

Dairy Dashboard – June 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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- **Next issue** of this report will be available:
3 September 2018

Dairy Dashboard

Key Market Indicators



Trends in UK Milk Prices

ppl	Current Price	% change 3 months	% change 6 months	% change 12 months
AMPE* (ppl)	33.10	+23.1%	+13.1%	+6.7%
MCVE* (ppl)	32.30	+3.3%	-7.3%	-2.9%
UK farmgate price (ppl)**	27.43	-9.6%	-13.8%	+1.9%

(Source: AHDB Dairy, Defra)

AMPE & MCVE May 18, UK farmgate price Apr 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)*	29.31	-9.3%	-14.8%	+1.2%
Fonterra auctions (£/t)**	2,637	+2.7%	+14.8%	+5.2%
World wholesale butter (£/t)***	4,437	+18.3%	+6.1%	+13.0%

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

*EU price, Apr 18

**Fonterra auctions all products price, May 18

***World Wholesale butter, May 18

Trends in Input Costs

Index 2010=100	Current UK Price*	% change 3 months	% change 6 months	% change 12 months
Feed wheat	124.7	+1.8%	+4.1%	+1.3%
Feed barley	132.1	+4.0%	+9.3%	+7.8%
Soyabean meal	97.8	-6.0%	-6.3%	-16.3%
Fertiliser	98.3	+0.1%	+3.4%	+9.5%
Fuel	100.4	-0.7%	+3.4%	+0.9%

(Source: Defra API)

*Mar 18

Milk Supply and Production of Milk Products

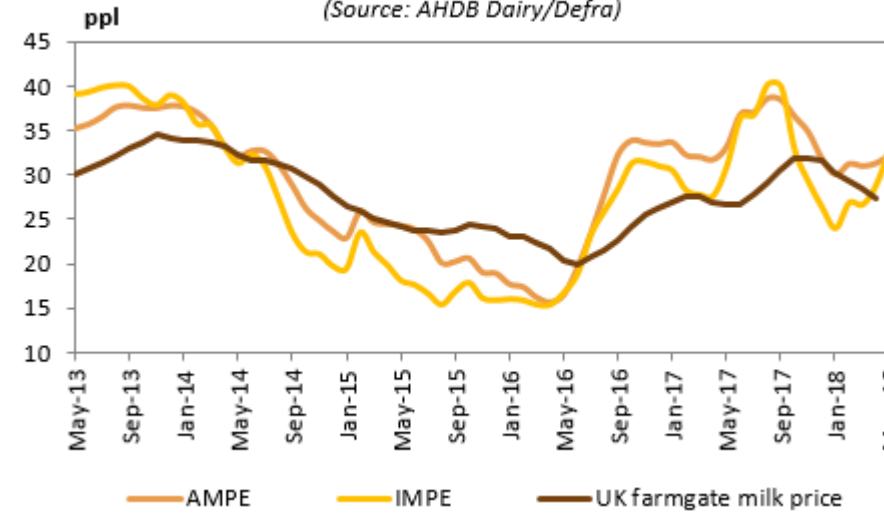
000 tonnes	UK Production*	% change 3 months	% change 6 months	% change 12 months
Liquid Milk	581.8	+1.3%	-4.5%	+1.5%
Butter	12.8	+7.3%	+21.8%	-2.8%
Cheese	43.5	+9.7%	+16.5%	+17.5%

(Source: Defra)

*Apr 18

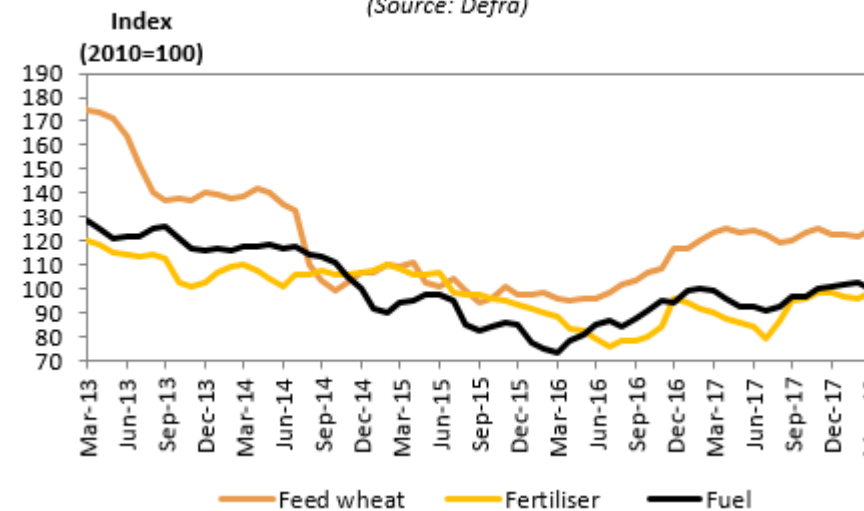
UK Milk Prices

(Source: AHDB Dairy/Defra)



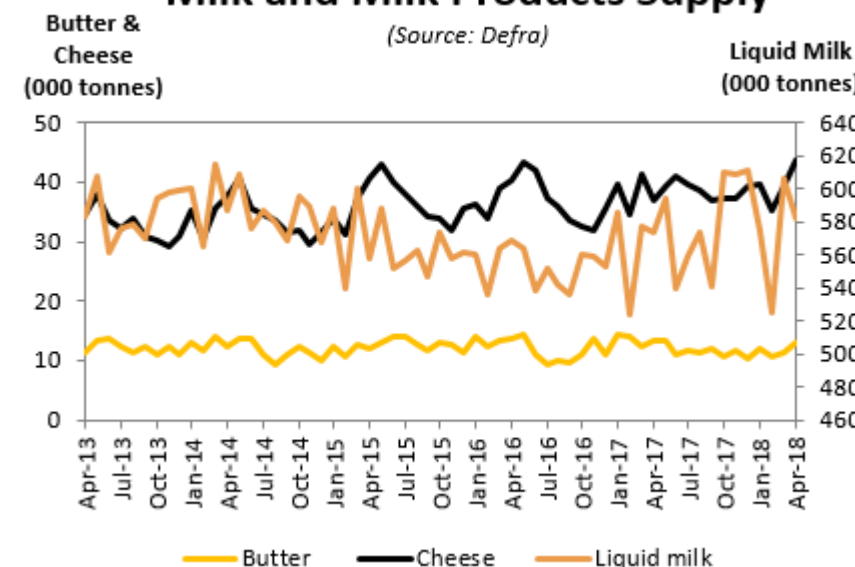
Inputs Watch

(Source: Defra)



Milk and Milk Products Supply

(Source: Defra)



Demand Trends

- Shopper spend on milk has been rising due to higher prices, with expenditure up almost 5% in the 12 weeks to 25 March 2018 on the same period a year ago according to Kantar Worldpanel. The amount bought was marginally down and so value growth was due to an increase in retail prices of 5.6%. The growth rate in sales of whole milk has slowed but the trend is still of volume growth albeit now at just under 0.5% year-on-year for the quarter.
- Total expenditure on cheese was up just over 6% in the 12-week to 31 December 2017, driven mainly by an increase in retail prices. Cheddar, which is the biggest sector by far, accounted for almost a half of all expenditure on cheese and saw volume sales increase almost 2% led by extra mature where sales were up over 6% year-on-year.

UK Wholesale Prices

£/tonne	May-18	May-17	% Change
Bulk cream	2,350	1,960	+20%
Butter (unsalted)	5,180	4,300	+20%
SMP	1,320	1,550	-15%

(Source: AHDB)

Industry Outlook

- Dairy wholesale markets continued to rise in May, despite production also peaking in what has been a much-restrained spring flush. Healthy demand and most processors operating close to maximum capacity, drove strong prices according to AHDB dairy, which reported increases for all four of the main traded commodities. Trade and prices of bulk cream grew consistently through May, finishing the month 13% higher at £2,350/t – an increase of £400/t on the same period last year. Butter saw a similar rise of 11%, averaging £5,180/t helped by a strong demand for cream and subsequent cream price increases. A welcome change was seen in the skim milk powder price, which shot up 14% on the month to an average of £1,320/t, but still remained 15% down on its level in May 2017.
- The latest Global Dairy Trade (GDT) auction, an indicator of international dairy market sentiment reported a fall of 1.3% in early June, following an increase of 1.9% at the previous event. Whole milk powder (WMP) which accounts for roughly half of product sold at the auction fell by 1.1%, with skim milk powder (SMP) which accounts for around a quarter increased by 0.3%.

Horizon Scan

- With dry weather continuing to be the norm, we're seeing milk prices continue to increase. Many milk buyers are concerned by the volume of Autumn supply and hence are recruiting new suppliers. Added to that the continued dry weather is impacting on harvest yields which will have a knock on effect on cost and availability of animal feed and bedding this autumn and winter.
- An increasing number of milk buyers and retailers are offering fixed price; fixed term; fixed volume contracts to their suppliers. This is driven by customer concern of escalating milk prices but will offer farmers some security of price going forward.
- The population of the GB dairy herd was 1.8% lower (50,000 head) as of April 2018 compared to the same year before. The drop has in part been driven by a continual move away from dairy inseminations in favour for beef. As a result, there is a significant reduction in the pool of replacements available to go into the herd. This alongside the poor weather we experienced at the start of 2018 is expected to continue to impact on milk production over the coming year.
- Going forward Government plans for tackling air quality could have a detrimental effect on the dairy sector with strict limits on nitrogen use and standards for dairy buildings etc. In other EU countries this has led to a decrease in size of the national dairy herd.