

Prices are steady and set to stay that way for the medium term

# Milk-cheque trends

What are the key drivers behind UK milk prices and what can producers expect to be paid later this year and in early 2012?

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**M**ilk price – it's always a hot topic for producers and comes in for some heavy-weight discussion at every Dairy Event. So, milk buyer politics aside, what are the real factors behind the figure you see every month on the milk cheque?

UK milk prices are not totally at the mercy of the global or European dairy commodity markets. Yes, they do have a bearing on UK prices to a point, but it's not so immediate or dramatic, according to Cranfield University's Sean Rickard.

"The UK consumes a lot of liquid milk – a lot more than European countries. And that goes a long way to explaining why EU milk prices have been between 4ppl and 5ppl higher than UK prices for the past decade. Much of the milk produced in the EU is processed into value-added produce," he says.

UK milk prices are, indeed, up at the moment – by between 2ppl and 3ppl compared to 2010 prices. "And in some respects this is simply the market reacting to supply and it is linked to an increase in the global price. But I think that the supermarkets have also realised

that they don't really want to have to import liquid milk."

There are signs that production is increasing in the UK because 2010 marked the first year that milk production actually increased, rather than staying the same. Compared to the three-year average, current deliveries are approximately 1.3m litres/day (3.8%) higher.

"So things are looking positive and I'm optimistic about milk price for the next 12 months or so – if not longer term."

## Huge variation

There is a huge gap – between 4ppl and 5ppl – between the prices that different UK milk buyers are currently paying for milk. Tesco and M&S contracts are commanding between 29.5 and 30.5ppl at the moment, compared to just 25ppl for milk sold to buyers including Milk Link and First Milk on some contracts. "At 25ppl businesses can still be profitable, but things are definitely tighter," says the Farm Consultancy Group's Charles Holt. "Profits will only arise if cheap family labour is available, or there are low costs or a low rent."

He says that supermarkets want to pay a strong price, partly to ensure a level and secure supply – both for them and their processors – but they also want to be seen to be supporting UK producers. This agri-political stance is good for producers while it lasts and other buyers will follow suit where possible.

He expects that prices will stay strong and could increase in the short term – certainly well into 2012. "Producers are still leaving the industry and this will help to keep supplies relative short and prices high."

🔗 Useful websites to visit to keep abreast of the dairy trade and milk prices include:

[www.globaldairytrade.info](http://www.globaldairytrade.info) and [www.dairyco.net/datum](http://www.dairyco.net/datum)

Table 1: Top and bottom five UK milk prices paid in June 2011 (source: DairyCo Datum 2011)

buyer	price (ppl)
<b>top five</b>	
Dairy Crest Tesco Core	29.72
Wiseman Tesco	29.64
Arla Tesco	29.63
First Milk Tesco – profile	29.49
Dairy Crest Tesco – seasonal	29.22
<b>bottom five</b>	
First Milk Balancing Comp. – dual pricing	25.76
First Milk Cheese – dual pricing	25.75
Dairy Crest milk&more – variable	25.75
Milk Link Landyrynog Direct – seasonal	25.67
Milk Link Landyrynog Direct – A&B	25.54