

Milk Report

May 2020

Core milk price information (ppl)

	ppl	Change
Average DEFRA milk price (2/3 month lag)	28.62	↓ -0.15
DEFRA price, corrected to 4%f & 3.3%p	27.27	↓ -0.29 (est)
Estimated non-aligned price at 4%f, 3.3%p	26.85	↓ -0.27 (est)
Indicative organic price	38.34	↓ -0.43 (est)
AMPE (returns from butter & SMP)	21.33	↓ -7.07
AMPE forward "farmer price" +3 mths	20.99	↓ -0.76
MCVE (returns from cheese)	28.11	↓ -0.45

May

Milk price indices and equivalent values

England (inc. aligned and non aligned)	27.18	↓ -0.36
Northern Ireland (Ulster Farmers Union)	27.18	↓ -2.15
Ireland (Ornua Index. NB 2 month lag.)	29.00	↓ -1.19
UK weighted average	26.90	↓ -0.48

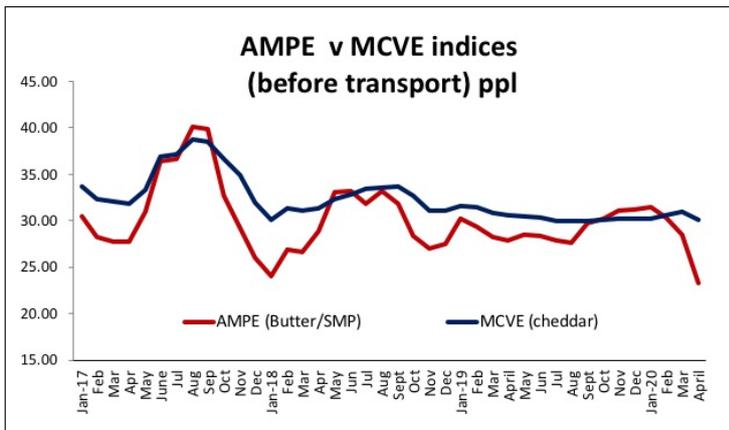
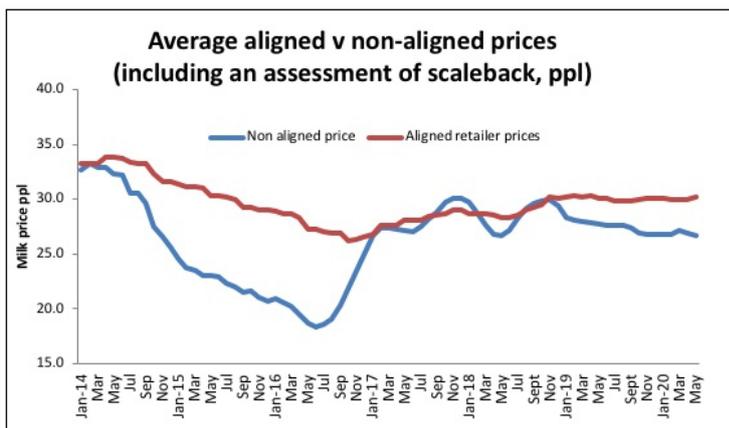
All the arrows to the left are down. I'm not sure I've seen this before!

Nevertheless these figures represent what has happened over the last month. And what a turbulent month it has been, as everyone will know.

What really matters now, though, is what has happened over the last couple of weeks, and the good news is that the market is better than it was after the initial Covid 19-induced crash. As can be seen from the EU data on page 2 prices for the main commodities have moved up over this period - not by much, admittedly, but enough to put more distance between real market prices and intervention levels. And that, from a morale point of view at least, is important.

Not that it will help many of you with your milk cheques. And what a range there is now - as can be seen on page 4, and the graph opposite of the aligned v non-aligned differential. Those processors exposed to commodity pricing and the food service markets will have paid around 16 to 18p, probably, depending on what B litres they allocate on both a volume and a pricing scale. At the top end of the scale Arla are still over 28p on a standard litre. I have never known it so wide between non-aligned processors.

And the cheese market remains firm too. Under pressure, but firm. So those supplying cheesemakers *should* be OK for a month or two at reasonable prices.



UK / EU real market trends

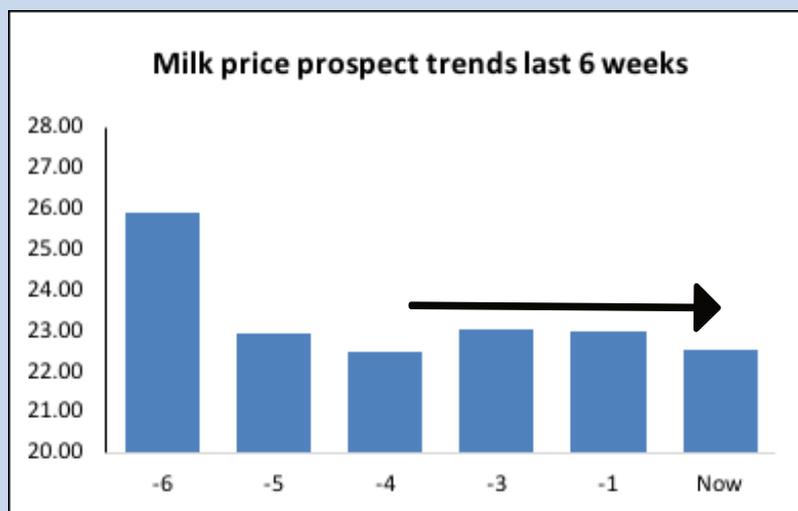
Latest EU prices		29-Apr							
Butter	Current	Last Week	Difference		Last month	Difference	Diff 2 mths	Diff 6 mths	
German	2650	2600	50	↑	3500	↓ -850	↓ -900	↓ -1025	
French	2660	2600	60	↑	3270	↓ -610	↓ -840	↓ -940	
Dutch	2570	2570	0	→	3300	↓ -730	↓ -930	↓ -950	
WMP	Current	Last Week	Difference		Last month	Difference	Diff 2 mths	Diff 6 mths	
German	2675	2690	-15	↓	2870	↓ -195	↓ -350	↓ -345	
French	2610	2670	-60	↓	2970	↓ -360	↓ -390	↓ -390	
Dutch	2570	2570	0	→	2750	↓ -180	↓ -430	↓ -440	
SMP	Current	Last Week	Difference		Last month	Difference	Diff 2 mths	Diff 6 mths	
German Food	1965	1930	35	↑	2245	↓ -280	↓ -595	↓ -450	
French Food	1910	1870	40	↑	2270	↓ -360	↓ -690	↓ -440	
Dutch Food	1900	1880	20	↑	2130	↓ -230	↓ -600	↓ -510	
Dutch Feed	1780	1780	0	→	1950	↓ -170	↓ -640	↓ -500	
Whey	Current	Last Week	Difference		Last month	Difference	Diff 2 mths	Diff 6 mths	
German	675	675	0	→	620	↑ 55	↓ -70	↑ 15	
French	680	650	30	↑	660	↑ 20	↓ -100	↑ 50	
Dutch	700	700	0	→	660	↑ 40	↓ -50	↑ 50	

Stabilisation. That's where the EU markets seem to be at the moment with butter and SMP both increasing this week - SMP for the second week in a row. A number of factors will be responsible - the initial panic is over and buyers are becoming used to a new norm; milk reduction schemes are in play across Europe (to varying degrees of effectiveness) and the introduction of PSA by the EU will have steadied nerves further.

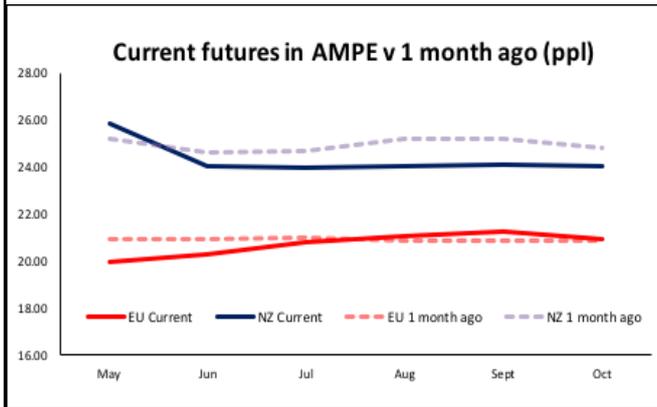
However it is probably fair to say that PSA won't be a cure for the market ills, as it is not as attractive to processors as it could have been as the payment terms are lower than in previous years and the overall budget is limited.

Futures prospects flatline at 20 - 22p still

Six weeks ago UK farmgate prices based on the EU futures were trending towards the 25.61p level, but they are now at 20.74p, which is a drop of nearly 5p. Factoring NZ futures prices puts the current prospects at 22.55p, which is a fall of 3.3p.



What do the futures markets say?



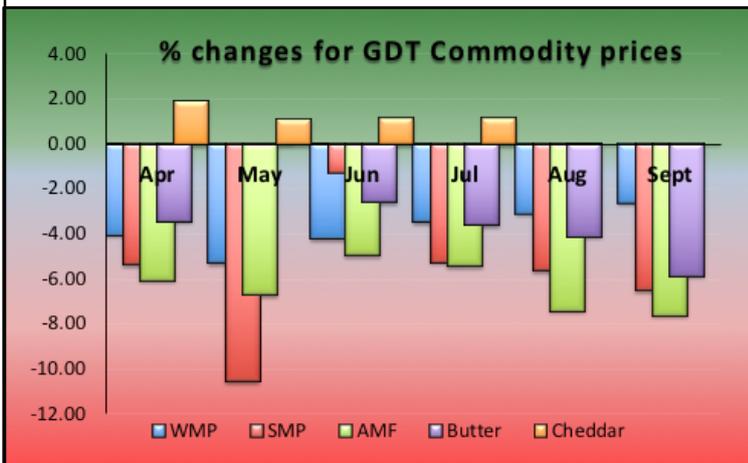
EU futures for the next six months, when converted into AMPE, have flatlined compared to a month ago, for both EU and NZ futures. EU prices range from a low of 20.00p to a high of 21.30p, when 2ppl has been allocated for transport but before a processor margin and futures trading costs have been accounted for. NZ futures prices maintain a decent premium over EU prices.

Most UK farmers should secure a net farmgate price a few pence higher than these futures would suggest, however.

What does the GDT say?

The GDT fell pretty heavily at the second April auction, being down 4.2% compared to an increase of 1.2% at the first auction. The average price was \$2836 compared to \$2969 at the previous auction. Despite the hefty fall there was a decent result for Arla's EU SMP - it traded at €1,977, up €15 on the last auction.

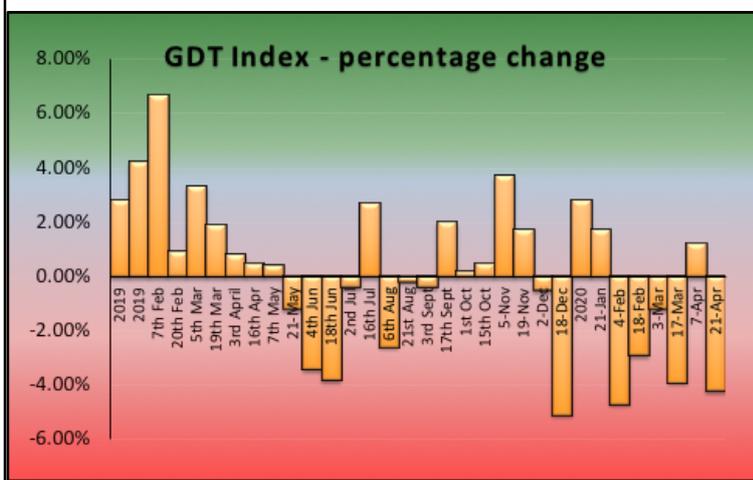
Prices convert into a UK equivalent price of around 25.5ppl, or, with the NZ futures included, around 26p:



GDT + NZX Futures prices in ppl

	Current	Previous	Diff
May	26.64	27.07	⬇️ -0.43
Jun	26.30	26.44	⬇️ -0.13
Jul	26.38	26.66	⬇️ -0.28
Aug	26.23	26.44	⬇️ -0.21
Sept	26.49	26.77	⬇️ -0.28
Oct	26.53	26.62	⬇️ -0.10

⬆️ Up over 1ppl
 ⬇️ Down over 1ppl
 ⬆️ Up between 0 and 1ppl: INCONCLUSIVE
 ⬇️ Down between 0 and -1ppl: INCONCLUSIVE

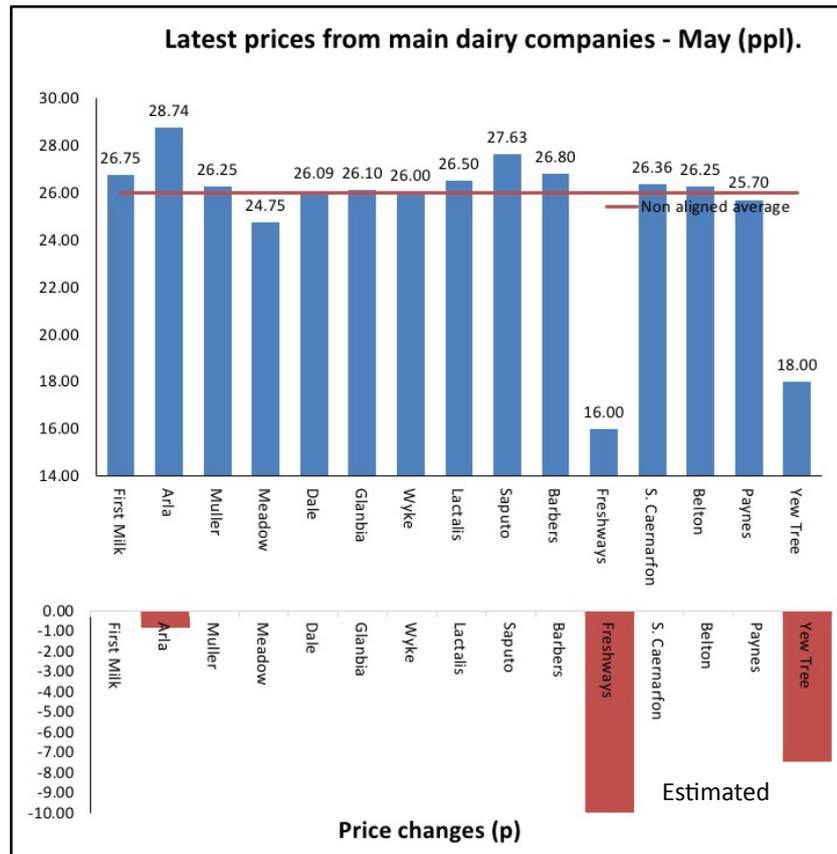


Milk prices hold for most, crash for some

The collapse in some markets as a result of coronavirus has plunged exposed processors into uncharted waters, with their B prices collapsing into single figures and the percentage of the A prices increasing to 50 - 60%. This has resulted in overall prices believed to be in the 16 - 18p range.

However other companies have held their prices - at least at the moment, although Arla has imposed a slight reduction of less than 1ppl.

It means the gap between the best non-aligned price and the worse is thought to be over 12ppl.



NI Milk volumes continue to outperform GB

UK milk volumes for the last month have averaged 43.19m litres per day, down 2.3% on the same period last year. But GB milk volumes have averaged 35.76m litres per day, down 3.4%.

It means Northern Ireland volumes are outperforming GB, and are estimated to have averaged 7.44m litres per day for the period, UP nearly 4% on last year.

NI volumes are now accounting for 17.9% of the UK's output - a record high proportion.

