

Covid-19 Update – Milk Markets

Information correct as at 17:00pm on 06.04.2020

- Prepare to have emergency A and B quotas for your milk to stabilise the UK market.
- The market needs to reduce output in the short term by 3-5% which could set the B quota.
- B litres could be worth 0-5ppl so prepare plans to utilise milk at home on the farm – see our separate note.
- The above actions are intended to stabilise markets and not panic suppliers since the return of more normal demand, especially as we approach the autumn trough, means we do not want to jeopardise longer-term milk supply for UK consumers.
- If you are a supplier selling to a distressed business, you may not have milk collected so contact your bank and creditors and do some emergency planning. This could involve ceasing production for a period until opportunities re-emerge to sell into a more integrated supply chain.

Our estimates indicate an annualised surplus of 500M litres or around 1.4M litres per day with the disruption of the UK liquid market linked to the hospitality and service sectors. With a spring flush of an additional 3M litres per day then we have an unsustainable situation where surplus milk cannot be processed.

This has caused a collapse in the spot market making spot milk virtually valueless. As we approach peak milk in the next 4-5 weeks the situation will get worse. Milk processors are working hard to find solutions and reductions in supply will help stabilise the markets, hence the likely introduction of emergency A and B quotas for many processors.

Unions and Dairy UK are seeking government assistance to support suppliers who are seriously affected by not having their milk collected.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225