PRESS INFORMATION from

The Dairy Group

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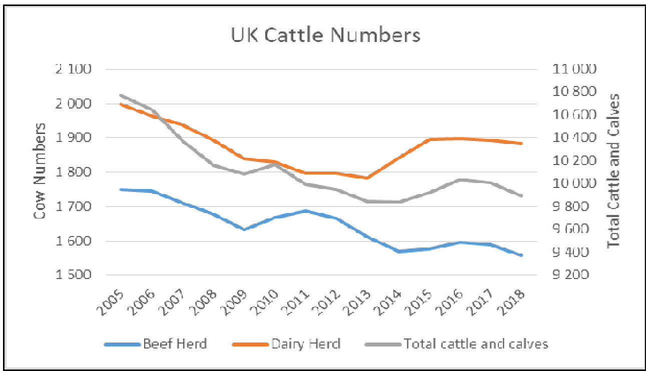
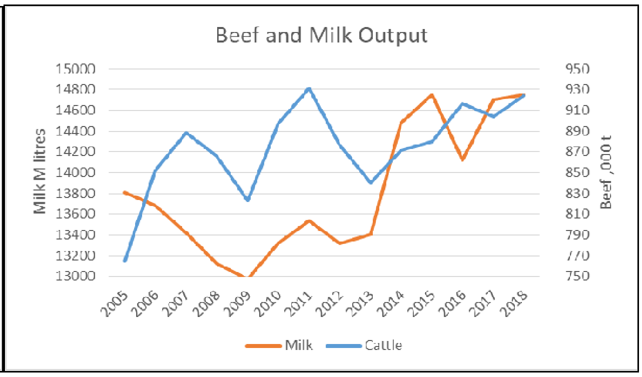
The Market Price Equivalent (MPE) Update November 2019

***By Nick Holt-Martyn,* The Dairy Group**

Climate Change Scapegoating of Livestock Industries Continues

“The climate change attacks on the beleaguered livestock industry have continued with the latest BBC documentary highlighting what a good job the EU does in protecting consumers from US and Brazilian meat. Unfortunately that point was missed along with the risks of Brexit while tarring UK systems with same distasteful practices” says Nick Holt-Martyn of The Dairy Group. He goes on to say “with fossil fuel consumption rising by 3% per annum and CO2 emissions by 2% it is a convenient distraction to heap so much attention on methane from ruminant livestock instead of the underlying cause of climate change ~ the burning of fossil fuels. The reality is that adding carbon to the carbon pool, as indicated by rising CO2 levels, is the culprit not livestock industries that move carbon around the pool in the form of methane. Until burning fossil fuels is reversed climate change will not be stopped even if veganism became the dominant dietary choice!





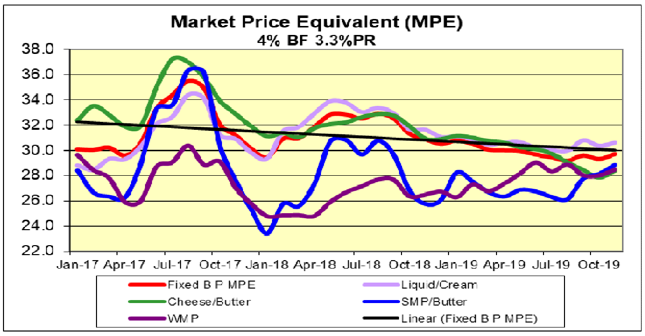
Source: The Dairy Group and Defra

The graphs above shows that despite the decline in the beef and dairy herds beef and milk output has risen over the last 15 years. Fewer cattle means fewer emissions, rising output means fewer emissions, taken together the emissions per unit of output has fallen considerably in that period. Far from exacerbating the climate change problem as the consumption of fossil fuels has done, livestock production has actually reduced its climate change footprint and is continuing to do so. An industry to be championed not vilified!

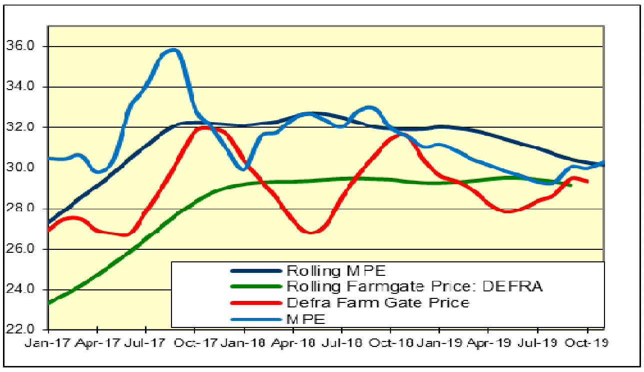
All this makes the decline in red meat and milk consumption more concerning, especially as it is encouraged by both the British and Irish governments for health and climate change reasons. The 1-2% decline in beef and lamb and the sudden downturn in liquid milk suggests the constant barrage by the media against livestock is having an effect on consumer demand for products with a detrimental effect on beef and milk prices.

All this at a time global supply is subdued and markets are firm to rising which has so far failed to impact on the UK Market. The only brightness is the welcome 10% decline in feed costs at a time when margins are under pressure. The milk price indicators are moving up with SMP and whey both rising suggesting good demand for milk proteins in 2020, which should see milk prices rising next year.

Market Prices



The Market Price Equivalent (MPE) rose 0.39 to 29.7 ppl (+1.3%). MPE is down 0.2ppl (-0.8%) in the last 6 months and down 1.2ppl (3.8%) year on year. SMP rises 4.2% to £2130, Butter was up 1.3% and Cream up 3.9% despite butterfat supply rising 5%. The range across the sectors stays at 2.2 ppl from Liquid /Cream returns to Cheese/Butter with powder returns continuing to exceed cheese/butter returns. The GDT price equivalent has risen to 28.5 ppl, due to rising powder prices. The UK SMP price has widened to £204/t below the GDT auction but is £672/t above Intervention. Global supply growth has risen to 0.7% in August and is expected to remain above +0.5% through the winter.



Farm Gate Prices

The October 2019 farm gate price has slipped by 0.12 ppl to 29.3 ppl, up 1.1ppl (4%) in the last 6 months, down 2.09ppl (-6.7%) in the last year. The rolling Farm Gate price drifts lower to 29.1ppl but continues to remain above 29ppl suggesting the milk price norms of 26-32ppl and a rolling average of 29-30ppl. The graph shows the relationship between the farm gate price and market returns over the last 2 years and the strong seasonal element in April-June and October due to milk quality and seasonality. The graph suggests while the spring trough was higher the autumn peak has been 2ppl lower than 2018.

Production in September was confirmed at 1157 M litres (+3 M litres) and October was 1193 M litres (-7 M litres). UK weather has remained wet and now tuned colder. November production is estimated at -0.07% at 1173 M litres -1 M litres) and December is forecast at 1230 M litres (-10 M litres). UK 2019/20 supply forecast remains at 14970 M litres, +0.7%, +96 M litres.

Sterling has stabilised at £/€1.17 and £/$1.29 through November. Milk prices have stabilised raising hopes of rises in 2020. With feed costs falling the cost of production might improve on the 33.5ppl in 2018/19, but will remain significantly above milk prices."

- Ends -

<u>For further information please contact:</u>

- **Nick Holt-Martyn,** The Dairy Group (01823 444488/e-mail: nick.holt-martyn@thedairygroup.co.uk)
- **Visit www.thedairygroup.co.uk**
- The MPE is calculated from the weighted actual wholesale prices for liquid milk, cheese, butter and powders after the normal processing costs. The MPE accounts for 90% of the United Kingdom market utilisation of milk. AMPE (Actual Milk Price Equivalent) also only accounts for 14% of United Kingdom milk production. The MPE provides a far superior indicator of the wholesale value of milk and therefore the likely market returns available to the dairy farmer.