

Foreword

I am very pleased to see how industry and Government have worked together to produce the 'Leading the Way' Growth Plan. Real collaboration, shared interests, and common goals are the hallmarks of this Plan and it is good that progress is being made.

Food and drink is the UK's largest manufacturing sector, contributing £24.1 billion to Gross Value Added in 2012. It is vitally important for the UK in terms of economic growth and thriving businesses. The Government supports domestic food production and wants to see it increase. We are committed to championing a thriving, competitive British food and farming sector, driving sustainable growth in the wider rural economy. The dairy industry has tremendous opportunities to grow thanks to your well-deserved, world-wide reputation for quality.

The world needs to produce more food and demand for dairy produce is expected to grow by 2.5% per year. As a strong centre for livestock production, the UK can contribute to this global agenda and help to improve UK food security and growth. The UK is already one of the most efficient dairy producers in the EU. The domestic industry has a small carbon footprint compared with other major milk producing regions, and you are ideally placed to meet this challenge head on.

I would like to congratulate those people and organisations who have led the development of the Growth Plan to date. It is good to see that it is already attracting wide support. We all need to get behind this initiative and help to translate it into concrete action and results.



George Eustice

The Right Honourable George Eustice MP, Parliamentary Under – Secretary for Defra



The Plan

The British Dairy Industry Sustainable Growth Plan.

This plan is a shared aspiration for the future development of the British dairy industry. Companies, organisations and individuals who sign up to this plan endorse this aspiration and will work to make it happen.

The plan is designed to encourage a growing and vibrant industry, which is valued by society and enables people, the environment and business to thrive.

OUR STRATEGIC AIM IS TO 'ELIMINATE THE UK DAIRY TRADE DEFICIT VALUE BY 2025'

This plan is based on the three pillars of sustainability; Economic, Social and Environmental and the supporting principles.

Improve
Share

Principles
International
Markets
Supply
Strategy
Spirit
Trust



1. Economic

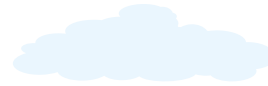
- Grow our share of domestic and international markets
- Improve our international competitiveness at all levels of the supply chain
- Harness the diversity that exists within the industry to exploit market opportunities
- Build supply chain relationships based on a spirit of trust, collaboration and partnership

2. Social

- Produce safe and nutritious food that is valued and trusted by the consumer
- Provide an attractive rewarding career for all
- Constantly improve standards of animal health and welfare
- Communicate a consistent and positive image of the British dairy industry and its products

3. Environmental

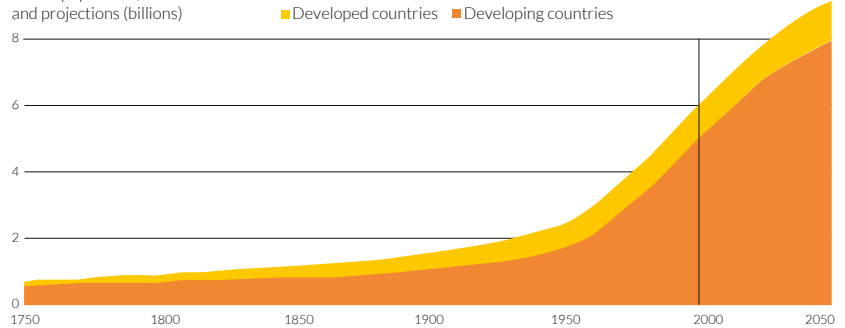
- Strive for the sustainable use of natural resources
- Minimise the industry's environmental footprint
- Protect and enhance biodiversity
- Protect and enhance the social and amenity value of our landscapes



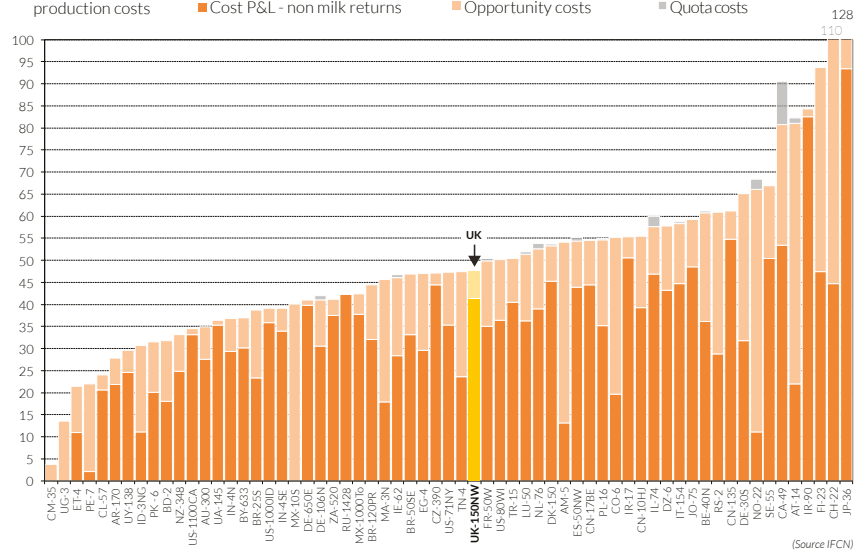
The Economic Context

All the global indicators point to a bright future for dairy production, because demand is growing now and going to continue to grow for some years to come. Population growth, increased wealth in developing nations and changing dietary habits all point to greater demand for dairy.

Global population, estimates and projections (billions)



Global milk production costs



(Source IFCN)



For the British dairy industry this represents a fantastic opportunity to grow and wipe out the trade deficit, by displacing imports and exporting where it makes business sense.

The British dairy industry is well placed to take advantage of this opportunity; it has fantastic natural resources, a well-established farm infrastructure and the makings of world class processing capacity.

Globally the dairy industry now operates as a single market place. The UK is cost competitive in this environment and sits in the middle of the global dairy industry cost curve.

To meet demand for dairy products, the global market will have to be at a level that incentivises efficient EU dairy farmers which means that efficient UK producers can expect to prosper in this environment. The industry can further continually improve competitiveness at farm level to improve the margins on farm which will encourage processors to invest in British milk fields.

The opportunity to eliminate the trade deficit can be quantified. It could be achieved by producing 4 billion extra litres of milk, through yield improvements and at least half a million more cows. The expectation is that this growth will be met by existing dairy herds growing and new entrants, alongside the necessary growth in processing capacity.



The leaders leading the way

The plan will be delivered through the endeavours of the enterprises operating in the dairy supply chain, from farm suppliers, dairy farmers, hauliers and processors, operating in conjunction with the efforts of a number of key industry organisations.

UK Dairy Processors

Billy Keane, Chairman of Dairy UK; Dairy UK members include major world class operators and a rich spectrum of niche players marketing specialist quality products. They are committed to the growth of the industry. Over the past five years capital expenditure by the



top five Dairy UK members has been in excess of £867m. This demonstrates confidence they have in the future of the industry.

Processors are pursuing diverse strategies that fully cover the spectrum of market opportunities available to the industry, ranging from increasing exports of food ingredients to import displacement through innovation in fresh dairy products. Collectively the plans of our members address many of the components of 'Leading the Way' that fall into the responsibility of the processing sector to deliver.



Key processor facts

- UK dairy processors employ 26,000 people (source: ONS Business survey)
- **51%** of raw milk in the UK goes to liquid milk and **27%** to cheese. **62%** of cheese manufactured is cheddar (source: Defra)

Dairy processors are committed to improving their sustainability through the Dairy Roadmap. Achievements include:

- **88%** of processing plants have an Environment Management System
- All top five processing companies have a Carbon Management Programme
- Reduction in waste to landfill by **73%** since 2006
- **15%** recycled material included in High Density Polyethylene milk bottles

UK Dairy Farmers

Meurig Raymond, President of the NFU: British dairy farmers are, and must continue to be, at the forefront of innovation, efficiency, animal welfare and high production standards in Europe and the world. This means the opportunities that lie ahead for British dairy farmers in the growing global market place are well within our members' reach. Over the past 10 years British farmers have worked to achieve an impressive national average yield improvement of 16%, while optimising animal welfare and have invested in making their business more sustainable.

Now is the time to seize the opportunities that lie ahead and the NFU is determined to give its members every opportunity to do so. Now is the time to 'Back British Farming' to underpin the growth and development of a strong and collaborative British dairy industry.

Key dairy farm facts

- The UK is the 9th biggest milk producer in the world and the 3rd largest in Europe
(Source IDF and EU)
- UK milk is produced from 1.8 million dairy cows by 14,000 dairy farmers. Herds typically have 125 cows with an average of 7,500 litres / cow to produce over 14 billion litres a year in the UK *(Source: DairyCo)*
- Since April 2012, there have been over 200 new dairy farms established in the UK *(source FSA)*

British dairy farmers are committed to environmental sustainability. Achievements include:

- **78%** use water efficiency measures
- **28.9%** utilise some form of renewable energy
- **73%** use nutrient management planning



The Farm Supply Industry

All the global indicators point to a bright future for dairy production, because demand is growing now and will continue to grow for some years to come. Global population growth, increased wealth in developing nations and changing dietary habits all point to greater demand for dairy products. For the British dairy industry this

represents a fantastic opportunity to grow – displacing imports and exporting where it makes business sense.

AIC supports any initiative that aims to increase the net worth of its members and their customers, in this case the UK livestock industry. With over 900 registered cattle advisers on the AIC Feed

Adviser Register the industry has the technical expertise to support best practice through the provision of quality feed advice, whilst reducing environmental emissions. Delivering on these are fundamental in supporting the required growth which is a major element of increasing productivity.



The Breed Societies

The cow underpins all the ambitions outlined in this document. Having the right cow to do the job required is a vital component in the equation of profitable and sustainable production. Breed Societies recognise their responsibility for promoting the responsible development of their breed and dairy cattle in general. The tools available continue to be developed and broadened to give breeders the best opportunity to produce cows that can do the work asked of them whilst remaining healthy.

Performance measurement is the key for future progress. It is clear that a good method for accurately measuring all the traits that matter to a modern dairy cow is vital for continuing success. In recent years the balance of the breeding indexes has changed to include more emphasis on traits that develop a robust cow likely to stay healthier and live longer in the herd. The goals of meeting market demands require the breeding of cows that include these traits at the same time as sustaining milk production efficiency and profitability.

In the UK we have a rich diversity of dairy genetics that means we can continue to develop cows for herds in a range of systems. We have at our disposal a fantastic range of tools and information which include over 30 traits measured by traditional quantitative genetics and

more recently through genomics (analysis of the DNA) as well as access to genetics from around the world. Our central task of recording and publishing pedigree is an essential element in the partnership that allows this knowledge to be generated.

The 'genetic package' that is a modern dairy cow is well placed to produce high quality food for people in an efficient and sustainable way with a low impact on the environment. British breeders are equipped and ready to meet the challenges of efficient production with cows of all round excellence!

Dairy Production
DNA Analysis
Dairy Genetics





Supporting the plan

In conjunction with major industry representative bodies, there are a number of industry organisations that have a key role to play in protecting and developing the industry supply chain to enable it to grow.



Assured Food Standards

David Gregory, Chairman of AFS: The Red Tractor scheme is key to differentiating UK dairy products from the competition. It conveys to British consumers that British dairy products are produced to benchmark standards of animal welfare, product safety and environmental standards. It is the means by which the industry's investment in higher operating standards can be distinguished in the market to the benefit of both the industry and consumer. We recognise the importance the integrity and robustness of the scheme will play in securing growth for the UK dairy sector.

Key consumer facts

Domestic consumption of dairy products in the UK is strong with high levels of product penetration.

KG PER PERSON PER ANNUM

(Source: Dairy UK)



Liquid milk
103.9



Cheese
13.4



Butter
3.2

% PEOPLE REGULARLY

(Source: Dairy Council)

- **98%** eat or drink dairy products
- **93%** consume fresh milk
- **90%** consume cheese

IN 2014 THE UK DAIRY INDUSTRY EXPORTED TO 135 DIFFERENT COUNTRIES AROUND THE WORLD

(Source: HMRC)

Standards
Healthy Diets
Confidence
Product Safety
Environmental Standards
Animal welfare
Industry
UK Dairy Sector
Supply Chain
Consumer
Growth

The Dairy Council

Sandy Wilkie, Chairman of the Dairy Council: The foundation of the industry is public confidence in the safety and wholesomeness of dairy products. This provides the strongest basis for industry growth. The trend of scientific understanding of the effects of dairy on human health is increasingly in the industry's favour. Dairy is constantly being challenged by substitute products and critical NGOs that draw on out of date science to pursue their own agenda. The Dairy Council will work to

communicate to key stakeholders to ensure they are brought up to date with the latest science and the position of dairy as a key component of healthy diets is maintained.

Key nutritional facts

- A glass of milk is a source of protein, calcium, potassium, phosphorus, iodine, vitamin B2, B5 and B12 (*Dairy Council*)
- Milk and dairy products contribute **36%** of calcium intake in the diets of UK adults (*NDNS data*)



The
Dairy Council



DairyCo

Duncan Pullar, DairyCo Chief Executive: DairyCo is fully in support of the growth plan. We clearly see our role in supporting the plan is to make sure our dairy farmers have the opportunity to be globally competitive. To achieve this we will support their needs for the best and most recent business and technical information and advice. Through our research and extension we aim to make access to the information needed as easy as possible. We understand that there are many different needs among the dairy farmers in Britain and we aim to have something to help all.

Our research shows that global dairy demand is an opportunity open to all British dairy farms. Our evidence shows that system and herd size are not predictors of profitability. Any system of any size, run well, can be profitable and sustainable. We want to grow the whole industry and see a role for small, medium and large herds.

We know that the global demand predicted for dairy products is robust and as a British dairy industry – farmers and processors – we need to seize the opportunity. We need to make the most of the undoubted natural advantages we have in our climate and skills base by looking for the opportunities to develop.

DairyCo



Supporting

Research

Advice

Information

Grow

Commercially

Climate

Profitable
Processors

Herds

Succeed

Globally Competitive

Opportunity



The Dairy Roadmap

Rob Harrison, Chairman of the Dairy Roadmap and Chairman NFU Dairy Board: The British dairy sector has consistently demonstrated its commitment to environmental sustainability and efficiency through the sectors exemplary performance against its targets in the Dairy Roadmap. I'm a dairy farmer and I know that my future relies on my business operating to world leading standards. Minimising the impact of

dairy production, while optimising output and quality is the basis upon which British dairy farmers succeed commercially and will be a strong foundation for international and domestic trade in the coming years. As chair of the Dairy Roadmap, I will be ensuring the targets remain challenging and relevant and I'm confident the British dairy sector will continue to excel in its performance against these sustainability measures and targets.



Supporting organisations

The following organisations share the belief that the UK dairy industry has the potential to grow to meet a target of closing the trade gap by value by 2025 and support the delivery of 'Leading the Way'.



The Dairy Council

Dairy UK

NFU Scotland

volac

cis
cattle information service

CDI
Centre for Dairy Information

holstein UK
holstein & british friesian

BURGES SALMON

NFU

TESCO

tfa
Tenant Farmers Association

DairyCo

LLOYDS BANK

promar International

brakes

DDD
DAIRY CREST DIRECT

defra
Department for Environment Food and Rural Affairs

Longley Farm

first milk

Carrs Billington

CLA

YOUR M&S FARMING FOR THE FUTURE

ASSURED FOOD STANDARDS

FUW
UNDEB AMAETHWYR CYMRU

Trident

aic
agricultural industries confederation

Genus ABS

RABDF
Working for British Dairy Farmers

glanbia
CHEESE

Laurence GOULD
PARTNERSHIP LTD

müller

NFU
CYMRU

Leading the way in detail

To deliver on the principles required by each pillar of sustainability, the plan details further activity in each area:

Economic

1. Grow our share of domestic and international markets

- a. Communicate investment opportunities in the dairy industry
- b. Increase output of milk at farm-gate
- c. Invest in productive capacity throughout the supply chain
- d. Support farmers and dairy companies in the pursuit of individual growth strategies
- e. Improve understanding of market opportunities and market function
- f. Develop products that exploit market opportunities

2. Improve our international competitiveness at all levels of the supply chain

- a. Evaluate the UK value chain in the context of global competition
- b. Support farmers and processor efforts to enhance the value chain

- c. Continually improve the efficiency of farming and processing
- d. Adopt mechanisms to disseminate best practice
- e. Identify, develop and adopt new technologies

3. Harness the diversity that exists within the industry to exploit market opportunities

- a. Maximise the consumer value of different dairy products and production systems
- b. Capture the value of emerging consumer trends
- c. Enable farmers to optimise production models to match natural resources and market opportunities
- d. Manage seasonality to the benefit of processors and farmers to optimise value
- e. Adapt business models to operating environment and market opportunities

4. Build supply chain relationships based on a spirit of trust, collaboration and partnership

- a. Transparent and clear contractual relationships in the supply chain (certainty of terms)
- b. Facilitate opportunities for farmer collaboration to enhance their value in the supply chain

- c. Enable farmers to optimise the financial return from milk supply contracts and meet the needs of customers
- d. Encourage constructive dialogue in the supply chain

Social

5. Produce safe and nutritious food that is valued and trusted by the consumer

- a. Invest in understanding consumer trends
- b. Collate, interpret and invest in comprehensive information and data on the nutritional value and impact of dairy on peoples diets
- c. Promote to the consumer the benefits and value of British dairy products
- d. Develop practices on farm and in processing that enhance food safety and product quality

6. Provide an attractive rewarding career for all

- a. Promote the industry as a positive and rewarding career opportunity
- b. Create opportunities through succession and new entrants pathways
- c. Facilitate personal professional development
- d. Ensure safe working conditions

7. Constantly improve standards of animal health and welfare

- a. Maintain and adhere to the Red Tractor standards
- b. Enhance awareness of and access to systems and protocols that improve animal health and welfare
- c. Encourage investment at farm level that improves animal health and welfare
- d. Breed more robust cows suitable for current and future production systems

8. Communicate a consistent and positive image of the British dairy industry and its products

- a. Communicate the high standards to which the dairy industry operates
- b. Communicate the importance to the economy of the dairy industry
- c. Communicate the importance of dairy products in a healthy balanced diet
- d. Harmonise messages to achieve consistency of communication
- e. Actively engage society in the development of the dairy industry

Environmental

9. Strive for the sustainable use of natural resources

- a. Encourage the sustainable management of soils
- b. Invest in the use of renewable energy sources
- c. Optimise water use efficiency

10. Minimise the industry's environment footprint

- a. Quantify the dairy industry's environmental footprint
- b. Implement processes that minimise its environmental footprint per unit of output
- c. Set challenging targets for improving environmental performance under the dairy roadmap

11. Protect and enhance biodiversity

- a. Use land sharing and land sparing techniques to protect and improve habitat on dairy farms and dairy processing sites
- b. Implement environmental stewardship measures on farm
- c. Processor biodiversity strategies
- d. Strive to optimise the use of sustainable feeds such as RTRS/RSPO Soya and Palm

12. Protect and enhance the social and amenity value of our landscapes

- a. Acknowledge the industry's role in maintaining and protecting rural landscapes
- b. Encourage engagement with the community, to achieve safe enjoyment of rural landscapes

All aspects of this strategy, its inception, development and implementation will be with close regard for and in compliance of all aspects of UK and European competition law.

The 'Leading the Way' Growth Plan has been overseen by a steering group which represents the dairy supply chain. Please contact them for more information or your ideas.

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