable fats. The fat is added to skim milk and then the product is dried to create a cheaper alternative to whole milk powder. FFMP can be made from SMP, blended with the vegetable oil and then dried. FFMP allowed processors to capitalise on high butterfat prices, producing an alternative milk powder rather than selling SMP into a difficult market.



Vegetable oils such as palm oil are lower priced than butterfat. FFMP is cheaper than whole milk powder while performing the same functions. It can be used industrially, in bakery. It can also be sold direct to consumers, in countries with limited access to refrigeration. The EU is one of the key FFMP producing regions. It is estimated to make up about 50-60% of EU exports. In 2017, the EU exported 744k tonnes led by Ireland and the Netherlands.

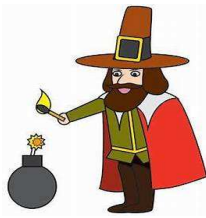
OMSCo FARMER OF THE YEAR

Winners are Claire and Daniel Howlett from Wicton Farm, Bromyard, Herefordshire, with 110 predominately Holstein Friesian cows producing 8,500 litres/year with 3,500 litres coming from forage. Runners-up were LKL client John Pitts from Woodhouse Farm, Chichester, West Sussex with 250 cows averaging 8,000 litres a year and the 60-cow milking herd of Chris Jones and Columb Hague from Woodland Valley farm, Cornwall, producing 4,200 litres per cow on once a day milking.

UK Wholesale Prices

£/tonne	Sept 18		August 18		Sept 17	
	Average	Range	Average	% change	Average	% change
Bulk cream	2,130	500	2,230	-4%	2,830	-25%
Butter	4,750	600	5,080	-6%	6,150	-23%
SMP	1,410	125	1,380	2%	1,525	-8%
Mild Cheddar	3,050	225	3,050	0%	3,450	-12%

Source: AHDB Dairy



NEWS

FEEL LIKE A ROBOT! OR FEEL LIKE A ROBOT

By Pat Tomlinson, Farms and Estates Team,
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Robotic milking has been commercially available in the UK for about 20 years. Their uptake seems to have accelerated in the last five years. Buying a



robot is certain to bring a significant amount of extra costs to the business. Typically, these will be the initial capital cost of the robot (including all associated building and cow handling work) and an annual service contract. Of late I have noticed some other costs creeping in - relatively expensive robot manufacturer branded dairy chemicals for example. One of the key benchmarks we use when reviewing accounts for our dairy farming clients is what we affectionately call "COGWD" (pronounced COGWOOD); it looks at the total costs of operations on the farm and includes all labour and all power and machinery costs (inc depreciation). It is the total cost per litre of operating the system that matters. It is the biggest variant in financial performance that we see across dairy farms. In Spring 2018 accounts, COGWD is averaging at about 10.5p/litre and has varied so far from about 7p to 17p. Looking only at robotic milking clients, so far the lowest has been 11.7p/litre and a typical average would now be around 13p/litre. The biggest variable seems to be the amount of milk produced per robot. The only viable option is to use those robots to their

maximum capacity and then COGWD can be competitive, but never as low as the lowest parlour based farms. From the evidence thus far, they will never be the lowest cost system. As ever, some realistic budgeting before the investment is made is sound advice, the difference between their theoretical or promoted costs and real costs can now be much better understood.

From an article in Albert Goodman Ag Rural Intelligence Autumn 2018.

HOT WEATHER SHRINKS PREDICTED 1.4% MILK SUPPLY GROWTH IN GLOBAL MILK BY 17%

Prior to the hot weather the global milk pool was forecast to grow by 1.4% in 2018, providing an additional 4 billion litres of milk. The likely impact on yields in both the EU-28 and Australia is expected to reduce 730m litres (19%) off the earlier predicted growth in volumes. The EU has lowered its production forecast for 2018 to 0.8% growth, down from the 1.2% forecasted earlier. In Australia, lack of forage has resulted in a spike in culling activity. This has led the forecast for the 2018/19 season to an overall decline of 2%. Forecasted production is up in New Zealand, where good weather has provided a strong start to the new season. Fonterra increase expected production for the season by 1.3%. Fonterra also reduced its forecasted farmgate price.



SEXED SEMEN EXTENDED TO MORE BREEDS

Cogent pioneered sexed semen technology in the UK for approximately 20 years. Ongoing research and development (R&D) helped, but the big change was the involvement of ST Sexing Technologies) Genetics as a major shareholder in October 2017. They have access to the sexed semen product known as Sexed Ultra 4M. This led to much better conception rates. The main benefit of 4M is the doubling of the number of live sperm in a straw. Trials have shown no cost benefit to increasing beyond four million. 4M sexed semen is not recommended for synchronisation programmes and natural heat observation is the preferred method. Handle semen with care and try not to raise the goblet above the liquid nitrogen when removing a straw any longer than necessary. When thawing semen check the water is at 37 degrees. Only thaw one straw at a time for 40 seconds. Dry the straw and flick it to remove excess nitrogen. Once thawed load the pre-warmed AI gun and keep it at a stable temperature. Holstein offers a wide choice with an increasing range of sires both proven and genomic. Now coloured breeds are being sexed with 4M British Friesians. A number of Irish bred bulls with EBI values over 200 euros are now available in 4M. The Ayrshire breed, five Brown Swiss sires are 4M sexed and all are genomic. To complete minor breed 4M availability, two Montbeliards, five Guernseys and 13 Jerseys are also now available.



PEOPLE CELEBRATING SPECIAL BIRTHDAYS!

Luke Patton, Sean Faller, Chris Moore



WELCOME TO:

FARMERS

Lee Valley Regional Park Authority, RJ & RT Barrington,
Cloverlait Ltd, JA & GF Turnock Ltd



George Gordon and Carol Adlem from the office team. The cake was another Carol masterpiece and was made to celebrate George's 20th anniversary at LKL.



Most common lies told:

- “I didn't do it”.
- “I'm fine”.
- “I have read and agreed to the Terms and Conditions”.

What do you call a Chinese Billionaire?
Cha Ching!

What type of bee can't make up its mind?
A maybe.

Why don't cats play Poker in the jungle?
Too many Cheetahs.



Congratulations to Steve Drummond at D Harriot's, winning the Southdowns Feed Cup - Best Herdsman Kenward Cup for the best small herd (under 200 cows).

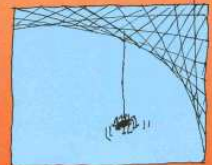
Well done!

LIFE BEFORE THE COMPUTER:



MEMORY WAS SOMETHING THAT YOU LOST WITH AGE

A WEBSITE WAS A SPIDER'S HOME



A HARD DRIVE WAS A LONG TRIP ON THE ROAD...

NEVER BUY A DOG WHEN YOU'RE DRUNK



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