PRESS INFORMATION from

The Dairy Group

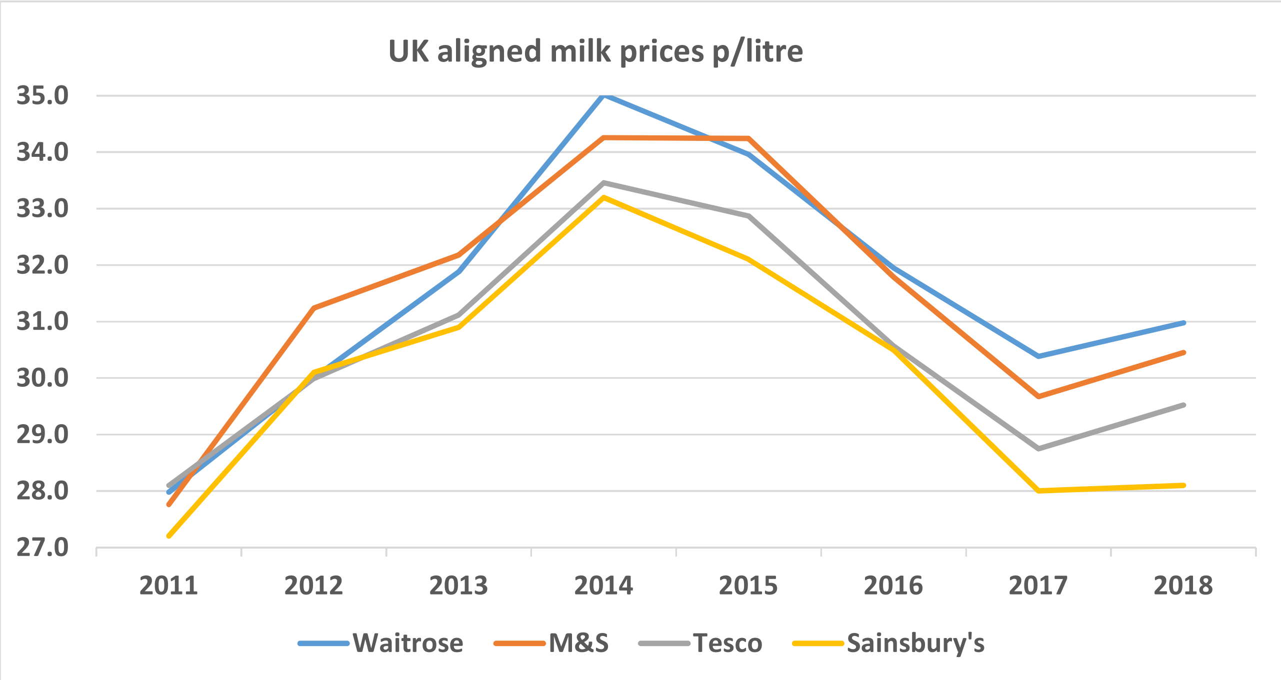
31st August 2018

Why are Sainsbury's suppliers receiving 2.3ppl less?

***By Ian Powell,* The Dairy Group**

"There is an increasing divergence in the aligned milk price with Sainsbury's suppliers now receiving 2.3ppl less than the average of the other 3 aligned prices (Waitrose, M&S & Tesco) which have run concurrently since 2011." says Ian Powell, Director of The Dairy Group. He goes on to say "our analysis is based on the 12 month rolling data to May 2018 from milkprices.com based on their standard litre, which is summarised in Table 1 and the graph below.

Table 1 (12 month rolling May)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Waitrose	28.0	30.0	31.9	35.0	34.0	32.0	30.4	31.0
M&S	27.8	31.2	32.2	34.3	34.2	31.8	29.7	30.5
Tesco	28.1	30.0	31.1	33.5	32.9	30.6	28.8	29.5
Sainsbury's	27.2	30.1	30.9	33.2	32.1	30.5	28.0	28.1
Average excluding Sainsbury's	**27.9**	**30.4**	**31.7**	**34.2**	**33.7**	**31.4**	**29.6**	**30.3**
Sainsbury's v average	**-0.7**	**-0.3**	**-0.8**	**-1.0**	**-1.6**	**-0.9**	**-1.6**	**-2.2**



The data shows that in May 2011 the aligned milk prices were fairly close with each other, but over the following 7 years the Sainsbury's milk price has fallen away from the average of the other three aligned prices and by May 2018 the rolling milk price was 2.3ppl below the average of the other 3. The UK average rolling milk price to May 2018 was 29.3ppl, so the Sainsbury's price is now 1.2ppl below the UK average milk price. One can only speculate why the Sainsbury's price has dropped relative to the other aligned prices over this 7 year period. It could be that the Sainsbury's farmers have become increasingly efficient over this period and can therefore accept a lower price? Or perhaps it has something to do with the SDDG Cost Tracker which uses 'Net cost of production', where all non milk revenue (BPS, Stewardship & stock sales) are deducted from the cost of production. Of course, BPS, Stewardship and stock sales have nothing to do with costs and the calculation actually ensures that the ‘net cost’ is below the cost of production. Using the ‘net cost’ approach means that if a farmer is successful in gaining income from a Stewardship scheme this would be deducted from the cost of production; and if a farmer spent more using sexed semen to increase calf value then this extra income would be deducted from the cost of production; and if the Sterling exchange rate with the Euro decreases resulting in a higher BPS payment this would also be deducted from the cost of production. This fudging of what cost of production actually means is at best misleading and at worst will result in farmers being paid below the actual cost of production. We calculate the latest average cost of production to March 2018 to be 30.5ppl. With the late spring and summer drought we would expect the cost of production to increase to around 33ppl in the year to March 2019, due to the higher cost of feed and reduced forage stocks. It is hard to understand how an aligned milk price of 28.1ppl, which is currently 1.2ppl below the UK average milk price is a fair reward for the high production and welfare standards required.”

- Ends -

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

- **Ian Powell,** The Dairy Group (01823 444488/e-mail: ian.powell@thedairygroup.co.uk)
- **Visit www.thedairygroup.co.uk**