

WELCOME

James Dunn, Managing Director of Promar International



The festive season is upon us all once more and it has largely been a positive year for the dairy industry.

However without appearing to be too 'Scrooge-like', a return to lower milk prices is not too far away I fear. With supply rapidly increasing and a fairly stagnant demand, basic economic rules will inevitably creep in during Q1 2018.

Our quarterly edition covers a broader range of topics and this month we consider the continuing volatility in the dairy industry and join the debate on Brexit – a topic that continues to attract much interest without any definition.

Our Agri-Food and Environment teams provide real depth to our offering at Promar and this month we have viewpoints on the poultry industry and women working within the dairy sector. From a customer's perspective, we hear the views of Katherine Filby from

Severn Trent Water in respect of our work on catchment management.

I hope you all have a very enjoyable time with family and friends over the Christmas period and wish you a prosperous 2018.



WOMEN IN DAIRY GROUP TACKLES RURAL ISOLATION



At a time when rural isolation is being talked about more openly as an issue in agriculture the Women in Dairy network provides an opportunity to socialise and learn from leading experts explains Caroline Groves, Promar's Senior Consultant and Women in Dairy group leader.

"Farming can be a particularly isolative industry, especially for women who often don't have the same networking opportunities as their male counterparts," says Caroline.

"I've been involved with farmer discussion groups for a number of years, however historically we've had very few female members, so two years ago I decided to set up the Herefordshire, Gloucestershire and Worcestershire Women in Dairy group.

"Since its launch we've had fantastic attendance and have hosted a number of industry experts who've provided thought provoking talks on current topics including Brexit, calf rearing, diversification and grants, and most recently Excel training."

The Excel training, funded by Herefordshire Rural Hub, provided practical advice and tools to create invoices and complete basic book keeping, explains Caroline.

"We had an unprecedented level of interest in the training and have received great feedback from attendees, with a number of ladies who previously used paper systems now having the confidence to move online, which is fantastic.

"We've had lots of interest in future courses and as a result we will now be joining up with Faster Farmers, a project set up to improve the rural communities use and access to technology, to provide more training opportunities," adds Caroline.

"At a time when supply chains are becoming ever reliant on technology and access to data, this is a great step forward in ensuring that producers utilise

the tools that are available to them. Women in Dairy provides a fantastic opportunity to help unite women in the rural community, sharing best practice and socialising along the way."

Women in Dairy:

Women in Dairy is a joint initiative between collaborating partners Promar, Genus, AHDB and RABDF designed to bring women working in dairy together to connect, share and inspire.

For more information on Women in Dairy groups in your area please visit www.womenindairy.co.uk

For more information on the Herefordshire, Gloucestershire and Worcester Women in Dairy group please contact Caroline via caroline.groves@genusplc.com, or 07772 227892.

POSITIVE RESULTS FOR CATCHMENT MANAGEMENT APPROACH

Farmer's awareness of water quality issues have improved year-on-year, according to research undertaken by Promar on behalf of Severn Trent Water (STW).

The data incorporates feedback from over 90 farmers from STW priority catchments during 2016 and 2017, explains Katherine Filby, STW Catchment Management Planner.

"Following a number of catchment scale trials from 2012, we launched a pioneering catchment management programme in 2015, of farmer support across 27 catchments covering 4,000km² and approximately 4,000 priority farms.

"The programme aimed to increase awareness of the issue of pesticides reaching water sources, and support farmers in making changes to protect and improve water quality in their local catchment.

In 2015, STW started working with Promar to investigate the effectiveness of the programme, explains Katherine. "We were keen to understand how our schemes were being received by the farming community and how we could improve them.

"Promar's research identified that in 2017, 94% of the farmers questioned, can now identify water quality concerns in their area, an increase on the 87% recorded in 2016.

"Following one to one visits from STW agricultural advisors, 45% of farmers questioned made changes to their farming practices as a result. This is a marked improvement compared to 38% for the previous year."

"And, following attendance at a STW workshop in 2017, 40% said that they plan to make changes to their farming practices in the future, which is an increase on 2016 results."

The research has also highlighted a positive response to ferric phosphate with

61% of slug pellet users having tried or regularly using ferric phosphate as an alternative to metaldehyde. And, many of these made changes as a result of signing up to a STW metaldehyde scheme.

Katherine adds that 2017 has seen increased activity for their team of STW agricultural advisors following increased awareness and interest in STW support schemes. "As we move into the third year of our catchment programme and research, we look forward to seeing whether awareness has further improved.

"The insight provided by Promar has shown that a catchment approach can be effective at increasing awareness and changing farmer behaviours to protect and improve drinking water quality, and we hope to be able to demonstrate even greater improvements by 2018."

For more information on Promar's environmental services please contact Tom Gill via Thomas.Gill@Genusplc.com or 07772 227985



POULTRY INDUSTRY SET FOR INVESTMENT



With food inflation recently reaching a five-year high of 3%, the UK

poultry industry could be set to prosper, explains Promar's Divisional Director, John Giles.

"With inflation increasing, UK consumers will continue to look to the poultry sector for a value for money source of protein. And, this could drive up demand, providing the perfect opportunity to attract investment and build further on the growth seen over the last ten years in UK production."

John adds that the UK poultry industry has been a real success story with poultry now accounting for 40% of all meat consumed in the UK. "The highly integrated nature of the sector and significant investment in genetics to reduce production times, have been instrumental in producing what is now the most economical source of meat protein."

At the other end of the supply chain, the processing industry has also capitalised on key consumer trends, such as healthy eating, and an interest in free range and organically produced food, John explains.

"The sector has met consumer desire for convenience and versatility, by producing a wide range of consumer ready and value-added products, with an inherent value for money proposition.

"However, despite the cheaper shelf price, there is still a demand for good quality food with high production standards. And, as the UK produces some of the highest quality produce in the world, the industry should capitalise on this, while not becoming complacent in this area."

John adds that UK poultry production is currently around 72% self-sufficient, with the remainder being sourced largely from the Continent, from countries such as the Netherlands, Ireland, Poland and Germany.

"As supermarkets are keen to promote British-sourced produce and with uncertainty surrounding import tariffs

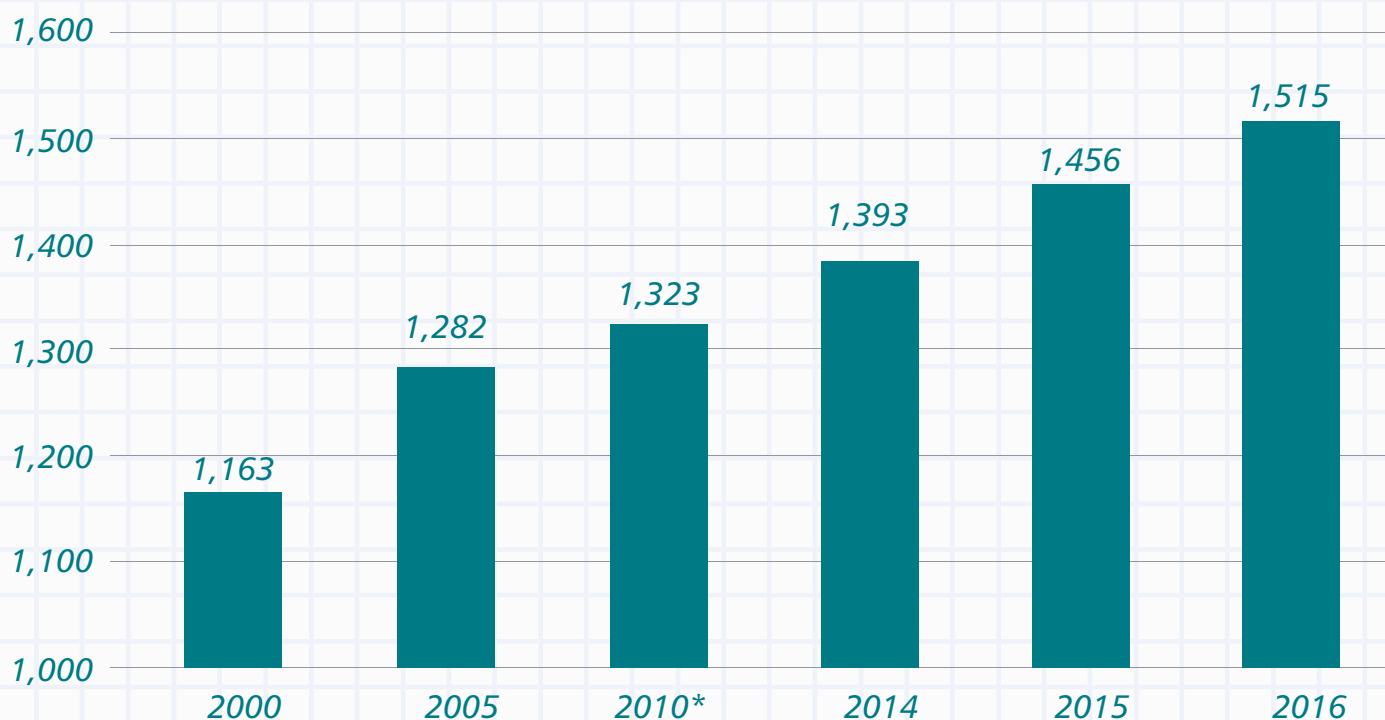
post-Brexit, there is an opportunity for UK production capacity to increase. However, the industry will need additional investment in both production and processing capacity, as well as further improvements in consumer marketing," says John.

The sector is attractive to both UK and international investors, as seen by the recent acquisition of the UK's second largest processor, Moy Park, by the US based, Pilgrim's Pride, John explains. "This is just one example of a UK agricultural and food market that is attractive for investment.

"Almost regardless of the final outcome of Brexit, the industry should be recognising its assets and taking advantage of the opportunities for further market and supply chain development."

For more information, please contact John Giles via John.Giles@genusplc.com, or 07768 553298

UK BROILER MEAT PRODUCTION



* 53-week statistical year, source: Defra

TAKE ACTION NOW FOR POST-BREXIT SUCCESS



The UK food and drink supply chain will face challenging times post-Brexit, but there are opportunities

available for those prepared to take them, according to Promar's Head of Agri-Food Lisa Williams.

"There are a number of UK businesses that either import raw materials and manufacture here for finished goods to be consumed or exported; or export raw materials for value to be added in markets overseas. However, following Brexit, increased import and export tariffs are likely to put increased pressure on trade, and therefore, businesses should be identifying opportunities to help them thrive in the testing times ahead."

Lisa explains that through research undertaken by Promar, these opportunities can be segregated into two main categories. To displace a product that's currently being imported to the UK, or to export products to new markets for a premium.

"Through in-depth market research and analysis of numerous data sources,

UK businesses can make informed decisions, and understand the most attractive export opportunities ahead."

Understanding the potential benefits and pitfalls and therefore attractiveness of a potential new customer base, can only be achieved through a targeted approach, which starts with detailed research, she explains.

"Using research factors such as market segmentation by size, population, competitive landscape, potential growth, and ease of entry, businesses can prioritise the most opportune markets, and dedicate both financial and human resource in those areas."

Lisa adds that the UK is currently 76% self-sufficient in food production, which presents an opportunity for product displacement for UK businesses.

"With the threat of increased import tariffs looming, businesses should be looking at ways to attract inward investment to develop UK production capabilities, and reduce import requirements.

"For example, there could be an opportunity in establishing international

business partnerships with UK production facilities, to develop similar products to those being imported from overseas.

"Alternatively, there is potential to displace UK yoghurt and butter imports, but cost of production and finding skilled labour would be key in realising this, as would being able to demonstrate a return on investment.

"Realistically, there will always be a need for imports. But the supply chain needs to take the lead on supporting greater UK production, and communicating the value of British produce to the consumer."

Lisa explains that UK food and drink businesses should be focusing on a five-year Brexit business plan, which starts with challenging the current strategy.

"Despite the uncertainty, action must be taken now. Brexit will bring change, but it also presents an opportunity to focus on what we do well as an industry, and to start building resilience for a more sustainable future."

For more information, please contact Lisa Williams via Lisa.Williams@genusplc.com, or 07971 118667

DAIRY MARKET VOLATILITY PREDICTED FOR 2018



Despite the current EU-28 average farmgate milk price being up by 29% year-on-year, as a result of continued

strong performance in dairy wholesale markets, producers are being warned to prepare for price fluctuations throughout 2018.

"During September, a number of dairy processors increased their farmgate milk prices, with the average figure increasing to 30.9 ppl," explains Lizzie Bonsall, Agri-Food Consultant at Promar.

"However, these increases could be short lived as global dairy wholesale prices appear to be in decline after a period of strong growth over the last 12 months," warns Lizzie.

"A price reduction on a global level will no doubt be passed back to producers in the

UK over the coming months," she says.

"This change in the global marketplace has been caused by increased milk production, and quotations for butter, Skimmed Milk Powder (SMP) and Whole Milk Powder (WMP) easing in October."

Lizzie explains that leading import markets have held back on butter and WMP purchases, due to impending supplies from Oceania. This is coupled with the Milk for Cheese Value Equivalent (MCVE) dropping by 5%, as whey powder and whey butter prices declined.

"Limited SMP demand and ample stocks in the European sector, has also led to a 11% decline in Actual Milk Price Equivalent (AMPE)."

She adds that the price of SMP is forecast to decline further, as the EU DG - Agri proposes that the fixed price for the intervention of SMP may be removed

when it re-opens in March 2018.

"High SMP volumes in storage caused the EU to close its intervention stocks in October, and Promar forecasts that this latest development will have a further knock-on effect on SMP prices in the New Year."

The premium for food grade SMP compared to feed grade has also fallen by 50%, and over 96% of SMP stocks are now reported to be over one year old. "This raises questions over whether food manufacturers will become stricter on the quality and age of the SMP they purchase going forward, and it will be interesting to see how this develops over the coming months."

For more information, please contact Lizzie Bonsall via Elizabeth.Bonsall@genusplc.com, or 07976 334743