The big forces facing UK dairy

Changes in dairy consumption & consumers needs

Global competition

Sustainability

Higher solids production?
Shifts in dairy consumption

Developed nations

- Fresh dairy
- Processed dairy

CAGR 0.1% (2000-2020)
CAGR 1.2% (2000-2020)

Developing nations

- Fresh dairy
- Processed dairy

CAGR 3.1% (2000-2020)
CAGR 3.5% (2000-2020)

Domestic supply
Imported supply
Moving up the hierarchy

Developed nations

Developing nations

---

**Figure.** Satter’s Hierarchy of Food Needs.
UK shift in milk utilisation

- 2000: 51% Liquid, 49% Manufacturing
- 2010: 50% Liquid, 50% Manufacturing
- 2015: 50% Liquid, 50% Manufacturing
- 2020: 49% Liquid, 51% Manufacturing

Number of million litres

- 0
- 1,000
- 2,000
- 3,000
- 4,000
- 5,000
- 6,000
- 7,000
- 8,000
- 9,000

Consumer needs

72% of consumers claim to try to lead a healthy lifestyle
Source: AHDB/Kantar 52 w/e 21st March 2021

66% of consumers claim to consider the environmental impact of the food they consume
Source: AHDB/YouGov August 2021

88% of consumers claim animal welfare is an important part of food production
Source: IGD October 2021

THANKS TO THE BRITISH WEATHER, OUR RED MEAT AND MILK ARE AMONGST THE WORLD’S MOST SUSTAINABLE

Enjoy the goodness
Changes in dairy consumption & consumers needs

- Demand moving to manufactured products
- Shift in product mix
- Demand increasingly linked to ‘features’ of food
- Sustainability credentials needed
Global dairy opportunities

Figure 7.1. Per capita consumption of processed and fresh dairy products in milk solids
Moving up the hierarchy

- Developed nations

- Instrumental food
- Novel food
- Good-tasting food
- Reliable, ongoing access to food
- Acceptable food
- Enough food

Figure. Satter's Hierarchy of Food Needs.
What do international consumers want?
Global competition

“Global Britain”

Free trade agenda

• Little protection of domestic markets

• Targets:
  New Zealand, Australia, Canada
  USA & Trans-Pacific Partnership
  large net exporters of ag products
  large consumer markets
Agreed FTAs increase competition from imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Cheese (t)</th>
<th>Butter (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>24,000</td>
<td>5,500</td>
</tr>
<tr>
<td>Year 2</td>
<td>30,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Year 3</td>
<td>36,000</td>
<td>8,500</td>
</tr>
<tr>
<td>Year 4</td>
<td>42,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Year 5</td>
<td>48,000</td>
<td>11,500</td>
</tr>
</tbody>
</table>

- 7% of cheese imports
- 33% of butter imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Cheese (t)</th>
<th>Butter (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>24,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Year 2</td>
<td>30,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Year 3</td>
<td>36,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Year 4</td>
<td>42,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Year 5</td>
<td>48,000</td>
<td>15,000</td>
</tr>
</tbody>
</table>
Competitiveness

Costs and outputs for typical farms in dairy exporting countries in 2020

Source: IFCN
Changes in trade policy & global competition

- FTAs increase competition in home market
- International consumers focus on price, quality & food safety
- Competitive supply chains
- Quality credentials, Competitive products

Supply chain integration
“common purpose”
Agricultural policy

Environment Land Management (ELM)

• BPS to be phased out
• transition to Sustainable Farming Initiative
• payment for public goods
Supply chain

- Milk production
- Production of feed for cows
- Milk transport
- Processing
- Packaging
- Distribution
- Retail
- Consumer
Sustainability requirements

Agricultural policy focus on public good provision

Sustainability targets to meet consumer needs

Productivity improvements

Coordinated supply chain to minimise waste & improve efficiencies

Competitive supply chain
A ‘solids’ future

**Consumers**
Demand for manufactured products
Meet health, environment & quality requirements

**Trade**
Increased import competition
Export opportunities quality & price requirements

**Sustainability**
Policy focus on public good provision (environment)
Efficient & coordinated supply chains
Questions