

Price-rise facts and figures

Producer muscle is helping to drive up milk prices – so is a short supply

We take a look at what's behind UK farm-gate milk prices and at what producers can expect to be paid as we move into 2013.

text **Rachael Porter**

Power to the people – and certainly milk producers. August and September's protests and blockades have had a huge positive effect on milk price, according to the Farm Consultancy Group's Charles Holt.

"It's not that the buyers are concerned about the plight of producers, after one of the wettest summers on record and with the cost of production still creeping up. I think the increased milk price now being paid to many producers – with more coming on stream in December – is predominantly political, with a small 'p'." He says that the processors and buyers were experiencing considerable disruption during the blockades: "If the price remained low then those problems were going to escalate and some buyers were genuinely concerned that, if they were seen to be out on a limb and refusing to budge on price, they'd become the focus of more protests. So, once one buyer increased their price, the rest followed."

It's certainly a feather in the cap for 'squeezed' producers, but the price rise has also been buoyed by the fact that – globally as well as in the UK – milk is in short supply. "We've had an extremely wet summer, which is continuing to impact on production due to poor winter forage quality. Estimates are that production is down 6.5% compared to October 2011. In contrast, US and Australian herds have been hit by

drought. And demand for milk and dairy produce in China is continuing to increase," explains Mr Holt. "All these factors have made it a little 'easier' for processors and buyers to pay more for milk in the UK. They can't ignore the basic rules of supply and demand." He adds that he can see milk price continuing to creeping up in the short term.

Promar International's Tim Harper agrees. "We've just seen the end of a round of milk price increases and a minor one has just started, with Muller Wiseman offering an extra 0.5ppl as of December 1 and an additional 1ppl in February. Arla has also just announced a further increase for both member and non-member suppliers," he says. "So yes, signs are that prices could continue to increase a little in the next few months."

He adds that the UK milk price is higher than that being paid in other European countries at the moment – that's not been the case for a while. "I think some credit for that can be attributed to the protests, but liquid supplies are also tight. Some UK cheese making dairies are selling milk on the spot market and importing Irish Cheddar to make the most of the stronger milk price."

➔ Useful websites to visit to keep abreast of the dairy trade and milk prices include: www.globaldairytrade.info and www.dairyco.net/datum

Table 1: Top and bottom five UK monthly milk prices for September 2012 (source: DairyCo 2012)

buyer	annual average milk price	buyer	annual average milk price
top five		bottom five	
Dairy Crest M&S – Profile	32.24ppl	First Milk Balancing Liquid	25.94ppl
Dairy Crest M&S – Variable	32.16ppl	Saputo – Seasonal	25.92ppl
Dairy Crest Waitrose	31.05ppl	First Milk Cheese	25.88ppl
Robert Wiseman Dairies Sainsbury	30.31ppl	Joseph Heler	25.82ppl
Dairy Crest Sainsburys – Profile	30.18ppl	First Milk Liquid	25.78ppl