



Press Release

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UK dairy industry must promote its high standards to survive volatility

A key message to come out of this year's Dairy Show was that UK dairy farmers are producing some of the best product in the world, and should be marketing it to survive future volatility.

The dairy industry is in a period of consolidation after the milk price crash but farmers should be prepared for future volatility, changes to basic payments and need to focus on promoting the high standard of product they produce.

"We do not sell ourselves as a nation and there is very little realisation that we produce the highest quality milk in the world and have some of the highest standards in the world, according to Mike Houghton at Andersons Consultants. "We need to differentiate British food from imports." The standard of welfare and stockmanship that the UK dairy industry achieves is a key element. "At events like the Dairy Show, everyone recognises this but we are very poor at pushing it out to the public."

David Handley, at Farmers For Action, encouraged farmers to shout about being in the dairy industry. "Farmers need to tackle communication with consumers – especially the children of today and tomorrow. We need to get out there and promote our product - the next generation have the opportunity to drive change."

Milk prices have swung from around 19p/litre in June 2016 to around 30p/litre now – such a swing in a short space of time has resulted in challenges for farmers but also means the industry could be quick to forget the sheer size of the losses that occurred. "The support industry for dairy has over £1bn worth of debts – now is a period of consolidation to get back to a debt that is manageable," he explained.

Mikael Oakes, NFU dairy board chairman reiterated that prices had turned at the right time, but that now was the time to redress the bank balance. "The advice is, if you are to make an investment, make yourselves more productive and efficient, not necessarily produce any more milk – there's a big difference. Concentrate on becoming more resilient." Farmers need to develop tools with processors and milk buyers to help manage volatility going forward.

It is sustainability we need to be looking at, added Mr Houghton. The message to all producers should be based around supply and demand. If they have not got a market – a value added market –producers should be encouraged not to grow their business beyond where they can get a sensible price for their milk. "The law around supply and demand is incontestable – either farmers learn to manage their supply or supply manages the number of farmers we have. We need to learn all about risk management."

There was also a call for real time market information from the Government. “We are asking for mandatory price reporting but at the moment there is no mechanism in place to see where the market is going that can gage whether we should lock in to forward prices or not,” added Mr Oakes.

The development of milk futures was also likely to mean big changes to the dairy industry, said John Allen at Kite Consulting. “Whether you like them or not, they are here.” Though they offer the potential for intelligent price awareness, there is a question of whether they are the right way to go. “The futures say that prices will be off peak come early bring, but they won’t be a price collapse.”

Labour was another key issue to be addressed at the event, with focus directed not only at dealing with the labour shortage but also how to retain current staff. Farmers are questioning where they are going to get labour from, said Mr Oakes. It is key that farmers have a conversation with current staff to tackle any issues.

What is also important is focusing on research and development that will lead to improvements in productivity, added Mr Houghton. “I suspect we won’t recognise farms, or indeed the food chain, over the next decade. At farm level, we need to take on technology that really allows an improvement in efficiency, whether you are high input or grazing based.”

For the future, farmers need to have a clear business strategy, with a five to 10-year plan in place, said Mr Houghton. “They need to design a system that they know will create a cost of production that works.”

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