



THE  
**daykin**  
**REPORT**

**Organic Milk  
Market Update**

**April 2022**

## Organic Dairy Unsustainable as Prices Rise at Half the Rate of Conventional Dairy

Conventional milk prices have increased significantly over recent months with the average non-aligned price having risen from just over 30p in October to an average of 37.74p now. That's a percentage rise of 23.4%. In contrast the average organic price (an average of Muller, Arla and OMSCo) now sits at 43.5p, which represents an increase of just 11%, or half that of conventional prices.

Currently the organic premium is 12% more than the aligned retailer pool price. Compared to the non-aligned average it is 15% more and to the top five paying nonaligned processors it is just 8% more. Historically the average premium for organic milk over these is between 25% and 35%! But those are AVERAGE prices! The five top paying processors are all paying over 40p, now. With its seasonality scheme OMSCo is paying 37.25p for April through to June, before that comes off in July and prices go to 42p. But that's still a far cry from Muller at 48p for May, and Arla at 45.4p for April. Given all of this it is therefore no surprise that an increasing number of organic farmers are questioning the long-term sustainability of the sector - especially with feed prices and availability being what it is (see back page). Organic milk volumes have been terrible in recent months (see page 2) and although they are seasonally improving they are still well down. Despite that, though, it seems that there is still too much organic milk around for the marketplace, and to ensure all farmers get a sustainable price.

The 'two f's' for organic - fuel and feed - are still extraordinarily high and supplies of the latter will be

challenged for the foreseeable future. It means the cost of production is certainly well over 50p. But maybe we shouldn't talk about cost of production now. Perhaps we need to talk about a price that encapsulates a cost AND a confidence factor that ensures the economic sustainability of the sector. That price will be a whole lot higher still. But the sustainability of the sector may well depend on it.

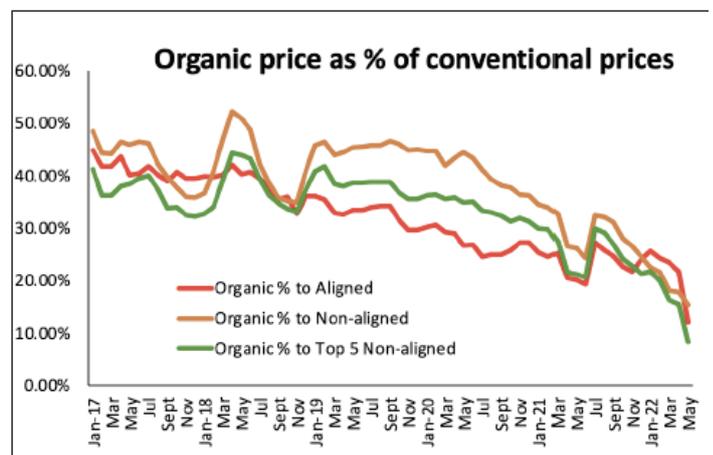
### Core milk price information (ppl)

May

	ppl	Change
Average DEFRA milk price (last quarter)	35.89	↑ 0.15
DEFRA price, corrected to 4% & 3.3%p	34.07	↑ 0.42
<b>Indicative organic price (last quarter)</b>	<b>43.00</b>	<b>↑ 0.42</b>
Aligned pool price (last quarter)	36.20	↑ 0.82
Estimated WEIGHTED non-aligned price (last quarter)	36.73	↑ 0.70
Top Five Non-aligned processors (last quarter)	39.27	↑ 1.29
AMPE (conventional returns from butter & SMP)	51.97	↑ 0.29
MCVE (conventional returns from cheese)	40.84	↑ 4.14

### Organic milk price in relation to conventional prices

		Diff to last
Organic premium to Aligned %	12.1%	
Last quarter	19.1%	↓ -7.0%
Three year average	26.4%	↓ -14.3%
Organic premium to Non-Aligned %	15.4%	
Last quarter	17.1%	↓ -1.7%
Three year average	35.3%	↓ -19.9%
Organic premium to top five non-aligned payers %	8.3%	
Last quarter	13.4%	↓ -5.1%
Three year average	29.6%	↓ -21.3%

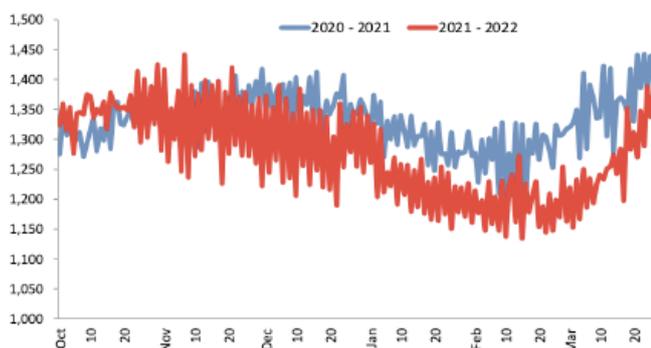


## GB Organic Milk Volumes Collapse as Cost and Confidence in the Sector Wanes

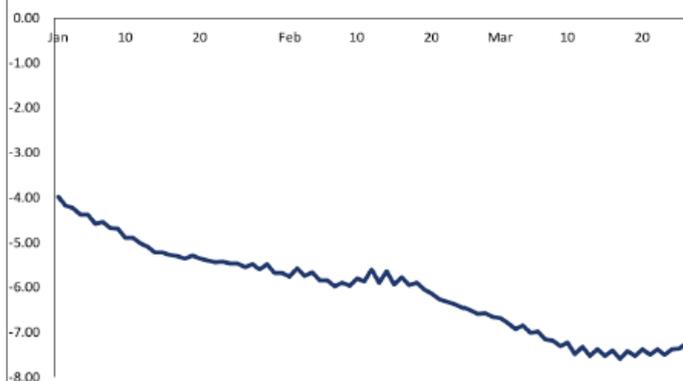
GB organic volumes have collapsed in recent months in line with a double whammy of price falls for some producers and an increase in costs. Back in October OMSCo implemented a 2ppl price cut just as inflation started to bite. Since then milk volumes have dropped to being almost 8% lower than last year on a 50 day rolling basis. Milk

supplies are inevitably increasing now as a result of the seasonal rise, but they are still tracking 5.5% lower on a rolling seven day average. It is currently hard to see how this situation will normalise given the differential between milk prices and those costs of production.

GB Organic Milk Production ('000 l/day)



50 days milk average - % difference to last year



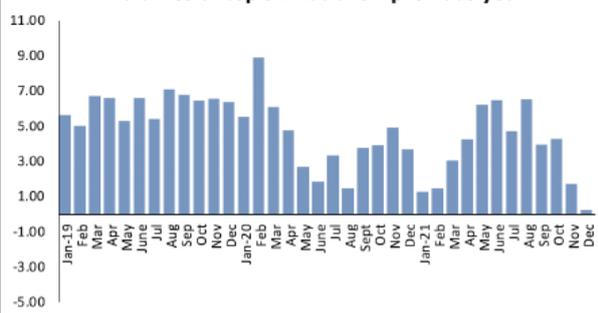
## EU Organic Volumes Continue to Increase as German and French Volumes Soar

These are the latest milk volume trends, including all milks not just organic, for the EU's top organic milk producing countries - Germany, France, Denmark, the UK, Netherlands and Sweden. These countries account for slightly less than 80% of the EU's total organic milk volumes. Some volumes are actual organic volumes, others have been estimated from conventional volumes, and the percentages of organic milk within each nation's total volumes. It is assumed that if milk volumes in each of the countries is strong, then organic milk production will also be strong, and conversely, of course.

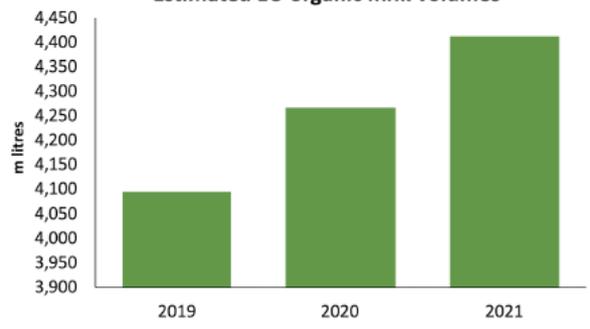
EU conventional milk volumes have been steadily falling over recent months compared to last year. In fact five out of the last six months have been negative. This is not the case for organic volumes. Taking actual data from France, Germany and the UK, who together account for around two thirds of the organic milk produced in the EU, and estimating volumes from Denmark, Sweden and The Netherlands, it looks if volumes for 2021 will be 3 to

3.5% higher than last year. Germany's volumes grew by 2.6% in 2021 compared to 2020 and were up over 3% in January 2022, too. But that's nothing on France, which was up by a massive 10% in 2021 on 2020! January 2022 has also seen a 5% rise in volumes to cross 100m litres for the month for the first time. In contrast, it is predicted that the UK will decrease its volumes by around 1.5% for the April 2021 to April 2022 milk year.

Estimate of % change in monthly organic milk volumes of top six nations v previous year



Estimated EU organic milk volumes

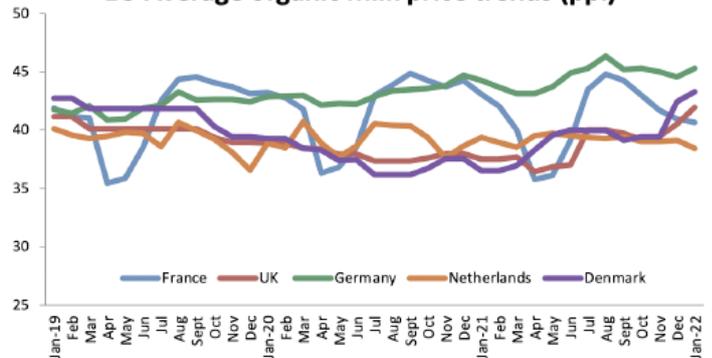


# Germany Tops Organic Price League for Fourth Year Running with UK Last

Germany maintained its position as the top paying major organic EU nation in 2021, with an average price of 44.5ppl on a standard 4% fat and 3.3% protein basis. It's the highest price we have recorded, and beats the six year average by 3.4p. It is the fourth year in a row Germany has been the highest payer in the EU. (Excluding Italy, as price data has only been available for a limited period of time.) In second place was France, with an average price of 41.2p. The Netherlands was third at just under 40.5p. Denmark and the UK both failed to break through the 40p threshold. The UK paid the lowest price in 2021, after paying the second lowest in 2020 and in 2019. Happy days! Not. Compared to conventional milk The Netherlands' organic price was 36% more than its conventional average, slightly ahead of Germany's at 34% more. The UK was second bottom after Sweden (see table). Over the last five years Germany is the top payer, with an average of 41.2p followed by Denmark at 40p then The Netherlands at 39.8p, the UK at 39.4p

and France at 39.3p. The UK's best year is 2018, when milk prices averaged 40.4p. Out of all of the countries assessed the best year is 2021 for Germany at that 44.5p level.

**EU Average organic milk price trends (ppl)**



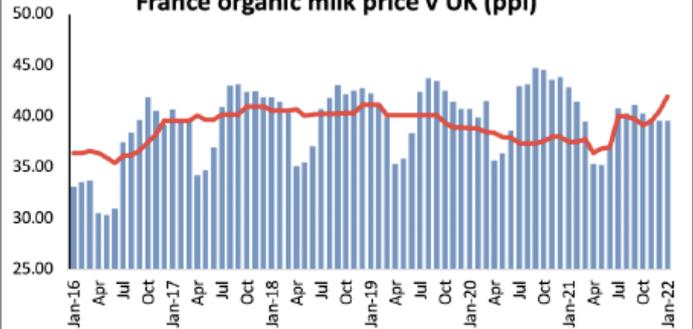
**Organic milk price as % conventional**

Netherlands	136
Germany	134
Denmark	125
France	124
UK	115
Sweden	111

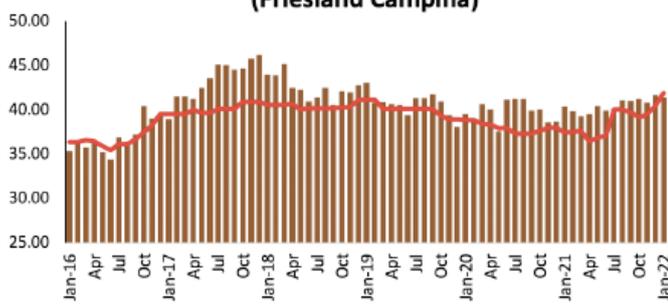
**Germany organic milk price v UK (ppl)**



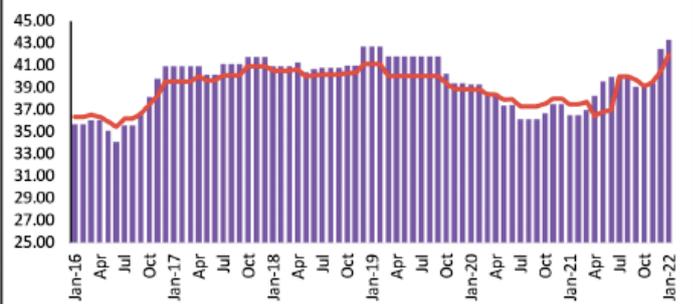
**France organic milk price v UK (ppl)**



**Netherlands organic milk price v UK (ppl)  
(Friesland Campina)**



**Denmark organic milk price v UK (ppl)**



UK =

# Where Now for Organic Feed Prices and Raw Material Availability?

Who wants to buy some organic feed? No, I mean who'd REALLY like to buy some organic feed? I thought not. Not at the sort of prices we're talking about - with them heading towards £600/t for a mid range 18%. Raw material prices are insane as the ramifications of Russia's invasion of Ukraine bite into the sector. Price rises could be up to £150/t and equivalent to a third higher for next winter compared to last, I think.

Will there be enough raw materials to fill demand? Well traders say there should be, but traders are usually glass half full types and they are playing their cards very close to their chest. None are willing to over-sell in case boats don't arrive and they have to dip into replacement markets to fulfill contracts. No one wants to be caught with their commercial trousers around their ankles!

Let's take a look at some raw materials to see how prices have changed:

## Soya

Organic soya has risen from lows of £570/t in October 2020, to trading at over £1150 today, which equates to a rise of 120% in 18 months.

## Wheat and Maize

Maize, along with soya, has continued to follow the same pattern, from lows of £240 in September 2020, to the current market price of £500 and climbing. Ukraine, Romania, Moldova and Russia are all major growers, with a lot of it previously shipped from (now closed) Black Sea ports.

Wheat is similarly affected. Last year the UK imported 107,000 tonnes of organic wheat and 58,000 tonnes of organic maize, with half of it all going in ruminant diets. Some 90,000 tonnes of it

came from the Ukraine and Russia. It is currently very difficult to see how that is going to be replaced, and from where. The uncertainty and lack of reliable alternative is only going to fuel prices, I'm afraid. Currently organic wheat is £520, up from £235 some 18 months ago.

## Sunflowers

Forget them! Or at least not quite! Ukraine normally has a lot, but won't be planting much anytime soon, even if the war ends tomorrow. There are other sources such as China, but will they fill the gap?

## So what to do?

Well it's going to be difficult to replace some of the missing of raw materials that are required in organic dairy production. But the organic milk price is currently not good, and the organic Milk Price: Feed Price ratio is not in sight of the level it needs to be to make feeding of expensive compound feeds economic. Farmers will thus feed fewer concentrates, with only the bare minimum being used to ensure good cow health and welfare.

The focus will be on forages and home grown alternatives such as clovers / lucerne, wholecrop and cereals, but some of these are already being fed at maximum recommended levels. Cows may be culled, several farmers will convert back to conventional and organic milk volumes will continue to drop.

But what of a feed derogation? Should we ask for one? Well there's a case for a derogation and a case against, but I'm not hearing of a major push to get one. If the outlook doesn't ease before long, the grazing season is poor and the harvest is less than brilliant then I think some will possibly be looking for one.

