

Changes loom for the dairy industry

By Phil Eades

PROSPECTS for dairy farming in the region can be good for businesses that adapt and engage with the wider supply chain, according to dairy consultants Promar.

Andrew Suddes, regional manager, told a seminar of bankers, lawyers, accountants and feed trade professionals that dairy farmers in the North are likely to follow the national trend of increasing herd size but declining number of herds.

"The outlook for milk price remains volatile and the growing volume of milk being produced raises inevitable questions about the on-going sustainability of milk supply in the region," he said.

"Successful businesses will be those that appreciate the focus needs to be on engaging with processors and the end-consumers to create long-term benefit, especially in the light of the removal of milk quotas."

Outlining a major report into the effect of the end of the quota regime on EU milk production, Promar senior consultant Andrew McIay told the audience that the UK remains fundamentally a good place to produce milk and predicted the UK will have a greater share of total EU milk production moving forward.

He said: "The UK has already ramped up milk production along with other EU countries. Currently, Ireland is producing more milk, but still only produces about six billion litres, about half that produced in the UK. What happens in the larger dairy producers such as Germany and France will have a greater impact on overall EU output.

"The structure of the UK industry suggests it is better placed to increase output than other countries and so take a greater share of EU output, having larger, generally more professional dairy farm businesses.

"However, we also need to see a more solution-focussed culture and processors investing in increased capacity, product R&D and marketing to help secure new and higher value markets.

"In addition, we need to help ensure the whole industry is more professional and effective. The UK has a tremendous range in farming systems from extended grazing to intensive all year housed. Farmers will have to make sure they adopt the optimum system for their circumstances and that it is run as effectively as possible."

Mr Suddes advised that dairy farms post-2020 will require a different set of skills to manage businesses closer to the rest of the supply chain.

"Farm managers of the future will be a different creature to those of even 20 years ago. The wider skills such as staff management and negotiation will be more to the fore, as will benchmarking and the use of KPIs."

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Bryan Nicholson

Bryan Nicholson presenting the United Milkfinder Farmer of the Year award to Mr Samuel Agnew at the Annual Winter Fair at Balmoral Park Lisburn



Brian Nicholson (Promar) with Samuel Agnew Junior and Senior, and United Vice-Chairman Fred Allen

Collaboration And Leadership Will Help Dairy Industry Survive

Promar consultant James Berry considers initiatives that could be central to how the dairy industry evolves.

There has been much discussion in the industry on future collaboration in the dairy sector, with 'DPO's' (Dairy Producer Organisations) being topical in recent times. However, the current issues surrounding global markets for dairy products has meant that EU dairy funding is being shuffled towards support packages. This is opposed to support for the future structure of the industry, which I believe is contradictory to its long term success.

The larger co-operatives in the dairy industry such as Arla and Fonterra have, of course, felt the acute pain of low global prices. But by providing a structure of farmer ownership which has not been seen in the UK before, will this lead to some of their owners rising from the ashes to create stronger more dynamic farms with a more market focused supply chain? Recent engagement with the wider national media would suggest they are best placed to do this. However, from a producer's point of view how can collaboration on the ground and through co-operatives benefit farmers in the current climate?

In order for farmers to collaborate they have to think in a more entrepreneurial fashion. This will not happen without a strong will or the desire. The current crisis is likely to create two camps of those who do react and those who do not. Work recently carried out by Promar suggests there is a progression businesses will go through as they react to the evolving market.

In order to survive initially, a farmer may rely on a hands-on approach to his business where only higher prices are seen as a way of improving profits. There is likely to be limited engagement with the supply chain. By becoming a 'doer' they will see 'working harder' as their solution to profitability, most likely relying on

suppliers of inputs for advice. They may have some engagement with the primary buyer of their produce.

Some of these individuals are then able to become managers. They manage the cows, then they move onto managing the finance of the operation and then the management of people. They may take professional advice from vets and consultants, probably seeing increasing scale or efficiency as a way of improving profitability. They are likely to have a lot of engagement with their primary buyer.

Managers can then become entrepreneurs and leaders by focusing on building their team around them, creating value for their customers by innovating and potentially improving the range of produce, or innovating in terms of their production methods to do the same. This may be by seeking a range of customers or buyers of their milk and dairy products. They will look to engage with their supply chain and beyond that to evolve their business by looking at other organisations that have an interest in their business to improve public perception.

It is at this stage that a successful team or co-operative can really come into its own. The members are able to benefit from the entrepreneurial activity which is taking place within it. They can draw on the skill sets from all their membership to achieve their aims, and their leaders develop from within that group.

Possible limitations to the development of farmers in these roles is the complexity of the UK dairy industry with milk buyers, equipment suppliers, AHDB Dairy, genetics suppliers, vet suppliers, legislation and regulation all making the farmers' life seem like a juggling act. Farmers looking to develop their own skills and their own teams could help reduce this complexity.

Promar is the first company in the industry to look at trying to develop the leadership and entrepreneurial



skills for the successful farmer of the future. We have a range of schemes which are proving popular with many dairy farmers.

For the younger farmer with the passion to succeed in the industry we have the Dairy Management Academy. This is a two year part-time course with modules on all aspects of modern dairy farm management covering cow management, finance & staff management. Alongside this we also run the Tesco Future Farm Foundation, which again is designed for young entrants to help with business planning, understanding of the supply chain, and develop links with a professional mentor.

Our farm consultants are also undergoing this training so that we are better placed to assist our clients in their development and aspirations of their business. We will be looking to help develop these skills with new dairy farming clients in the future.

The UK is a competitive place to produce milk in comparison with other parts of Europe. The current issue is the lack of investment in processing but this will change with more confidence from the ground up in the future. An investment in collaboration and leadership training could help build this initial confidence.

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