

Dairy Dashboard – September 2018

Key Market Indicators



The purpose of this quarterly dashboard is to provide an update on key market drivers and indicators for the Dairy Sector

- A range of **dairy related data** is available within the [Market Intelligence](#) section of the **AHDB Dairy website**.
- In addition **AHDB Dairy** produces a number of **industry related** publications which are available via these website links:

[Dairy Market Weekly](#)

[Dairy Market Snapshot](#)

[Interactive Dairy Stats](#)

[Fertiliser Information](#)

- Or follow us on twitter:
@AHDB_Dairy @NFUEconomics
- The NFU also produces a number of **industry related** publications which are available via this website link: [NFU Online](#)

- A range of **other dashboards** are available for the following sectors via these links:

[Arable](#)

[Pig & Poultry](#)

[Beef & Lamb](#)

- AHDB's Horizon reports examining the **key issues relating to Brexit** are available at this link:

[Horizon Reports](#)

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Dairy Dashboard

Key Market Indicators



Trends in UK Milk Prices

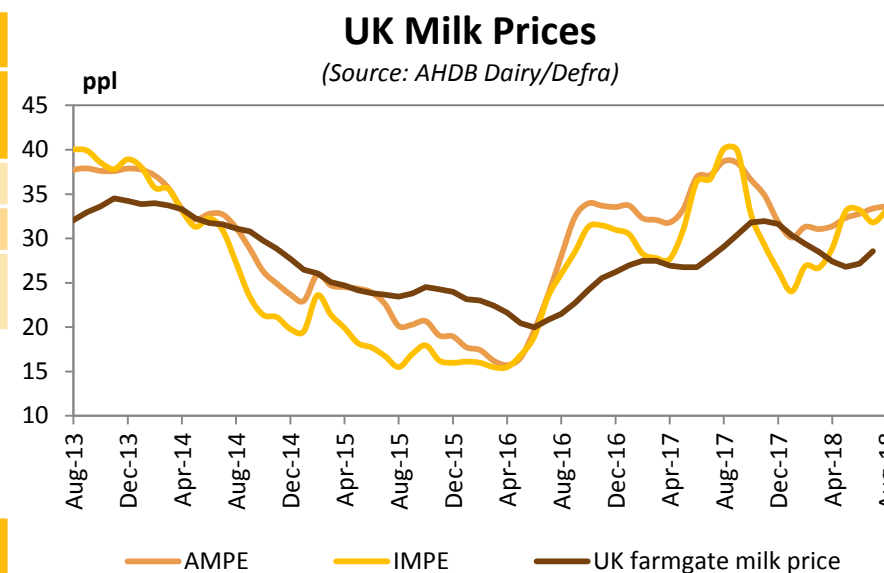
ppl	Current Price	% change 3 months	% change 6 months	% change 12 months
AMPE* (ppl)	33.18	+0.3%	+23.4%	-17.3%
MCVE* (ppl)	33.62	+4.0%	+7.4%	-13.1%
UK farmgate price (ppl)**	28.56	+4.2%	-5.9%	+2.5%

(Source: AHDB Dairy, Defra)

AMPE & MCVE Aug 18, UK farmgate price Jul 18,

* For more information on AMPE & MCVE click [here](#)

** Defra UK farmgate milk prices exclude monthly bonuses



International Milk & Milk Product Prices

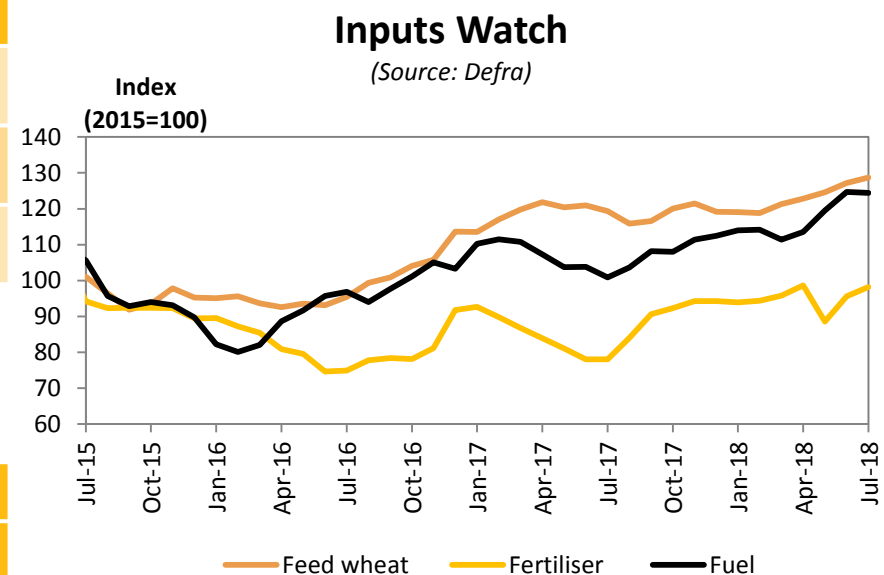
ppl + £/tonne	Current Price	% change 3 months	% change 6 months	% change 12 months
EU 28 milk price (ppl)*	29.88	+2.0%	-7.5%	-4.1%
Fonterra auctions (£/t)**	2,400	-9.0%	-6.6%	-6.9%
World wholesale butter (£/t)***	4,243	-4.4%	+13.1%	-17.0%

(Source: DG Agri, Global Dairy Trade Platform, USDA)

*EU price, Jul 18

**Fonterra auctions all products price, Aug 18

***World Wholesale butter, Aug 18



Trends in Input Costs

Index 2015=100	Current UK Price*	% change 3 months	% change 6 months	% change 12 months
Feed wheat	128.7	+4.8%	+8.1%	+7.8%
Feed barley	126.8	0.0%	+6.4%	+19.9%
Soyabean meal	114.9	-5.5%	+10.9%	+15.0%
Fertiliser	98.2	-0.4%	+4.6%	+25.9%
Fuel	124.5	+9.6%	+9.2%	+23.4%

(Source: Defra API)

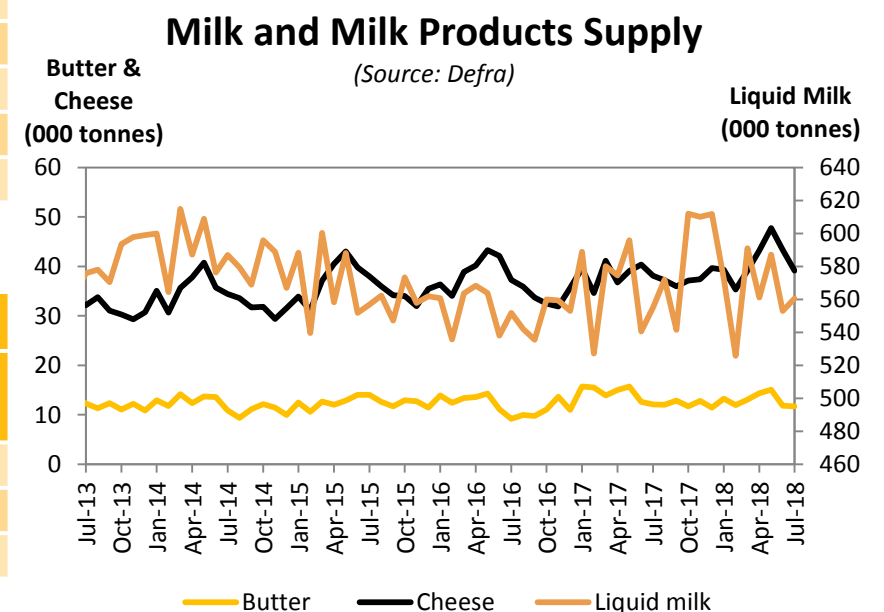
*Jul 18

Milk Supply and Production of Milk Products

000 tonnes	UK Production*	% change 3 months	% change 6 months	% change 12 months
Liquid Milk	560.5	-0.1%	-2.1%	+1.0%
Butter	11.7	-18.4%	-11.8%	-3.3%
Cheese	39.1	-9.5%	-0.5%	+2.7%

(Source: Defra)

*Jul 18



Demand Trends

- According to Kantar Worldpanel, the value of retail milk sales has risen 5% in the year ending 9 September. The rise resulted from higher milk prices in the period, with the average price of milk up 4.9% compared to the same time last year. The market is otherwise fairly static, with sales volumes flat. Household penetration remains high however, with 99.3% of households buying into the category in the last year. Skimmed and semi-skimmed milk have seen declines in volume of -1.6% while whole milk has grown by 1.1% causing the overall stability.
- Spend on cheese was up 3.7% in the year to 15 July, driven by a 0.5% increase in the volumes sold and an increase in the average price of cheese – the result of fewer promotions. The volume growth is purely driven by more buyers in the category. Cheddar sales, which account for 52% of total cheese sales by volume, were down by 0.5%. Extra mature and medium Cheddars gained sales while mature lost share. Hard and soft continentals both saw strong growth.

UK Wholesale Prices

£/tonne	Aug-18	Aug-17	% Change
Bulk cream	2,230	2,850	-22%
Butter (unsalted)	5,080	6,150	-17%
SMP	1,380	1,550	-11%

(Source: AHDB)

Industry Outlook

- In April it was reported that the GB dairy herd was 1.8% smaller (50,000 head) than the previous year. The dry weather we have experienced this summer may have compounded this with the total number of GB slaughtering's up 19% (YOY) in July - equivalent to 9,000 more cattle going to slaughter. These figures include both dairy and beef cattle however. While no significant change has been seen in production yet as a result of this, there is the potential that production may fall as we go into the winter if the milk price drops out of line with rising feed costs and farmers destock further. We can also expect a reduction in the pool of replacements available to the herd.
- The Global Dairy Trade (GDT) auction, an indicator of international dairy market sentiment, reported a fall of 1.7% at the 17 Sep auction, following an decrease of 3.6% at the previous event. Whole milk powder (WMP), which accounts for roughly half of product sold at the auction, fell by 2.2%. Skim milk powder (SMP), which accounts for around a quarter of the volumes sold, increased by 2.2%.

Horizon Scan

- Despite initial fears, many farmers have managed to maintain milk production levels through the hot, dry months but only by using winter silage stocks and increasing the amount of concentrates. The knock-on impact into the autumn and winter could be challenging. Low levels of winter feed will leave farmers with the choice of destocking, drying off early or buying in more feed.
- According to the latest data from Kingshay, the percentage of milk achieved from forage was down 7% in July (mom), which led to an increase in purchased feed costs of more than 1.3ppl. Previous modelling suggests there is a strong relationship between Milk to Feed Price Ratio (MFPR) and yields; a 10% increase in concentrate feed costs would be expected to lead to a 2-3% drop in milk yields. To maintain MFPR, milk prices need to rise by a similar amount to feed prices.
- Farmgate prices are currently stable at around 28-29ppl, with few announced changes. UK commodity prices for butter and cream fell in September, which marks a shift from recent trends. Farmgate prices may start to move down near the end of the year if this downward movement continues, following the typical 3 month lag. With farmers struggling against rising feed prices there are questions regarding whether milk prices will remain high enough to support the higher cost of feeding through the winter.