The Marketplace
October 2017
Lizzie Bonsall

A HEADY COCKTAIL OF INFLUENCES AT PLAY IN THE UK & INTERNATIONAL DAIRY SECTOR...

Lizzie Bonsall, Promar International.

GLOBAL MARKET

Since the start of the year, the global dairy market has found itself increasingly in the spotlight.

Between August 2016 and August 2017, the Food and Agriculture Organisation (FAO) Food Price Index, which tracks on a monthly basis the change in the prices of key international food commodities, increased by 10.6 points to 176.6. In comparison, during the same period, the dairy index has increased by 65.1 points, to 219.7. Whilst these increases seem significant, it is important to note that the current level is still not at the high it was at in 2014.

WHOLESALE

Dairy fats have been the key driver behind the increasing price momentum within the international dairy industry.

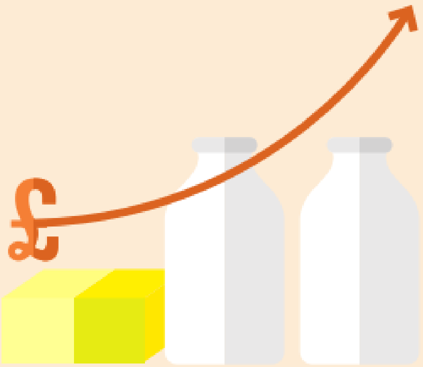
Since April 2016, the UK wholesale price of butter has increased dramatically from £1,850 per tonne to a current level of £6,150 per tonne. At an EU level, wholesale prices for Whole Milk Powder (WMP) have increased over the last 12 months from €2,314 to €3,076 per tonne, with butter nearly doubling from €3,266 to €6,016 per tonne. These changes have also been replicated at a wider level through the Global Dairy Trade Auction.

Whilst the price of dairy fats has been increasing, the price of Skimmed Milk Powder (SMP) has only been kept up by the EU's intervention scheme. Since June 2015, some 383,000 tonnes of SMP have been placed into intervention, with only 140 tonnes being sold this year. These SMP stocks are a result of more milk increasingly going for the production of butter and cream, so producing SMP as a by-product. However, the EU probably cannot carry on putting SMP into intervention, with the expectation of it being diverted to the animal feed sector becoming increasingly likely.

Whilst the relatively low SMP price acts as some form of restraining factor for the overall dairy market price, butter and WMP prices are looking likely to continue increasing until at least the end of the year. Year to date, milk production in the UK is currently at 8.53 billion litres and compared against the same time in 2016, this is down by around 50 million litres, from 8.58 billion litres. Since April 2017, while milk production in the UK has been up against 2016, these more recent gains have not been enough to offset the previous significant drops in production. The previous drop in raw milk production

had been driven by farmers cutting costs due to poor market returns. The reduced raw milk output caused a subsequent fall in dairy product stock levels, during the first quarters of 2017 and in 2016.

However, the rise in wholesale prices hasn't just been a result of a lag in production, as it is now ahead of where it was last year. The increase has also been driven by demand for butter remaining buoyant in the emerging markets of Asia and other parts of the world, as well as changing consumer requirements in the more mature markets, such as the UK and USA. Whilst previously consumers had been advised by health officials to avoid eating fat, and especially dairy fat, due to the increased risk it can present in terms of coronary heart disease, there is now scientific evidence that suggests this is not the case. Consumers are being encouraged to eat butter (albeit in restrained quantities), rather than margarine, due to the extra vitamins and "good" saturated fat that it



THE MARKETS FOR DAIRY PRODUCTS ARE CURRENTLY GOING THROUGH TURBULENT TIMES, WITH PRICES FOR SOME COMMODITIES ROCKETING. TO SHED SOME LIGHT AND INSIGHT INTO THE CAUSES AND POTENTIAL CONSEQUENCES, WE HAVE INVITED LIZZIE BONSALL OF PROMAR INTERNATIONAL, TO SHARE HER VIEWS FOR THIS EDITION OF *THE MARKETPLACE.*

contains. These trends have caused demand for butter from the food processing sector to increase in the last 12 months.

As well as the increase in the demand for dairy fats, other dairy products such as yogurt continue to grow in popularity. Demand is particularly strong in Europe and North America, and as such, export stocks of dairy products from these countries have become much lower, a result of strong domestic demand. There is also the potential for butter prices to further increase, as dairy stocks in China reduce due to less favourable production conditions for domestic producers, and lower stocks of added value dairy products.

FARMGATE PRICES

At a UK farm gate level, the impact of the increasing wholesale prices for processed products has been filtering down through the supply chain during the past year.

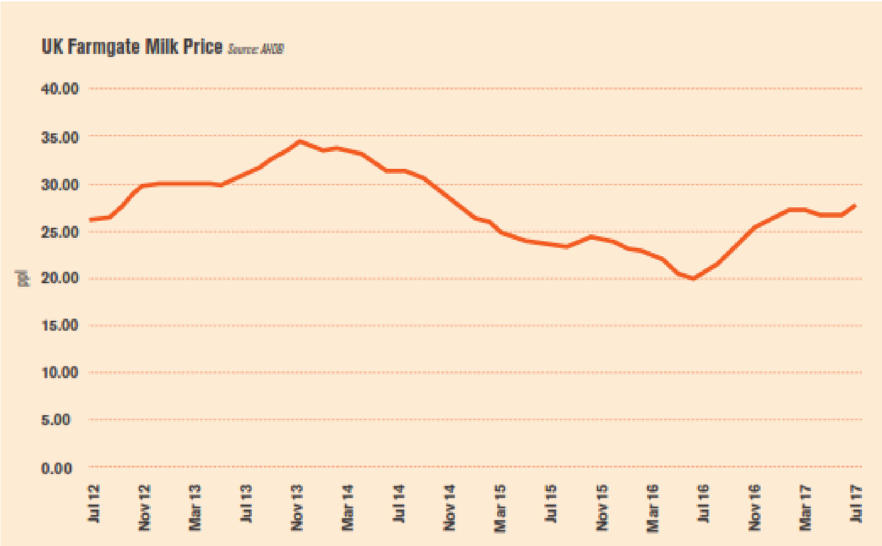
During this time, the average milk price received by farmers in the UK has increased by 6.99 ppl, rising to 27.78 ppl, an uplift of 34 percent. These recent price increases are boosting the confidence of many producers, with many taking advantage of these positive market returns.

At the start of the year, the increase in wholesale prices was something only noticed by those involved in the industry, however, the impact is now being passed on to the consumer. For example, UK dairy processor, Dairy Crest, has reported that they have removed price promotions on their *Country Life* butter products.

The only certainty for the future of the dairy market is that it will become increasingly volatile, with peaks and troughs in production, not least fuelled by macro economic and social factors (GDP growth, population demographics, exchange rates etc.) and then weather conditions in the key producing areas of the world such as the EU, the US, Oceania and Latin America.

Demand in Asia looks set to continue being a key influence on international dairy markets, along with changing consumer habits playing a further part. Some farmers and processors, particularly in export centric countries, might look to counter this volatility by using more modern systems of price setting, such as the use of futures contracts which are commonly used in other areas of agriculture and food.

All this produces a somewhat heady cocktail of factors driving UK and international dairy markets. Often the price rises seen for products such as butter cannot be attributed to one single factor, but a combination of events.



WHAT'S NEXT

The recent rise in dairy prices will trigger increased milk production in the autumn period in the Northern Hemisphere, but history shows that this will then eventually cause milk prices to come back down, which will then see production to fall again.

The cycles of volatility are not just found in the dairy sector. The pork sector is also subject to the same sort of patterns, but often on even a shorter time basis. Farmers, processors and others in the supply chain will need to spend more time trying to understand what is happening at a global level and plan ahead.

Some of what is happening in the UK is driven by local market conditions, but increasingly by what happens in other parts of the world is also highly influential, be it in the US, New Zealand or China. Making sense of all the nuances of what is going on in these and other areas and how this impacts on the UK is a big challenge. Businesses need to make sure they are well informed and up to date with key developments around the world and then be able to interpret what this means for them and not least their customers.

EGGS

The price of eggs in the UK has remained relatively stable during the past year, after falling around 10 percent at farm gate level towards the end of 2016.

Despite a recent decline, compared year-on-year, the current wholesale price is actually up by 20 percent. Mid to long term, it remains to be seen what impact the recent infected egg scandal from the Netherlands will have on the UK market. The UK consumes some 12.6 billion eggs per annum, with a per capita consumption of 193 per head, but we still import over 2 billion eggs which makes us only 85 percent self-sufficient. As supermarkets dominate the sale of eggs, much of the UK production is carried out on a contract basis. However, the industry is still under the same pressures as many others in the agri-food sector, including the uncertainty over BREXIT and volatile feed costs, the average price of which has increased by around 12 percent over the past 12 months.

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AHDB Beef & Lamb
October 2017
Andrew Suddes

GENETIC DATA IS THE KEY TO EFFICIENT SELECTION

Tuesday, September 12th, 2017

Grasping the opportunities offered by superior quality genetics will open the door to enhanced growth, carcase grades and returns, according to Promar Regional Manager for the North of England, Andrew Suddes, who also believes the red meat industry must continue to take a leaf from the book of monogastric producers.

Genetics has the potential to play a huge part in the red meat supply chain, but this potential remains largely untapped compared to the pig and poultry sectors, which have revolutionised productivity in their industries. The modern broiler will reach slaughter weight in less than 60 days, while the modern sow is capable of producing 30 pigs per year compared to just 20 in the 1970s.

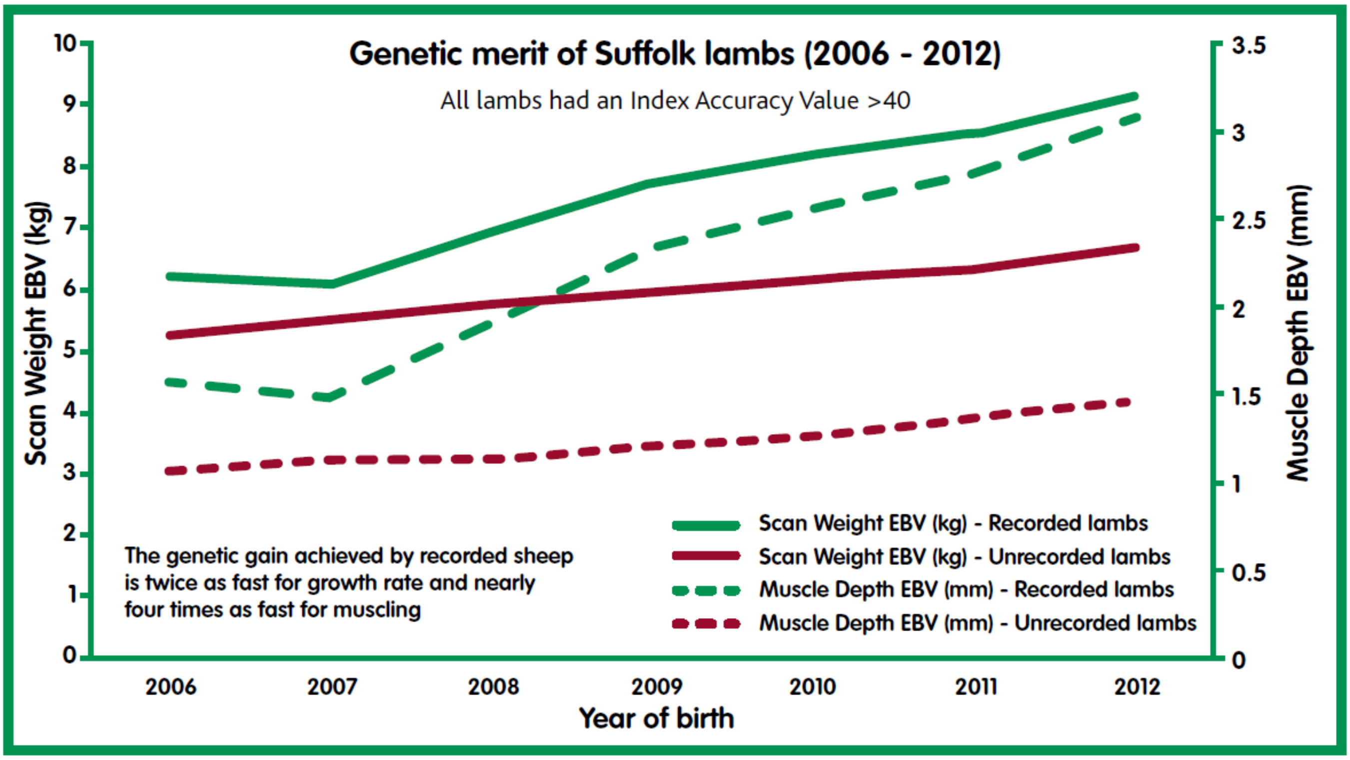
The key to unlocking these opportunities often lies with using reliable data rather than looks when selecting bulls or tups. For both sheep and beef, Estimated Breeding Values (EBVs) are available for traits that directly influence productivity.

An animal's genetics are the building blocks of its lifetime performance. Animals with poor genetics will not finish as well or as quickly without costly inputs, affecting returns from the farm enterprise. Investment in better genetics can be the foundation of a more profitable flock or herd.

When buying tups, it will pay to purchase from recorded flocks, where you can look at EBVs affecting terminal traits including those that influence growth, such as eight-week weight and scan weight; and those affecting carcase quality, specifically muscle depth (mm) and fat depth (mm).

Prioritising these traits will influence returns by reducing days to slaughter due to improved growth rates, and improving carcase traits, meaning a higher number of carcases meet market specifications.

There is considerable evidence that the genetic potential of sheep in recorded flocks is progressing faster than in unrecorded flocks. The graph shows the rate of gain in Suffolk lambs from recorded and unrecorded flocks for the key traits affecting carcase quality. The genetic gain achieved by recorded sheep is significantly higher for growth rate and for muscling.



Source: AHDB

In addition, the development of specific breeding initiatives has resulted in even faster genetic progress and commercial advantages. For example, genetic gain for growth rate in the *Meatlinc* breed has increased at more than double the rates previously achieved, at around 0.75kg/annum. The *Innovis Project* that evolved from work initially carried out at Aberystwyth University has focussed on developing terminal sires with exceptional growth rates and carcase characteristics.

The *RamCompare* project, a supply chain initiative managed by the AHDB that is being mirrored by activities carried out by individual breed societies, represents a new development, generating EBVs from commercial carcase data, evaluating a range of traits that together assess the total value of the carcase – the amount of saleable meat. The use of CT and VIA technologies will provide new data on lean meat yields.

The same principles apply to the beef sector, although there are differences, primarily in the greater availability of proven AI sires and the fact that many beef animals being bred from dairy cows where there is a disconnect between the breeder of animals being finished and the finisher. This can manifest itself in the loss of valuable data on sires when bred calves are sold at market to finishers.

Artificial insemination for both suckler beef and dairy beef producers opens up the opportunity for farmers to have access to a far wider choice of sires and to superior genetics. However, for farmers using a bull, EBVs should still be sought before buying him. With EBVs produced for multiple traits affecting growth and conformation, it is possible to focus on those sires that will pass on the potential for superior development.

The relatively fragmented nature of the beef supply chain has limited both the industry's ability to capitalize on better genetics and genetic progress itself. To start to address this issue, it is important to focus on the target market and specifically the target carcase weight and specification, breed requirements and any other specific requirements like farm assurance and movement numbers.

All the above are key to knowing your customers' needs and will have a big impact on the price received, but once you have an end point in mind you can more easily select the right genetics.

Suckler producers, producing store cattle, should be aware of the end customer, but how many actually know where their cattle end up and what supply chain they go into?

For dairy producers, producing beef cross calves, again, it is important to know what the end market is for their calves. The dilemma is balancing their requirements. As dairy farmers, they will want to select sires for calving ease and gestation length to help ensure cows calve in well and settle into lactation. As suppliers of animals into the beef supply chain, they should be looking at traits that have impact beyond the dairy unit. Terminal traits such as growth rate and conformation will influence calf sales that are a vital income stream. There are now many beef on dairy AI sires that have short gestation length, ease of calving and excellent growth and carcase traits.

Consider supply chain integration. A close relationship between dairy producers and beef finishers can help ensure the beef producer gets the genetics required, while having potentially significant health benefits too, and the dairy producer has a known market for beef cross calves.

If buying through a market, look for beef cross calves were the service sire is identified, otherwise you are in effect 'buying blind'. The strong looking calf at four weeks old may not have the genetics to produce a quality finished carcase. Industry initiatives such as the "*Who's your Daddy ?"* scheme, run by our own parent company, Genus ABS, are staring to improve the flow of data, helping add value to calves from higher merits sires.

Once the end goal is known, then you can select the right sort of genetics for your system. For suckler systems, it is key to make sure we are clear about the difference between maternal traits and terminal traits. The genetics required to produce female replacements are very different from selecting terminal genetics to produce a finished animal.

For terminal sires, there are lots of traits to select for, but those most directly impacting profitability would be:

- Calving Ease Direct
- 200, 400, 600 day weights for growth traits
- Carcase traits

Producers should make full use of the data available on individual sires as there is significant variation. In the future, there will be additional traits that can have an impact on overall profitability, particularly traits that relate to feed efficiency. Furthermore, the use of larger data sets such as slaughter data, will make it possible to have more accurate selection for carcase traits that can better impact carcase value.

In summary, selecting the genetics that will deliver the quality carcase the market needs will positively affect profitability. Time spent using data to select the best genetics for your market will increasingly be the foundation of successful farm enterprises.

AHDB Beef & Lamb
October 2017
Emma Thompson

PROVIDING WHAT YOUR BUYER WANTS…

Monday, June 19th, 2017

Emma Thompson, Principal Consultant with agrifood consultants, Promar International, says there is a significant opportunity to improve returns from beef and sheep by forming stronger relationships with the customer and that grasping this opportunity will underpin future sector competitiveness.

Although there is no formal published data, it is estimated based on feedback from industry sources, that in England and Wales, as many as 40% of beef cattle fail to meet the required product specification by customers. A significant proportion of sheep also fail to hit the specification. Every animal not meeting the specification for the market it is supplied into is failing to achieve the best price. Equally, if the animal is outside specification either as a consequence of age, weight or fat class, it will have incurred increased rearing costs, giving a double hit on margins.

Animals outside of specification also affect the efficiency of the processor and their ability to meet their customers' requirements, especially as markets become more prescriptive. Specifications have become tighter for many of the elements that define carcase type – age, weight and fat class – as market demands, be it from a retailer, foodservice provider, processor or export market continuously evolve. The potential for growth in the use of techniques such as Visual Image Analysis (VIA) could allow for further evolution in carcase assessment.

Reducing the number of animals that fail to achieve optimum specification offers an immediate way to improve returns to farmers. More importantly, a focus on hitting specification and developing the mind set to achieve it, will be important attributes as the industry moves forward.

There are numerous reasons why this happens, but the over-riding factor is often a failure to really understand what the customer requires and then gearing the production system to meet those requirements. For farmers, it is all about understanding different market and customer needs and their specific requirements.

The key question is whether you 'market' or 'sell' your stock. If you 'market' animals, you will know where they will be sold and what the specification requirements are. You can then tailor your production system to meet that market as cost effectively as possible, sending animals at the right age with the target weight and conformation class. You can ensure price and margin are optimised. Conversely, if you 'sell' stock, you will be less focussed on the end point, perhaps because if suits the farm to finish animals in a batch, rather than targeting a tight specification.

Wherever possible, producing stock to a high specification should be a priority as well finished animals will always find a buyer.

Already, more progressive farm businesses are engaging with their customer(s) to agree what will be produced and then allowing them to choose the appropriate breed and sex, and then manage it appropriately. Conformation comes from breeding, while fat class is a function of nutrition. Both are manageable factors, and if you know the requirements this means the whole management system can be focussed on achieving the specification required to drive better prices and margins.

There is no doubt that external factors will drive the need to work more closely with the customer when producing beef or lamb in the future. The first is that the customer specifications are tightening with greater price penalties when animals are supplied outside these requirements.

The second is that as we move to a different set of trading arrangements post Brexit, it is possible that negotiated deals will have stricter terms on the specification of animals to be supplied. If domestic customers are prescribing higher standards, it should be expected that export opportunities may require the same.

Finally, it will become increasingly important to drive costs out of production systems. Supplying animals that are too old, too heavy or too fat means supplying animals that have cost more to produce. If they have been produced off globally traded cereals and soya, the impact on margins will be even greater.

Delivering to the customer specification should become the number one objective of every red meat producer, as it allows the best opportunity to optimise returns. Working closely with the customer should be seen as a key part of the system. Increasingly, processors will be able to supply additional data to help fine-tune management, especially if VIA technology were to become more widely established. This could be key to having a clear definition of what is being produced and allowing for breeding and management to be tailored to deliver the required specification cost effectively.

For more information, please see the AHDB Beef and Lamb publication, "Marketing Prime Beef Cattle for Better Returns"

Food & Farming Futures
October 2017
John Giles

Meeting Farmer Jake

Unlike my farm based colleagues at Promar International, I don't spend too much time actually "on farm", but I have always liked to think I still know a good one when I see it, be it a dairy farm in Cheshire, a walnut farm in Chile or a tomato farm in Ethiopia. And I have been lucky in my career that I have had the opportunity to meet plenty of good, and some very good, farmers around the world from Cumbria to China and back again. (John Giles, Promar reports on the IAgM visit to Overbury Farms)

Last week, I met another very good one in Jake Freestone at Overbury Farms, an 8th generation estate based farm near Tewkesbury. This was part of the Institute of Agricultural Management's Annual farm walk. This also saw me stand down as chair of the organisation after 3 years (best wishes to Martin Wilkinson in this role for the next 3 !) at the AGM which was run beforehand in the village hall. It was good to see a healthy turn out of almost 60 for this event from across the IAGRM membership & especially a good number of student members from Harper Adams.

Jake is an interesting character. He comes from a non farming background and told us that the mid to long sustainability of the farm was at the very heart of its future development, along with the work of his team of 5 on the farm. The sustainability of the farm was seen as being just as, if not more important, than chasing profits for almost the sake of it. He actually sees the link between top class environmental practise and profit as going hand in hand, with one leading to significantly reduced input bills and the production of a top quality product – "healthier soils lead to more nutritious grains". Management of soils, water usage and the environment are all key parts of lowering the carbon emissions of the farm. Good management of staff will also be the key to future success.

Overbury has been a LEAF accredited farm since 2004 and a demonstration farm since 2012. Key customers for the farm are a combination of Kellogg's and Molson Coors (who brew Carling lager). Jake and his team supply enough barley to help brew 15 million pints of the stuff - as well as the supply of lamb to Sainsbury and oil seed rape to Unilever. So while Jake is a well known and sizeable farmer in his own right, his customer base means he is still relatively small in comparison. He quoted to us that the 15 million pints of Carling he provides barley for is the equivalent of just one week end's consumption in the UK!

Jake has benefited from going on a Nuffield Scholarship where he had the opportunity to visit the US and NZ. He has spoken at both the Oxford Farming Conference and the so called Real Oxford Farming Conference. Jake makes extensive use of social media in nearly all of its current forms to engage with a wide range of stakeholders, often like him, from a non farming background. This has all helped cultivate the image of "Farmer Jake" which has allowed him proactively "take the farm to the consumer".

He also uses social media to discuss technical/management issues with a group of like minded farmers. Use of social media has allowed him to build the Overbury brand, tell the outside world about what happens there, develops faster networking and has built a community of like minded growers and farmers. The farm receives visits from school children from Birmingham twice a year. He has worked with the likes of NIAB on joint R & D projects.

He has adopted a farming system based around the use of low/zero tillage techniques, the use of cover crops and the development of rotations including peas, potatoes and beetroots. He admitted he is prepared to learn continuously and uses social media to do this as much as possible. He has developed the mantra of: "do it once and do it right" and then being prepared to "turn things upside down" (not least, as a result of his Nuffield experiences). His customers buy into what he is doing on the farm and like the idea they know where their raw materials are coming from. This all adds to the image of provenance and is part of a story to tell customers and consumers alike.

So – a good day out, with plenty of learning for us all. And as always at these events, a chance to see a few old friends and contacts and make some new ones too. What could be better ? A top class farm, a host who was prepared to be as open and honest as he could possibly be, a good number of IAGRM members there - and it didn't rain ! And another "very good farm" to add to the others I have had the pleasure & opportunity of visiting in this country and much further afield. There have been plenty. Thanks to "Farmer Jake" for an excellent day out.

Produce Business
October 2017
John Giles

What Do British Producers Need To Be Thinking About Post-Brexit?

BY JOHN GILES

The general industry wisdom is that post-Brexit, farmers around the United Kingdom will need to "up their game," regardless of what deal with the rest of Europe we end up with. There is the strong likelihood of reduced Pillar I (production) & II (environmental) support payments at some stage in the future. This was always going to be the case, post the next round of EU Common Agricultural Policy (CAP) discussions, regardless of the decision to Brexit.

The U.K. fruit and vegetable sector has historically been subject to a relatively "light touch regime" in terms of industry support. The relative lack of support for the U.K. horticultural sector has produced a situation where it has already gone through a substantial period of change in the past 10 to 20 years.

Under some possible Brexit scenarios, domestic prices might rise; U.K. producers should take the opportunity to increase production. The U.K. market is dominated, in most cases, by sales to the leading supermarkets. Growers who are in groups or organizations closely linked to these supply chains will be in the best position to prosper.

It will be the slightly larger units and the high performers who fare best of all. Being a low performer will inevitably be a difficult position to be in for the mid- to long term. Part-time and smaller farms will most likely earn their living by supplying niche markets, such as box schemes, farmers markets, farm gate sales, etc. As such, there will be a further polarization of the producer base between small and part-time farms and the larger, more commercially driven units of production that are focused on supplying a relatively small number of key supermarket customers.

U.K. supermarkets are keen to promote the "Britishness" of the produce they sell and will continue to provide this support to growers. Growers will still need to adhere to well-established production and accreditation standards. U.K. supermarkets are unlikely to lower technical and commercial demands made on growers in areas such as traceability and sustainability, and being able to supply on a year-round basis at competitive prices. In effect, the big will probably have to get bigger in order to make the future investments required.

A rise in the level of domestic prices doesn't mean growers should not look to control costs, engage in benchmarking schemes and carry on investing in new varieties, some of which might be grown only for specific customers. Investment in logistics, cool stores and packing facilities will be an ongoing requirement.

Production will tend to further concentrate in the existing strongholds of U.K. horticulture, such as Kent, Lincolnshire and Worcestershire. Labor is a key issue for the horticultural sector and will continue to be an area of major focus. Most U.K. units are dependent on the use of labor from the EU and other parts of the world for picking and packing operations. The larger the unit of production, the more acute the issue becomes. Post-Brexit, there are likely to be more controls on the labor movement. This could be to the detriment of the horticultural sector.

> **The real outcome of Brexit might be to see an acceleration of the trends we have seen in the past 10 years.**

Growers will have to do one of two things: either attract more indigenous labor to the farm — but on past evidence this looks extremely unlikely — or look at how picking and packing functions might be automated to reduce the dependence on manual labor.

For some of the growing organizations that have developed joint ventures or their own growing operations outside the U.K., the solution would be to increase production in these operations — especially for commodity varieties — and concentrate U.K.-based production of more niche and higher value varieties on scaled-back growing operations.

Growers and the supply chains they operate within will need to be looking at additional ways of increasing efficiency while reducing cost. Aside from looking at labor-related issues, focusing on reducing produce waste at all stages of the supply chain, improved crop production planning, better and more efficient use of inputs and making better use of climate-related data to produce a more streamlined supply chain will be important.

In other scenarios, the U.K. market might be open to more import competition. The U.K. is already a net importer of fresh produce. This would only intensify the overall market environment and may offer more opportunities for U.S. growers and exporters of products such as apples, grapes, pears and berries, depending on the new trade agreements with the United States and other countries of supply.

Whether the U.K. is heading for a hard or soft Brexit is still unknown. In the next six months, however, it will gradually become clearer. Regardless, the U.K. horticultural sector will need to "up its game." The real outcome of Brexit might be to see an acceleration of the trends we have seen in the past 10 years. Labor might be the biggest issue of all to contend with. It promises to be a period of further change for the U.K. horticultural sector, but for the forward-looking and well prepared, it will also be a time of opportunity. **pb**

John Giles is a divisional director with Promar International, the value chain consulting arm of Genus plc. He has worked on fresh produce assignments in more than 50 countries around the world, including the United Kingdom, European Union, United States, Central and Latin America and the Far East. He is the current chair of the Food, Drink & Agriculture Group of the Chartered Institute of Marketing. Giles can be reached at: john.giles@genusplc.com.

Dairy Farmer
October 2017
James Dunn

Impressive production figures and attention to detail saw Andrew and Pam Pounder, of Stainton Hill Farms, Co Durham, named the Promar Milkminder Manager of the Year.

More than half milk is coming from forage

It was the ability to take more than half the yield from forage that impressed the judges and helped the Pounder family secure this year's Mikminder accolade.

Husband and wife, Andrew and Pam, run a 200-cow pedigree Holstein herd on 320-acres, near Barnard Castle, alongside their 21-year-old son Scott, Pam's father Dennis, and Andrew's parents Joe and Margaret.

The exceptional grassland management impressed competition judge and Promar managing director James Dunn.

He says: "Andrew and Pam have taken a proactive approach to managing their grassland, and the family's drive for continuous improvement across the business is admirable.

"They have seen impressive gains, with milk from forage currently equating to 55% of yield. This was further acknowledged when the farm was named a finalist in the 2017 British Grassland Society competition," says Mr Dunn.

When existing infrastructure restricted herd expansion, the family looked to push milk yields by focusing on making the most of available resources so as to continue business growth for the next generation.

"Two years ago, we made the decision to push the utilisation of our grass and improve our profit margins, with a target of taking milk output to 9500 litres and milk from forage to 5000 litres," explains Andrew.

Regional finalists

Milkminder Manager of the Year regional finalists.

- Regional winner (North) and national Milkminder Manager of the Year 2017 award winners – Andrew and Pam Pounder, Stainton Hill Farm, County Durham.
- Regional winner (South) – FJ and RF Banfield, Westwood Farm (Keevil Ltd), Wiltshire.
- Regional winner (Midlands) – IG Evans and Son, Halton Farm, Wrexham.

Averaging

"We are currently averaging 9200 litres, with 4754 litres from forage, at 4.19% butterfat and 3.2% protein, from our all-year-round calving herd.

"We've done this through focusing on grass quality and soil health, which started when our nutritionist recommended we use a plate meter to accurately record grass growth performance, and ensure the cows were entering the paddocks at the optimum time. We now measure every month and have seen a marked difference already with milk from forage up by 12.5% in two years.

"To continue to drive milk from forage we've also tightened our grass paddocks, which has improved grazing efficiency enormously. We've fenced many of the larger paddocks into smaller, more manageable areas, which allows us to enforce a strict grazing routine," explains Andrew.

In addition to utilising existing leys, the Pounders have taken a proactive approach to reseeding management to improve grass quality.

"Where necessary we reseed a portion of the farm each year with high clover content ley varieties from Olivers and Nickersons, to help maintain a good protein level in the milk and ensure a high digestibility for the cows," says Andrew.

In addition to driving grazing efficiency, the Pounders also buffer feed the cows with silage all-year-round to maintain yields, and therefore silage quality is critical to the system.

"We've really pushed ourselves this year, and the good weather in the spring meant we could take the first cut earlier, and more frequently thereafter. Our approach is quality over quantity, and this year's silage is testimony to this ethos, as our first cut analysed at 12.1 ME and 75.9 D-value.

"As we push to improve our milk from forage we've also seen a marked improvement in margin over purchased feed (MOPF). Our MOPF pence per litre was

(continued...)

Andrew and Pam Pounder.

19.60 in July 2017, an improvement of 3.11ppl in comparison to this time last year. This is a significant figure and shows what can be done through greater attention to detail in the grazing system."

Nutrient application is equally important to ensuring sufficient grass growth to maintain yields, and in 2011 the farm invested in the installation of a 759,000-gallon slurry store, in addition to the existing weeping wall storage.

Slurry storage

"We previously only had six weeks of slurry storage, which proved a problem in the winter when the cows were housed. Although we are not in a nitrate vulnerable zone (NVZ), we recognised that the land couldn't handle the heavy spreading equipment so early in the season. The bigger store provides us with nine months of storage, giving us much better flexibility with our spreading dates."

In addition to this, annual soil sampling allows Andrew to understand the soil requirements before application.

"We soil sample every spring before turnout to understand what nutrients are required, with targeted P and K applications made where needed alongside the slurry when the ground is firmer and can stand the equipment," he adds.

"This ensures we have good quality grass to turn the cows out to, while also maintaining quality throughout the season."

However, Andrew stresses there is still more work to do. "We are really proud to have been awarded the Milkminder title, as it is great to have the efforts of our family and staff recognised as well as the work we have done to improve our grassland. However, we want to continue to push the farm business, and analysing the data from our farm will give us the insight to drive change."

Dairy Industry International
October 2017
John Giles

High Dairy Price Index adds to inflationary pressure

High Dairy Price Index adds to inflationary pressure : According to agricultural consultany Promar International, the UN Dairy Price Index (DPI) is at its highest level since 2014, having increased by a significant 48.2 points in the last 12 months and by 4.5 points during September to reach 224.2 points.

This increase is primarily due to booming global demand, particularly for butter and cheese, combined with supply constraints in Australia, New Zealand and the EU, explains John Giles, divisional director at Promar International. Giles advises that Promar's insight and data shows that even with declines in milk powder prices, as a result of high intervention stocks in the EU and limited buying interest, the demand for butter and cheese remained high in key consumer markets.

He adds that global food demand is still increasing rapidly in key markets such as Asia, and this is mirrored in the international dairy market. However, production in some key sectors, such as dairy and arable has been less buoyant, resulting in increased prices.

"This is demonstrated in the overall UN FAO Food Price Index (FPI) figure, which has recorded a 10.6 point, year-on-year increase. This could have a significant impact on UK food prices, particularly when combined with a weak exchange rate and other inflationary pressures at work in the economy.

"The UN FAO FPI was at 178.4 points during September, an increase of 1.8 points from August, and UK food inflation has already reached 3% and may carry on climbing before the end of the year. This is something the UK consumer is not really used to, after nearly 15 years of price deflation."

Giles adds that retailers will be extremely reluctant to pass on potential increases to the consumer, and will instead turn attention to driving efficiencies within their supply chains.

"Unlocking and analysing data throughout the supply chain from farm to retailer, including processing, will highlight where the best efficiency gains can be made, and help to keep food prices under control," he says.

"Balancing supply and demand of products both in the UK and globally is complex. However, being well informed and having access to the right sort of data, allied to additional insight on key market trends and developments, can help UK and international supply chains to deal with increasing pressure in the future. Ultimately, generating efficiencies throughout the supply chain, will help ensure sustainable food production for years to come."

Cow Management
September 2017
James Dunn

Award success for County Durham-based herd

The Pounder family, of Stainton Hill Farm in County Durham, were awarded the Milkminder Manager of the Year award 2017 at September's UK Dairy Day.

Andrew and Pam Pounder run a 200-cow herd, which is averaging 9,226 litres at 4.19% butterfat and 3.3% protein, and they saw off tough competition from two other regional finalists to be recognised as top of their field.

The family impressed judge James Dunn, Promar's managing director, with their attention to detail and clear succession plan. "Andrew knows his business inside and out, and his attention to detail sees impressive results being realised on farm," he said. "Grassland management is one of Andrew's strong points, which was further acknowledged when he was also named as a finalist in this year's British Grassland Society competition.

"Reseeding grass leys within the farm rotation has seen good quality forage being produced every year. And the herd produces 4,754 litres of milk from forage – around 55% of total milk yield. This is well above our recommended starting point of 30%."

Mr Dunn stressed that, in a volatile market, risk spreading and forward planning are essential for farm businesses to remain sustainable. "The Pounders have been careful with investment in recent years, prioritising areas where it has been most needed."

From left to right: Promar's James Dunn, and Pam and Andrew Pounder

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John Giles

Africa can be saviour of processed tomato market

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One of the reasons behind the current crisis of the tomato sector is flat demand, a scenario that can be reversed by exploring new markets like Africa, as explained to IEG Vu by John Giles, divisional director of Promar International Ltd, a business consultancy.

According to data from Promar International, by 2030 middle class households across 11 African countries will count 40 million people against the 4.6 mln in 2000. Nigeria is the country showing the most impressive growth rate, as its middle class should reach 12 mln people, followed by Ghana (2 mln), Angola (2 mln), Kenya (1.1 mln) and Mozambique (400,000).

Q **Is there currently a market for tomato paste in Africa?**

A There is always a market there, not only for tomato paste, but for all agricultural products. Companies have to organise themselves sufficiently well to take advantage of these opportunities. In some cases, it may be cheaper to import than produce locally, but any investment has to be thought through with a long-term view: I don't think that any short-term investment would work in Africa. This area is particularly challenging, but not impossible, if you have a clear vision of what you are trying to do in the first place. It is also very important to be aware of what is going on socially, politically and environmentally. As the demography of the country changes, you have more people moving into the middle class and so more consumers shifting their food consumption habits toward higher value products. This will not happen overnight, but this is what happened in other parts of the world (like China and India) and it will (already is) happen(ing) in Africa as well: maybe a little bit slower, but it will.

Q **Why has African investment not always worked in the past?**

A There is no one single reason. In some cases, the macro-economic policies were not right; in others the physical infrastructures of the country were insufficient and putting all these together makes really hard for some projects to work. In addition, it is important that agricultural factories choose the right variety to grow, are able to contract with farmers for the required volumes and that yields and costs of production are competitive, or have the right processing equipment. In other situations, they have all these factors in the right place (policies, stability, infrastructure), but you need to have a market, whether it is an internal or export-oriented market. You need to work from the market backward, to make sure that people understand the local market and then maybe opportunity to export. In this context timing is crucial: what was a bad idea five years ago can be the right idea now.

Q **There are more reliable governments?**

A Some countries have been better than others in attracting new business, historically, like South Africa, Kenya, Tanzania and Ethiopia. All African countries are now looking to attract inward investment and in some cases there is substantial help available to international and local investors.

Q **In developing a business in Africa, which are the main challenging factors?**

A Attracting the right investors within the project, improving agriculture productivity and finding sustained markets. The quality and experience of the project sponsor and investors is always a key factor in the overall success of a new venture.

Q **China is investing massively in the African continent....**

A The Chinese presence in Africa is significant both for political influence and the willingness of China to expand its economic activities outside Asia, and in some cases because they know that they can produce some items more effectively in Africa. In some cases, it is because they know that the African market is growing and they want to be part of that. Chinese investors are working on infrastructures: roads, railways, port facilities, airports, agriculture and light manufacturing and are all key areas for this.

Q **Last year, exporters had a problem accessing the Nigerian market due to currency issues.**

A Currency is going to be always an issue in Nigeria and here the economy is driven largely by oil prices, so this is the element we have to look at. However, there are still 175 million people in the country and consumption is increasing, maybe not quickly, but the long-term trend is not changing: population growth, consumer income' growth. It can go quicker and slower over time, but the long trend is clear.

Q **In summary...**

A Building a business in Africa is always going to be a challenge. But maybe no more so than in other parts of the world. The population of Africa is poised for significant growth. Per capita incomes are on the increase. The macro economic environment is improving. Demand for tomato products will increase, as consumers become more wealthy over time. It needs a long-term view and good partners to implement projects. For much of the last 15 years, businesses around the world have been focused on the so-called BRIC markets - Brazil, Russia, India and China - and what has been happening in Africa has almost fallen off the radar. This is beginning to change and for hard pressed processing firms, at least looking at what is happening there, assessing what the opportunities are for the future, should be part of their future strategy.