Sector Summary: Dairy

Trade and supply chains:

- If a customs border is implemented in Northern Ireland, though the Government are being pressed to avoid this, milk could be diverted to the UK mainland through Stranraer with potential to disrupt prices and markets

- If delays at channel ports are particularly severe then the risk remains that some processing capacity may be at risk from shortages of raw materials (food ingredients, packaging, machinery spares) and a loss of EU workers who make up around 25% of workers in the processing sector.

- With the introduction of tariffs on imported dairy products, it is likely that UK milk prices will rise in response to the extra cost of importing it and increased demand for milk produced and processed in the UK. If milk prices rise this will help farmers cope with additional costs for inputs and other consequential costs as a result of a No Deal such as higher labour costs (due to reduced EU labour force), investment in extra infrastructure and storage on farm (e.g. extra tank capacity on farm to enable collection every other day rather than every day).

- As a short shelf life product milk from farm is uniquely vulnerable to disruptions in the wider transport network.

- The removal of import protection? (i.e. tariffs) would have less of an impact on fresh milk, cream, yoghurt and soft cheese because of their shorter shelf life and the difficulty for cheaper imports from countries outside of the EU to make it to the UK in time. Cheese and butter, on the other hand, are at a higher risk of being undercut by non-EU imports, particularly at times of low global dairy prices

Finance:

- Over the last 12 months or so the dairy sector has seen investment and expansion – on farm with some beef farmers moving into dairy, and at a processing level with a significant growth in capacity for cheese, yoghurt and skimmed milk powder processing. However, more recently, new investment has fallen away as milk prices stagnate, labour costs rise and there is continued uncertainty and risk around markets with a further Brexit extension and general election.

What you can do:

- Assess risks of milk logistics i.e. getting milk tankers to and from farms and sufficient supply of tankers and drivers – have conversations with buyers   to establish and reduce issues if possible
- Buy in consumables ahead if possible
- For further information on steps to take to increase your business' resilience in a No Deal Brexit, see our online checklist at: https://www.fas.scot/rural-business/brexit/preparing-for-no-deal/

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No issues expected	• No huge issues are expected in capacity to process milk due to recent investment in expanding processing facilities (e.g. skimmed milk), although shortages of labour, food ingredients, packaging and machinery spares could present some challenges
Known issues	• Delays at border and logistic difficulties in collecting and distributing milk supplies • Shorter shelf life products (milk, cream) will be more protected by default than longer-life products (butter, yoghurt, cheese), even though tariffs are the same
Unknown issues	• Future border arrangements with N Ireland and implications on supply chains • Foods with a legal designation of origin (e.g. Stilton) will continue to be protected in trade with the EU and other countries where there is a reciprocated agreement, but there is no equivalent protection against copies in the global market on products like Cheddar, which are a major dairy export. • Milk prices beginning to drop again, with uncertainty for the future

Opportunities:

• Dairy production and processing has seen an expansion
• Dairy beef calves offering further income ?
• Milk powder export opportunity?

Dairy	
Subsidy reliance	Low
EU market access	Medium
Trade vulnerability to non EU imports	High
Reliance on other at risk sectors	Medium
Labour - farm	Medium
Labour - processing	Medium
Logistics	High
Processing	Medium

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