



Milk Suppliers Association
C/o DOURIE FARMING CO LTD
Monreith Estate Office
Port William
DG8 9LB

MSA Member

28/04/2017

Private & Confidential – For MSA Members Only – April Update

Dear Member,

My third letter of the year covers a number of areas:

General market update

We are now well into the spring flush. According to FC Stone, UK milk collections for the W/E 15th April continued to extend the lead held over last season posted a week earlier, with collections up 2.6% on last year, 0.6% ahead of the three year average and 4.3% ahead of the five year average for the week. With volumes of milk growing spot milk is currently trading around 19ppl and could easily move lower before the flush is through heading out of May. How the production trend goes from this point is anyone's guess but the market appears to be in a 'transitional type of pausing for breath wait and see' phase. At one end, consumer demand appears to be a little more constrained as inflationary pressures reduce spending. In the middle, processors are balancing supplies against stocks and the volumes of liquid milk available. While there is no doubt pressure in the markets still exists, commodity prices do appear to be stabilising from their falls with strong demand for butter and subsequently cream being maintained. SMP however is currently trading closer to its Intervention price level but there are tentative signs prices will improve after the flush period moving further into the year. Mild cheese markets have also stabilised somewhat although its early days yet to say wholesale prices have started to increase. On the farm, output is being maintained but costs are rising. Another key influence on the market is the value of sterling which appears to rise and fall on the basis of various elections (our own UK and other European polls). Analysing these factors makes it difficult to make any firm predictions about where the market will be later this year but currently it looks unlikely that prices will strengthen, if anything, there is now more downside risk for the wider market.

Volume management and forecasting

As per the recent letter from FMC, please provide the company with an update to your milk production forecast and feedback on your milk tank. Help is available from Derek Kennedy if you need assistance with forecasting, so please don't hesitate to give him a call on 07951 711079. With respect to our discussions with FMC on the mechanics of managing the system

we have a meeting in May and a further meeting in June to hammer out more details. I will report on our progress later in the year.

Producer meetings

The letter from FMC also highlights a round of producer meetings as follows:

- 16th May at lunchtime in Ayr
- 17th May in the evening at Stranraer
- 18th May at lunchtime in Dumfries

FMC will be hosting these meetings but an MSA Steering Committee member will be attending. Please make every effort you can to come along. I understand that the meeting venues and timings will be confirmed by FMC in due course.

Farm Stock Scotland

Farm Stock Scotland is starting to market cull cows for members and the first load is scheduled to be collected this week. I will provide a more comprehensive report on the feedback that I receive in my next letter. In the meantime, information on their services is available at www.farmstock.org.uk and from Guy Old on 07766 088900 or Jim Kennedy on 07774281735.

Calf scheme

Morrison's and Buitelaar are developing a working partnership with the MSA and Lactalis to source more bull calves from the dairy sector. Buitelaar picked up a first load of around 40 calves on Monday 24th April which went to their newly opened collection centre near Shap in Cumbria. A further collection is planned for Monday 15th May and thereafter there will be regular fortnightly collections. Danny Coates is your Buitelaar contact and he can be called on 07912 870022. We would like to pass your contact details to Buitelaar so that Danny can visit you to take you through the scheme. If for any reason you do not wish to be contacted by Danny please email Hamish Walls on hamish.walls@saos.coop or call him on 01896 820291 or 07836 679901 by 12 May. Like Farm Stock, I will provide further feedback on the collection scheme in my next letter.

Supply chain project

As previously reported, the supply chain project managed by Hamish Walls continues. Case studies are available on the MSA website which I encourage you to visit at <http://www.msa.scot>. Hamish would appreciate any feedback that you have on the website, particularly the news section. Are the items posted interesting and/or relevant? What if any other information would you find useful and like to see? Please let Hamish know at hamish.walls@saos.coop or call him on 01896 820291 or 07836 679901.

MSA activities

Finally, as you know, the Steering Committee meets regularly with FMC. Our next scheduled meetings are as follows:

- 14 June
- 14 September
- 14 December

If you have any issues that you would like us to raise on your behalf, please let me or any member of the Steering Committee know.

In addition to this activity, I am also currently participating on the Dairy Growth Board (DGB). The work of this group is targeted towards developing a stronger Scottish dairy brand. The DGB is also investigating ways to improve supply chain collaboration in the dairy sector. Through this work, I have been able to develop new links into the Scottish Government and across the wider industry.

I look forward to hearing from you.

Yours sincerely

Rory # Christie

For and on behalf of the MSA Steering Committee

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- Adam Gray, 07889332914, 01557870208
- Jim Fisher, 07796305351, 01776820300
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