

# Covid-19 Update – Dairy Industry Situation and Milk Markets



Information correct as at 10:00 am on 24.04.2020

- Spot markets have improved this week
- EU announces PSA scheme
- Dairy commodity prices down by 30% since January
- Arla announce a 0.9ppl milk price reduction for May
- Need to factor the impact of this and further price uncertainty into business plans for the next 12 months.

## Milk Market Situation

The spot price of milk has recovered further to 15-20ppl this week

UK Milk supply now running 2-3% down year on year helped by the milk reduction policies of some processors and negative market sentiment which is helping the recovery in spot markets. Despite the market showing signs of stabilisation, the value of dairy commodities has still fallen 30% from Jan 2020 levels as food service and related sectors remain closed in the UK and much of the developed world and are likely to remain so for the foreseeable future.

Arla's price announcement reflects the fall in value of cream and dairy commodities and reduced demand across their global sales. The moderate price move from Arla is positive in maintaining market morale and positivity. The UK liquid and cheese retail markets are holding strong and this is a positive business contribution, but the collapse of cream price still hits liquid returns.

The EU has announced market support via PSA on butter, SMP and cheese, but at lower rates to previous years. These are unlikely to excite too many processors, least of all in the UK, but may do something to support markets in the short to medium term. They will, however, also delay the upturn later in the year, with stocks hanging over the market. They will do nothing to help farmers in immediate crisis situations.

## Impact for Clients

The market indications are still uncertain to bearish for next 6 months and milk processors will react according to the markets they supply. Further price adjustments need to be factored into business forecasts depending on your milk buyer

The cashflow hit to businesses may not impact until July-September and current feed prices indicate rising costs over the year too.

Clients must take time to review their business position with their consultant. Many businesses will need finance to keep the business operating properly so discuss finance options with your consultant and then make a plan with your bank manager.

Government CBILs loans could be key source of finance to sustain your business with no costs or interest to pay in first 12 months. (See CBILs info note released by Kite on 17th April)

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