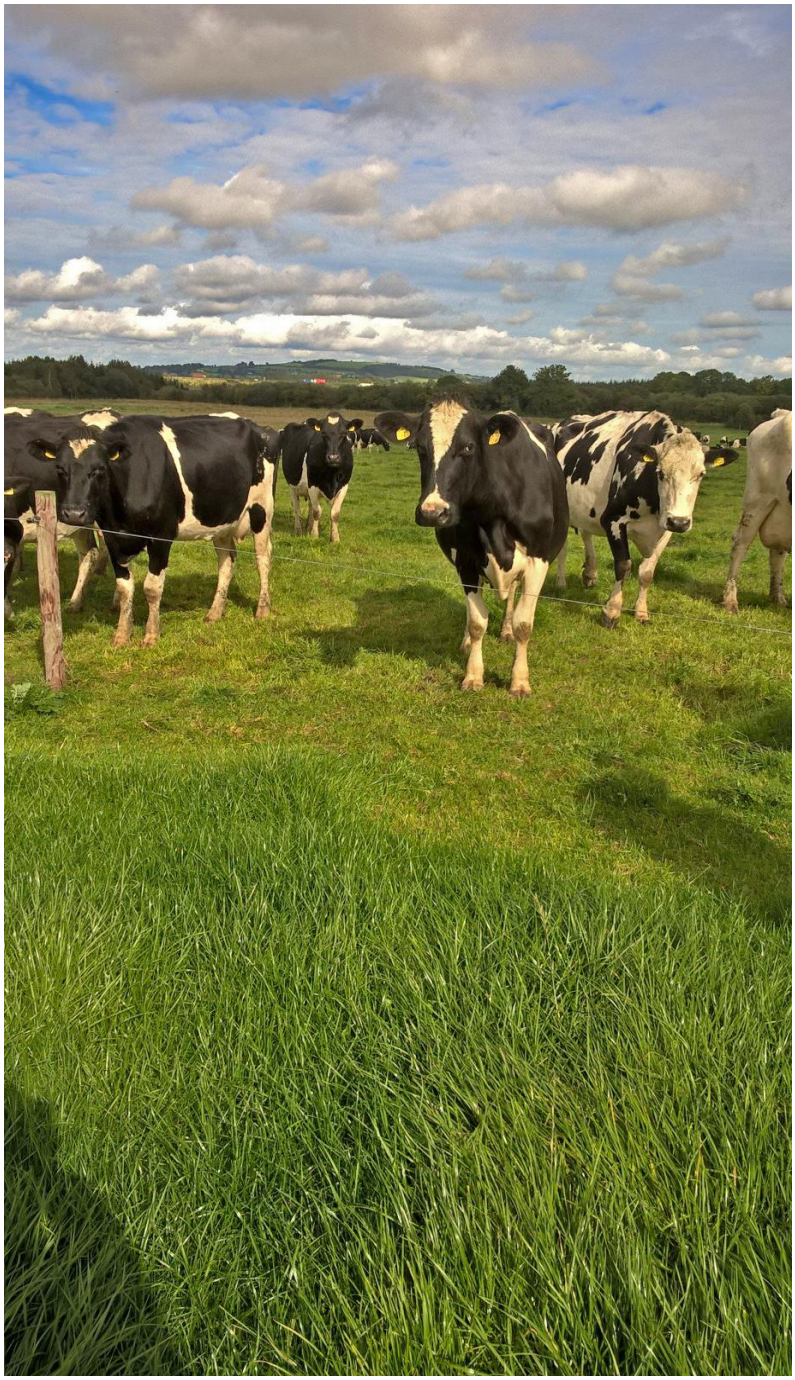
Issue 32 | September 2019

Milk Manager NEWS

Farm Advisory Service
National Advice Hub
T: 0300 323 0161
E: advice@fas.scot
W: www.fas.scot



Contents

This month's editor:
Lorna MacPherson

The European Agricultural Fund for Rural Development
Europe investing in rural areas

SAC CONSULTING

Scottish Government
Riaghaltas na h-Alba
gov.scot

Milk Manager NEWS

Market Update

UK Wholesale Dairy Commodity Market

- Fonterra's latest on-line GDT auction (3rd September) resulted in a very slight decrease of 0.4% in the weighted average price across all products, reaching US $3,202/t. This is the 3rd consecutive drop, since the middle of July. There was no movement in butter price, which remained at $4,029/t, although butter milk powder was up 3.4% to £2,476/t. The biggest drop was in anhydrous milk fat, down 1.5% to $4,988/t. Cheddar showed a small drop of 0.8% to $3,827/t. Full results are available at https://www.globaldairytrade.info/en/product-results/

- There has been little movement in the UK dairy commodity markets with the holiday period reducing trade. Changes in currency are partly responsible for the movements in butter, cream and SMP prices, with the pound falling in value from late July to mid-August. Butter price fell from July, partly due to poor demand and high stocks. Cream was the most variable product over the month of August, ranging from £1,250/t to £1,500/t and averaging out at £1,400/t. Cheddar prices have remained the same since April.

Commodity	Aug 2019 £/T	Jul 2019 £/T	% Difference Monthly	Aug 2018 £/T	% Diff 2019-2018
Bulk Cream	£1,400	£1,410	-1	£2,230	-37
Butter	£3,030	£3,150	-4	£5,080	-40
SMP	£1,850	£1,810	2	£1,380	34
Mild Cheddar	£2,830	£2,830	0	£3,050	-7

Source: AHDB Dairy - based on trade agreed from 1st to 27th August 2019. Note these prices are indicative of values achieved over the reporting period for spot trade (excludes contracted prices)

- The UK is near the bottom of the table for the Milk for Cheese Value Equivalent (MCVE) for the main milk producing countries in the EU. While the estimated market returns from cheese production are all down compared to this time last year, the current MCVE value compared to the 3-year average is lower in the UK and Ireland compared to the other main EU milk producing countries, as shown in the following table.

ppl	Jul-19	Jun-19	% diff	Jul-18	% diff	3yr avg
Denmark	33.22	33.60	-1.2%	35.13	-5%	34.48
Netherlands	33.10	33.66	-1.7%	35.46	-7%	35.10
France	33.09	32.69	1.2%	34.29	-4%	34.23
Germany	32.19	32.42	-0.7%	34.37	-6%	33.36
UK	30.03	30.37	-1.1%	33.37	-10%	32.75
Ireland	28.39	28.79	-1.4%	31.61	-10%	30.46

Source: AHDB

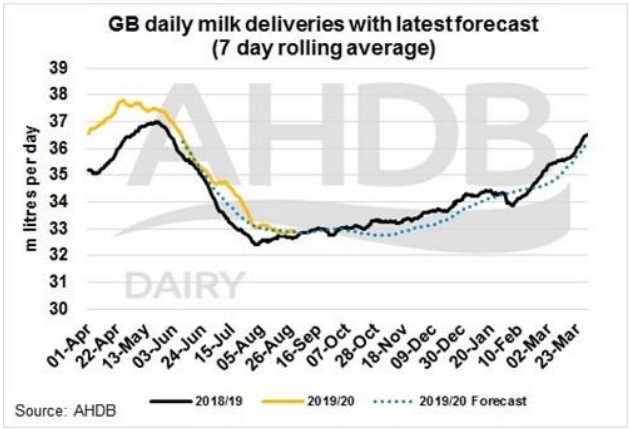
- There has been very little movement in the market indicators AMPE and MCVE, with the drop in the butter component of AMPE being responsible for the 0.2ppl reduction from July to August.

	Aug 2019	Jul 2019	12 months previously	Net Amount less 2.4ppl Average Haulage – AUG 19
AMPE	27.66ppl	27.86ppl	33.18ppl	*25.26ppl*
MCVE	29.93ppl	30.03ppl	33.62ppl	*27.53ppl*

Source: AHDB Dairy

UK Milk Deliveries and Global Production

- UK milk deliveries for the week ending 31st August were up just 0.1% on the previous week. Volume is still 0.5% above the same week last year, which is equivalent to 200,000 litres.



- Overall UK milk supply has eased off, with production for September forecasted to be 1160m litres depending on grass supply (+6m litres compared to September 2018). Production figures for August, July and June were confirmed at 1160, 1261 and 1285m litres respectively. Milk production for the 2019/20 season is estimated to be up by 0.9% or +128m litres at 15,000m litres.

- AHDB Dairy data shows that EU milk production for June 2019 was 13.207m litres, 0.3% back on the same month last year. For

the year to date, however, production until June is up 0.4% to 78,818m litres.

- On a global level, production is slightly back on last year to date (until June 2019) by 0.3%. Four out of the five key producing regions - US, EU, Australia, and Argentina have shown a year-on-year decline but New Zealand has had a strong start to their milk production year on the back of good grass growth, with production up 14.1% for June and 4.6% for July.

- In the US there has been a decline in the number of dairy farms and an increase in farm size. In 2018, the number of dairy farms was 2,029,200, which is 12,800 farms fewer than in 2017. Overall dairy cow numbers have also fallen, with 9,329,300 cows in the April-June 2019 quarter, which is down 88,700 cows from the same quarter in 2018.

Monthly Price Movements for September 2019

Commodity Produced	Company Contract	Price Change from Aug 2019	Standard Litre Price Sept 2019
Liquid & Cheese	**Arla Farmers UK**	*No change*	29.05ppl liquid 30.22ppl manufacture
Liquid & Cheese	**Arla Direct**	*No change*	26.4ppl liquid 27.53ppl manufacture
Cheese, Liquid & Brokered Milk	**First Milk**	*No change*	27.45ppl liquid 28.37ppl manufacture
Cheese	**Fresh Milk Company (Lactalis)**	*No change*	27.13ppl liquid 28.27ppl manufacture
Liquid & Manufacture	**Grahams**	*No change*	26.0ppl
Liquid & Manufacture	**Müller Direct**	*No change*	26.75ppl (includes 0.5ppl premium)
Liquid & Manufacture	**Müller (Co-op)**	*No change*	29.56ppl
Liquid & Manufacture	**Müller (Tesco)**	*No change*	31.20ppl
Liquid, Powder & Brokered	**Yew Tree Dairies**	*No change*	26.75ppl Standard A litre price

Other News

- Müller has announced a review into its Aberdeen depot, with up to 50 jobs at risk involving distribution, garage, logistics and retail operations. Müller blames the decline in fresh milk consumption and changes in retailing for the implementation of the 30 day consultation period and said that up to 22 jobs would be created at its Bellshill facility for staff willing to relocate. The outcome is not expected to directly impact on dairy producers in the area. However, Müller have also announced a 1ppl price cut for October, bringing their standard litre price down to 25.75ppl. The drop is blamed on continued high levels of milk production, combined with small declines in demand for fresh milk and dairy products. Only about 20% of its producers did not sign up to the Müller Direct Premium and so will receive 0.5ppl less (25.25ppl).

- Yew Tree Dairies are cutting their A litre liquid milk price from October by 1.25ppl to 25.50ppl. Their milk price reduction to date this year is 3ppl and the new price of 25.50ppl is 4ppl less than what was paid in October 2018.

- In contrast to these price drops for October, Müller suppliers to Marks and Spencer will receive only a 0.033ppl price reduction next month, taking their liquid standard litre down to 33.32ppl.

- Arla Foods UK have reported a 3% increase in their net revenue for the first half of 2019 to £987m, compared to the first 6 months of 2018. Their performance is attributed to reduced market volatility during this period, 7% growth in strategic branded sales and success in project Calcium, their transformation programme which aims to reduce cost by over €400m across the entire company. So far the company has saved €97m of their €75 - €100m target for 2019. Arla have pledged that with a €400m saving, €300m will go towards improving their farmer's milk price and €100m will be reinvested towards their growth strategy.

- Data from the Scottish Dairy Cattle Association in their July 2019 press release stated that the number of herds in Scotland is now at 888. However, cow numbers have increased by 755

from January, taking cow numbers up to 180,293, with an average herd size of 203. Herd losses were from Aberdeenshire and Lanarkshire (total of 6), with new start-ups in Ayrshire, Dumfriesshire and Wigtownshire and more due to begin later this year.

lorna.macpherson@sac.co.uk, 07760 990901

Straights Update

Straights prices for delivery in artic loads as of early September are as follows (varies depending on location):

£/T for 29t loads delivery + £8/t haulage to central belt	Sep 19	Oct 19	Nov 19 - Apr 20	May 20 - Sep 20
Proteins				
Hipro Soya	307	30.7	309	309
Rapeseed Meal	204	204	213	-
Maize Distillers Meal	208	208	214	-
Starch				
Wheat	137	139	141	May-Jul 145 Aug-Sep 149
Barley	122	124	126	May-Jul 130 Aug-Sep 134
Maize	184	185	176	184
Fibre				
Sugar Beet Pulp (10mm)	189	189	175	-
Soya Hulls	160	160	164	-

Source: Straights Direct and Cefetra on 9th September. Barley and wheat prices are based on delivery to central belt (for North-East, deduct £5/t for wheat), courtesy of Julian Bell, Senior Rural Business Consultant, SAC Consulting. Prices do not include seller's margin.

Global News

- The 2019-2020 season for world maize production begins on 1st September and for the coming year, production is estimated at 1108.24mT, which is 1.3% back compared to last season. The decline is due to lower production from the two major maize growers, USA and China. Closer to home, maize production is expected to rise in the Ukraine to 36.5mT on the back of increased acreage and yield. Eastern European countries, Hungary, Bulgaria and Romania will produce more maize than expected, raising EU output.
- Global production of wheat is also forecasted to increase by 35-40mT this year. However, Australia is dealing with its third consecutive year of drought and along with below average rainfall during the growing season, their output is expected to shrink by 10%. The Canadian harvest is also being affected by weather, with rain hindering harvest progress. Reduced quality and average to slightly below average yields have been reported across Manitoba.
- The ratings for the US soyabean crop are currently 55% good to excellent, which compares to 66% for the same week last year (w/c 26th August). This is the poorest crop rating for the same week since 2013. 32% of the crop is rated fair and 13% poor. Nationally, only 78% of the crop is setting pods, compared to 94% in 2018 (five year average is 91%). Warmer weather and rain showers are now required for pod setting before cooler weather starts. It is concerning that the biggest delays in crop development are in the Corn Belt states of Illinois, Indiana, Michigan, Ohio and South Dakota.

UK and Scottish News

- With much better weather across most of Scotland in the last week, the harvest is nearing completion though it remains slow in some parts of the West and North East. Drier weather has also enabled straw baling to pick up. Yields of barley have been particularly good everywhere for both winter and spring barley while wheat has been nearer average. Coupled to a rise in the EU harvest and generally a good harvest globally prices have been pushed lower in recent months. In the UK, the further complication of a possible No Deal exit from the EU on 31st October has sharpened minds and pressured exports to EU markets to be maximised by mid-October. In a No Deal situation UK exports of barley to the EU would essentially cease due to the high tariff barriers and more distant and demanding third country markets would be needed to take any barley surplus remaining. These factors have all helped drive feed barley prices down. As to the outlook, global factors will continue to drive the world market such as the size of the US maize harvest and the impact of the drought in Australia. Equally important will be whether or not the UK can defer or avoid a No

Deal Brexit outcome on 31st October – get your crystal ball out now!

julian.bell@sac.co.uk, 0131 603 7524
lorna.macpherson@sac.co.uk, 07760 990901

Silage Quality and Feeding Considerations

Results from SRUC Analytical Laboratories indicate a wide range in quality of 1st and 2nd cut dairy silages this year. Challenging weather conditions around the time of 1st cut resulted in 30% of silages being less than 24% dry matter.

Results on Dairy Silages from SRUC Analytical Laboratories

	May-Aug 2019 Average	Minimum	Maximum
Dry matter %	27.3	16.2	39.0
D Value %	72	65	77
ME MJ/kg DM	11.4	10.4	12.3
Crude Protein %	13.4	9.9	16.7
Ash %	8.1	4.3	10.4
Intake Factor gDM/kgLW^0.75	100	79	124
PAL Meq/kg DM	878	755	1133
pH	4.1	3.5	4.6

Maximising milk from forage is the key to reducing feed costs and concentrate use per litre, which should be no higher than 0.4kg/litre. The amount of milk that grass silage will support is illustrated in the table below, depending on dry matter intake and energy content. Normally the maintenance requirement is taken off the forage component of the diet, with maintenance being 10% of body weight + 10MJ. Therefore, the maintenance required for a 650kg Holstein-Friesian cow will be (650x10)+10 = 75MJ.

The energy required to produce 1 litre of milk at 4% butterfat and 3.2% protein is 5.3MJ. Therefore, according to the following table, a cow consuming 12kg of dry matter from grass silage, which is 11ME, will have sufficient energy for 10.8 litres of milk once her maintenance requirements are accounted for.

Milk Production from Grass Silage

	Forage Energy Content MJ ME/kg DM				
DMI (kg)	*10.5*	*11.0*	*11.5*	*12.0*	*12.5*
10	5.7	6.6	7.5	8.5	9.4
12	9.6	10.8	11.9	13.0	14.2
14	13.6	14.9	16.2	17.5	18.9

This highlights the extra milk produced from a 12 ME silage compared to an 11 ME silage at the same level of intake, which is in the region of an extra 2 to 2.5 litres.

Wet silages

Wet silages will require a different approach to feeding, with very wet silages tending to be more acidic and less palatable, with lower sugars compared to high dry matter silages. Achieving good dry matter intakes can be a problem and feeding molasses can help palatability and increase sugars to help feed the rumen bugs for more efficient digestion. Care must be taken not to add to the acid load in the rumen with wet silages. Consider feeding slightly lower cereal levels with higher fibre concentrates such as soya hulls or sugar beet pulp. Barley or maize will be more slowly digested in the rumen compared to wheat, contributing less to the acid load. With wet silages, urea treated cereals (or caustic) will have a place, benefiting from their alkaline nature.

The addition of wholecrop, or longer chop material from bales could be a benefit, especially with wet lush silages to slow throughout, reduce acidosis risk and boosting butterfats. A rumen buffer could be worth the investment if signs of SARA (sub-acute ruminal acidosis) are evident (loose manure with bubbles visible, cud balls, variable dung consistency and reduced butterfat, more than 0.3% drop in a week).

Dry silages

Dry silages may also restrict dry matter intake and this is where addition of water to the TMR can help, especially if wet by-products such as draff are not being fed. This will also reduce sorting behaviour, which can reduce milk yield and butterfat percentage.

Careful clamp management will help reduce the risk of spoilage. Aim to cross the pit face in no more than four days. Using a block cutter and taking half grabs to cross the face quicker will help

prevent heating and spoilage on the clamp face. Do not roll back the plastic cover too much to reduce waste on the top of the pit.

There is a potential risk of mycotoxins when there are keeping quality issues with high dry matter silages. Keep an eye out for signs and consider feeding a mycotoxin binder if you notice any of the following symptoms:

- Fluctuating feed intakes and milk yields
- Body condition loss
- Loose muck/diarrhoea
- Swollen hocks
- Increased cell counts
- Irregular heats and poor conception rates
- Abortion

There are challenges with feeding both low and high dry matter silages and regular forage analysis and careful monitoring of dry matter intakes is important, as maximising intake is the main determinant of milk production.

lorna.macpherson@sac.co.uk, 07760 990901

Self-Propelled Forage Harvester or Forage Wagon - Which One is More Suited to You?

Source: fginsight.com

As the end of the grass harvesting period is now upon us, this is the best time to look at the machinery options for the harvesting of next year's and subsequent crops. Make sure the correct equipment is available for the next season from contractors or can be ordered from your machinery dealer in good time. With foragers and trailers getting bigger and the increased risk of soil compaction potentially leading to loss of grass yield, is the modern forage wagon more suitable to silage harvesting than we all realise?

The forage wagon possesses some great advantages over the use of a heavy self-propelled forage harvester, with the ability to reduce compaction on soils being one, but there are some other considerable advantages:

- Reduced labour
- Reduced fuel consumption
- Reduced machinery running costs
- Increased chop length helping with increased milk solids

There are some issues too though. The first being that of clamp space. It is estimated that the same acreage of grass silage will need 10-15% more volume in the silage pit due to longer chop length (between 35-45mm depending on manufacturer or wagon). This could be reduced with good consolidation in the pit by adding another tractor to the pit operation but the idea is to reduce the machinery use. Further to this, good clamp management needs to be carried out, so use of a shear grab is key when preparing rations. This will help reduce the chances of secondary fermentation and potential energy losses it could bring with having silage of a longer chop length.

However, the modern forage harvester is becoming more advanced with John Deere among many of the manufacturers offering Yield Monitoring and Mapping, helping the farmer to see exactly how much crop is produced along with the quality in real time. Chop length can be adjusted on the go, to take into account dry matter and therefore help with improving digestion. Soil compaction too is being looked at more seriously with a number of automatic inflation systems for tyres on some foragers to meet soil conditions. Claas have taken this a step further to introduce a forager with a tracked system, which can reduce contact area with the lifting of the machine's header. It is also possible to use a NIR sensor on a forage wagon to get this data, but only a handful of manufacturers carry this as an option and it adds considerable expense (£4,000+). This is a cost which some farmer operators may struggle to see the benefit and justify the added expense.

What do you need to look out for when considering changing your harvesting system? Firstly, consider clamp space. Is this adequate enough for the extra volume potentially needed with using a forage wagon, or, has volume been an issue when using a wagon so it may be that going back to the forager is the best solution.

Secondly, the size of the rake. Regardless of system, or if using a baler, consider matching your rake to the harvesting machine, and not to the size of the mower or tedder. Swath width can have an impact on silage chop quality regardless of machine. Too much down grass in a narrow swath for a self-propelled forager or forage wagon could lead to excessive knife wear in the centre of the knife drum or knife bank, leading to inconsistent chop length. Too wide a swath and the operator may need to slow down to make sure the whole swath is collected, increasing operation time and cost.

Thirdly, and most importantly, will it benefit your system? The question that needs asking by anyone who is looking to change their system is what impact will it have on my farm? Look for an example of where the change has had a positive effect on a business and see if it can be applied to your enterprise.

simon.travis@sac.co.uk, 01539 769059

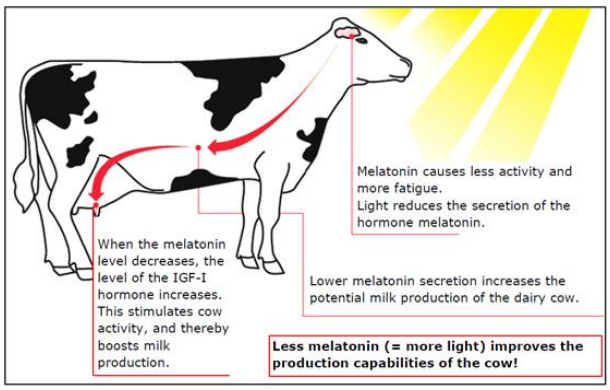
Does Lighting Augmentation Lift Milk Production?

Everyone is aware that milk production is affected by various factors – breeding, feeding and environment to name but a few. With autumn upon us attention should now be directed at cubicle sheds and winter maintenance. We are all aware that cow comfort from adequate cubicle size, bedding and trough space influences milk yield, but ventilation and light often appear well down the list.

We are told that by providing the correct level of lighting and length of daylight hours in a cubicle shed may increase milk production by 6 – 10%, which could be as much as 2 litres per cow per day. However, according to a prominent US Dairy Consultant, Dr Michael Wolf, both ventilation and lighting go hand in hand. Poor ventilation could depress milk yields by virtue of heat stressed cows during the summer months.

According to nutritionists, milk output and feed intake will increase with extended periods of light in dairy buildings. Research has shown that when there are light periods of 16-18 hours, with a light density of 160-200 lux, hormonal changes influence milk production, as explained in the following diagram.

Light Influence on Hormones and Milk Production



The opposite lighting regime of 8 hours of light and 16 hours of darkness is recommended for dry cows. Light levels during the dark period should be around 30 lux, which is sufficient for stockman to observe cows, as well as cows being able to move around, eat and drink with ease. The longer period of darkness for dry cows has been shown to reduce the incidence of assisted calvings, as well as enhance milk yield in the following lactation.

Before installing a new lighting system, one should consider the following:

- Main purpose of the light and positioning of switches and lights.
- Accessibility for maintenance.
- Fittings must be robust – waterproof/ dustproof.
- LED lights – semi-conductor light will have a good life expectancy and low energy usage.
- If possible, roof lighting should be addressed to bring in more natural light.

As stated earlier, ventilation is also key and so for a cubicle shed air flow is vital. Research has shown a 0.5°C increase in uterine temperatures could reduce conception rates by 7%, financially costing up to £2.00 per day.

If a cow's thermal heat index increases, standing time also increases resulting in a greater risk of lameness, which would in turn affect milk yield. Variable speed cyclone fans may achieve the best airflow.

For a dairy farmer to invest in both improved lighting and ventilation over a period of time, then the financial benefits come through increased feed intake and improved milk yield and payback should be achieved within a year.

Fertility is still a major factor affecting the efficiency of any dairy herd. This could be one of the biggest areas of financial loss to a dairy farmer and so addressing light and ventilation could have a financial impact and return to the business.

According to AHDB Dairy research, farmers who have addressed lighting and ventilation have achieved a financial return. For one farmer who converted older buildings, a milk yield increase was achieved and feed intakes improved. The capital cost was in the region of £80 per cow space and running costs were 6p/cow/day. However, the pay back in extra milk of up to three litres/day was evident and fertility has improved.

john.forster@sac.co.uk, 01586 552502

On Track for Progress

Farming is coming under increasing pressure to demonstrate public good in the face of threats like climate change and environmental damage. Cow tracks can be an effective way of significantly improving farm efficiency and cow health, while at the same time overhauling grazing systems and mitigating against threats to the environment and particularly the water environment.

When constructing cow tracks, care should be taken at every step, but no step is more important than the first, which is siting the track. Siting the track and the position on the farm will determine the length of time cows are moving from field to steading, the manner in which fields are grazed and the level of exposure and potential for wear and tear. The general rule of thumb is that tracks should be positioned so as to minimise construction costs as well as travel time for the herd. At the same time they should normally be higher than the adjacent fields and tapered so as to direct surface water off them and away (3-6% camber). This is mostly because of the potential for degradation of the track, something that is a bigger risk depending on the materials used in construction.

Cow tracks are classed as "private ways" under Class 18 of the Town and Country Planning (General Permitted Development) (Scotland) Order 1992 (as amended) prior notification is normally required by your local authority before construction begins, who may then rule on the need for planning permission. It is therefore best practice to, if in doubt, consult the relevant authorities.

Another important decision will be the width of the track and the proximity of it to the adjacent fences. A general rule of thumb is that a herd of 200 cows requires a 4m wide track and for every 100 cows more, the width should increase by 1m. Fences should be positioned approximately 0.3m from the edge of the track. This will allow cattle the space to utilise the full width of the track but will prevent them from favouring the bankings and dragging up muck, soil and sand that will degrade the track.

The material used in construction of the track is very important to consider. There are a huge range of options available, ranging from crushed stone, limestone, woodchip, chalk, sand, concrete and astroturf. Improving cow welfare is paramount when constructing tracks. The surface must be comfortable but provide some traction; something that grips without being abrasive. Cost is highly variable depending on materials and the labour required to put it in place, but you should always remember that a good track is a long-term investment and that simply getting it completed is not the end of the story.

New Cow Track Constructed with Cushioned Astroturf Surface

The final thing to consider is the long-term maintenance of the track. As the track is used more and more, the potential for damage increases and steps should be taken to repair the track as and when this occurs. Management of hedges along tracks is also important so as not to allow growth to compromise access, cow flow and therefore optimal use of the track. Drainage can also require upkeep along the track and care should be taken to ensure that water is not allowed to build up and lie at a set location. Finally, if the track does require resurfacing, it can be topped or capped with stone or sand and compacted using a heavy roller. Importantly, a cow track, if properly implemented will improve hoof health but there is no substitute for a good foot-trimmer or vet when dealing with lameness. The herd will generally be the best indicator of a track's effectiveness so monitor lameness with regular locomotion scoring and assess cow flow.

Under the current Scottish Government's Agri-Environment Climate Scheme, construction of livestock tracks is a funded option and may be something worth considering. Currently funding is suspended, as the last funding round closed in April 2019 for most applicants but the situation may change in the future as the Brexit situation gets resolved, one way or the other.

alexander.pirie@sac.co.uk, 01292 525036

No-Deal Brexit - Dairy Trade and Tariffs

Trade in Dairy Products

The UK runs a large deficit in dairy products sourced largely from the EU and including large imports of cheddar, soft cheese, cream, yoghurt and other products particularly from Ireland and France. The UK is also a significant exporter of dairy products; again to the EU. Of particular note is the large volume of fresh milk exported from Northern Ireland for processing in the Republic of Ireland. Putting aside the issue of higher transport costs, the rest of the UK lacks sufficient processing capacity to process this spare milk from Northern Ireland if trade with the Republic is blocked in a No-Deal.

Timing of No-Deal

This article focuses on some of the key trade issues facing the dairy sector in the event of a No-Deal Brexit, as this has the most implications. If a Deal is agreed with the EU in the next month or so this would come with a transition period where little would change until at least 31st December 2020. There are two key dates in the diary when a No-Deal Brexit could most likely take place:

- No-Deal on 31st October 2019 – 7 weeks time – the likelihood has lessened since parliament outlawed it this week but it remains a possibility if Boris Johnson can find a way round the No-Deal legislation.
- 31st January 2020 – 20 weeks time – this remains a strong possibility if a Brexit party alliance wins the UK election expected later this autumn.

The upshot of the above is that despite recent Parliamentary moves against No-Deal it remains a very real possibility on either the 31st October 2019 or 31st January 2020.

Tariffs Following a No-Deal Brexit

If the UK leaves the EU without an agreement on 31st October trade in dairy products will immediately be subject to WTO terms. The UK will be treated as a 3rd country supplier by the EU and will face the EU's external tariff barriers as a result. The UK on the other hand has agreed to drop or sharply reduce all import tariffs for dairy products for the first 12 months upon departure. This means that while UK dairy exporters would face barriers exporting to the EU, dairy product imports will be free to flow into the UK tariff free; a potentially very uneven playing field for UK dairy farmers. The important issue to understand is that under WTO the UK can decide what level of tariffs it applies to imports but has no control over the level of tariff that other trading countries and blocs apply to UK products that it exports.

The main export barriers into EU markets in a No-Deal are:

- Tariffs which are effectively a tax on imports on a € per tonne or % of value basis.
- Non-tariff barriers – differences in animal health standards for example.

The following table details changes in tariff levels expected following a No Deal situation.

Tariff Changes Expected with No-Deal

Product	EU tariff rate (for UK exports)	EU effective tariff rate (%)	UK tariff rate (for UK imports)	EU effective tariff rate (%)
Fresh milk	€218/t	56%	Free	
Cream	€1,091/t	26%	Free	
Butter	€1,896/t	46%	€605/t	15%
Cheese	€1,671/t	57%	€221/t	7%

Source: AHDB, SAC Consulting

The net effect is the removal of all import protection for fresh milk, cream, yoghurt and soft cheeses and a massive reduction in import protection for butter (cut to just 33% of current levels) and for hard cheese such as cheddar (cut to just 12% of current levels). This would open up UK markets not only to imports from existing suppliers in the EU but to new ones from around the world previously blocked by the EU's tariff protection.

Opportunities and Outlook

The imposition of import tariffs on some dairy product (albeit at a relatively low level) may support domestic demand for UK milk to displace specific imported product, particularly Irish Cheddar. The likely devaluation of the pound sterling could support UK milk prices all else being equal.

The UK may be able to grow exports of high value dairy products to selected non-EU markets (such as Canada). Having said that, current bi-lateral deals as part of EU membership already allow UK preferential access to many non-EU markets such as Canada. The priority will therefore be replicating these before any improvement in trading terms can be secured.

The message for UK dairy farmers is that a No-Deal Brexit is not expected to ease price competition in the UK dairy market but will bring greater global competition to bear. While some opportunities may arise to develop new markets and substitute some imports this could take time to come about. It is therefore hard not to conclude that a No-Deal Brexit will simply push more competitive pressure on the UK dairy sector forcing a quicker pace of technical improvement and cost reduction.

julian.bell@sac.co.uk, 0131 603 7524

Dates for your Diary

- 12th September - **On Track for Progress**. High Three Farm, Stoneykirk, Stranraer, DG9 9EA. Time 11.00-15.00. Book your place via the FAS website https://www.fas.scot/events/event/on-track-for-progress-stranraer/ or phone the SAC Consulting office on 01776 702649.

- 12th September - **Red Tractor Dairy Standards Webinar**. Time 19.00. Register for the webinar via the weblink https://tinyurl.com/yylrromv

- 13th September - **On Track for Progress**. Netherland Farm, Hurlford, Kilmarnock, KA1 5JY. Time: 11.00-15.00. Book your place via the FAS website https://www.fas.scot/events/event/on-track-for-progress-hurlford/ or phone the SAC Consulting office on 01292 525252.

- 16th - 17th September - **Herdsman Foot Trimming Course**. Glenapp Estate, Ballantrae, Girvan, KA26 0NY. Call 01606 854411 to book.

- 17th September - **An Introduction to the New South West Dairy Focus Group (Stranraer)**. Green Valley Golf Academy, New Luce Road, Castle Kennedy, Stranraer, DG9 8SH. Time: 19.30. Book your place via the weblink: https://www.fas.scot/events/event/an-introduction-to-the-new-south-west-dairy-focus-group-stranraer/ or phone the SAC Consulting office on 01776 702649.

- 18th September - **Mobility Scoring Course**. South West Scotland. Event Organiser: Embryonics t: 01606 854411 http://www.embryonicsltd.co.uk

- 19th September - **Ayrshire Soil & Nutrient Network: Establishing & Managing an Autumn Grass Ley**. Dormieston Farm, Stair KA5 5HU. Time 11.00. Book your place via the weblink:

https://www.fas.scot/events/event/ayrshire-soil-nutrient-network-establishing-managing-an-autumn-grass-ley/ or phone the SAC Consulting office on 01292 525252.

- 2nd October - **Open Evening at Elmwood**. SRUC Elmwood Campus, Carslogie Road, Cupar, Fife, KY15 4JB. Time 17.00. For further enquiries contact SRUC via email elmwood@sruc.ac.uk or call us on 01334 658800.

- 8th October - **Agriculture, Animal Care, Engineering and Forestry Open Evening at SRUC Barony**. SRUC Barony Campus, Parkgate, Dumfries, DG1 3NE. Time: 16.00 For further enquiries contact SRUC via email barony@sruc.ac.uk or call us on 01387 860251.

- 14th October - **DIY AI Course**. Central Scotland. For more information please contact Stuart Martin on 07500 766083 or info@scottishdairyhub.org.uk (or Embryonics on 01606 854411).

- 21st October - **Herdsman Foot Trimming Course**. Aberdeen. For more information please contact Stuart Martin on 07500 766083 or info@scottishdairyhub.org.uk (or Embryonics on 01606 854411).

- 25th October - **NFU Scotland Annual Autumn Conference**. Battleby Conference Centre, Perth, PH1 3EW.

For any further enquiries regarding the information in this newsletter please contact:

Lorna MacPherson (Dairy Consultant)
SAC Consulting Office
Thainstone Agricultural Centre
Inverurie
Aberdeenshire
AB51 5WU
Email: lorna.macpherson@sac.co.uk
Tel: 01467 625385
Mobile: 07760 990901
Fax: 01467 620607

Funded by the Scottish Government and EU as part of the SRDP Farm Advisory Service.