

Date: 27th July 2015

Dear SALUT

As your President and Chair of your Dairy Board, and as dairy farmers ourselves, we want to assure you that we are acutely aware of the extreme difficulties being faced by dairy farmers. We know all too well the frustration and anger that is being felt amongst colleagues as we all continue to work so hard for so little return. And, with little immediate prospect of improvement, we know how painful the coming autumn and winter is shaping up to be.

Much energy is being wasted finding who to blame for the current crisis but, as your elected leaders, we believe you want solutions not scapegoats and we are both committed to doing all we can and to call on the wide ranging resources of the organisation to help NFU members. This is why we are also working with Farmers For Action, TFA and other industry bodies to push this critical position to government, banks, retailers, processors and the wider public.

We find ourselves in almost a perfect storm; we have a worldwide oversupply of the dairy market, demand is growing much more slowly than forecast and farmers across the world have increased production. But when we talk about the problems being caused by the world market situation that does not mean there is nothing we can do. These problems are being exacerbated by other influences in the UK, which we can tackle. A key challenge is to ensure that government, retailers, processors and the public understand that current milk returns are unsustainable.

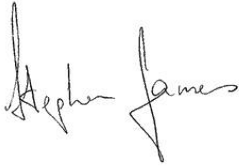
It is not our role at NFU Cymru to tell you how to run your own business, but we do aim to address the problems that stand in the way of you operating a profitable, sustainable business. The National Board, NFU Cymru Dairy Board, the NFU dairy team and NFU / NFU Cymru officeholders are committed to working in a number of areas which we set out in the attachment.

The challenges that the dairy market face means that there is no easy solution to the current crisis. However, by working together we will make a difference ready to take advantage of the future opportunities. As President and National Dairy Board Chairman we will continue to meet with the European Commission, Government, retailers, processors and others in the supply chain to challenge them to stand up and play their part in securing the future of the dairy sector.

As an NFU member you can find out more about what we are doing by visiting the dairy pages on NFU-Cymru.org.uk or NFU online or get involved through your local branch, county or regional board meetings. You can also help us get the message across by inviting your AM, MP or MEP onto farm over the summer recess.

We are committed to building a stronger more resilient dairy industry from this crisis and we are determined to do all that we can to support our fellow dairy farmer members through this difficult period.

Yours sincerely

A handwritten signature in black ink that reads "Stephen James". The signature is written in a cursive style with a large initial 'S' and 'J'.

Stephen James
NFU Cymru President

A handwritten signature in black ink that reads "Aled Jones". The signature is written in a cursive style with a large initial 'A' and 'J'.

Aled Jones
Chairman NFU Cymru Dairy Board

Dairy Crisis Actions

- Giving consumers what they want: UK farmers have shopper support, as has been seen during recent media interest. It is totally unacceptable that retailers and others continue to make it difficult for consumers to make informed decisions on the provenance of dairy produce. We are challenging retailers and other end users to make it easier for the consumer to choose British through clear labelling, greater use of the Red Tractor logo and increasing the level of British dairy products on shelf.
- Increasing bargaining power in the supply chain: anyone supplying a private dairy or PLC should look to have some sort of formal representation, ideally through a producer organisation. This will allow transparency and proper negotiation between farmers and their milk buyer.
- We are only 81% self-sufficient in dairy products and for far too long our processors have been too focused on our domestic market, particularly milk and cheese. As a result, we have lacked investment in our processing capacity, particularly when it comes to dairy products that can take us further into export markets. NFU Cymru is pushing for more manufacturing capacity in South Wales where milk is in surplus and when there is global demand for innovative new dairy products.
- Risk management tools: NFU Cymru wants all dairy farmers to have the option to manage risk – be that with inputs or outputs. There needs to be more use of buying forward options and also selling forward. We're calling on UK milk buyers to offer options to farmers to access fixed price, fixed term contracts like in Ireland, or a guaranteed milk price for a certain volume of milk, as Fonterra offers in New Zealand.
- In coming weeks NFU Cymru will be exposing bad practice in the supply chain. It is wholly unacceptable for all the risk to be passed down the supply chain to the farmer as the primary producer. For example, it is bad enough that A&B contracts pass all the risk in this way, but it is scandalous for a buyer to then unilaterally alter the volumes involved. We are pushing hard to redress the balance, not least by ending the situation where farmers cannot choose where to sell their B volume. We'll need your help, as a dairy farmer, in addressing this and other supply chain issues. Let your county Chairman or the NFU Cymru team know if there's something you want us to pick up.
- Helping AHDB Dairy deliver for farmers: We want to see as many dairy farmers as possible utilising AHDB Dairy resources. Use its current initiatives to help improve business efficiency and resilience, but also let us know where you'd like to see change.
- Through our Brussels office and our chairmanship of the COPA dairy working group, we are pushing the European Commission to raise the intervention price to a level where it can underpin the market as it is supposed to.