

Positive outlook

Strong demand buoys UK milk price

Global and domestic opportunities mean that milk price should stay strong, says The Farm Consultancy Group's Charles Holt.

text **Rachael Porter**

It looks like 2014 is already shaping up to be a 'consolidation' year for milk producers. Milk price is strong at the moment. The average for November 2013 was 34.45ppl – that's nearly 1ppl up on the average price for October, which was 33.52ppl. This figure should be up a little more for December and January, when the figures are published. Prices should certainly hold and I don't expect to see a significant rise or fall during the next few months. There are certainly no immediate signs that that's going to happen.

Will milk buyers pay producers as little as they can get away with? Yes, has to be the honest answer. But that's the starting point for any business.

Producers shouldn't dwell on that. They should focus instead on fulfilling their milk buyer's contract and maximising the price they will be paid for their milk. This needs to be the best quality – in terms of milk constituents and hygiene – and meet the production profile. Do everything you can and you'll go a long way towards maximising your milk price. That said, protesting about milk price still has to be an option albeit one that's been put on ice for the moment.

No incentive

Producers are not complaining, so there's no incentive to increase prices further. But if there was any sign that buyers were going to cut the price then I think we could see a return of producer protests.

And quite right too since both UK and world-wide demand for milk is strong. Some UK buyers and processors have openly said that they're looking for more milk. Arla Foods, for example, is looking for an additional 300 million litres in 2014 and offering an option of full membership of the co-operative. This, in turn, keeps the pressure on other buyers.

They won't want to lose members or litres. Other co-operatives are also investing in plant and processing. So the future, certainly for the short term and domestic market, looks positive.

Global demand for milk also continues to increase, particularly in Asia. China is importing more milk due to foot-and-mouth disease and many consumers don't trust their domestic supply – a hangover from the melamine contamination scandal of 2008. They are willing to pay twice as much for imported dairy products and this represents a huge opportunity for dairy exporters.

Indeed, Arla Foods sold some skim milk powder in the Fronterra Global Dairy Trade fortnightly auction in December – a first for a UK company. And global SMP prices rose by around 1.7%.

So, the 2014 outlook for UK producers and milk price is positive. And I'm urging all my clients to use this period to consolidate their businesses and resist the temptation to spend any additional income on 'a piece of shiny steel'.

Table 1: Top 10 companies based on November 2013 milk price (ppl), source: DairyCo (published January 10, 2014)

company	milk price
Dairy Crest M&S – Profile1	34.70
Dairy Crest M&S – Variable1	34.62
Müller Wiseman Dairies Sainsbury	33.98
Dairy Crest Sainsbury – Profile 1	33.78
United Dairy Farmers (NI)	33.75
Arla Milk Link London Liquid	33.72
Dairy Crest Sainsbury – Variable 1	33.70
Arla Milk Link Northern Manufacturing Seasonal	33.69
Müller Wiseman Dairies Tesco 2	33.65
Arla Foods Sainsbury	33.56

➤ For more information visit: www.dairyco.org.uk/market-information/milk-prices-contracts/milk-calculator-and-contracts/league-tables/

