20 September 2023

AHDB milk forecasting forum

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The small print

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Housekeeping

- This is intended to be a discussion so please do speak up
- But, please mute your microphones when you are not speaking
- We will aim to have a discussion at the end of each key topic

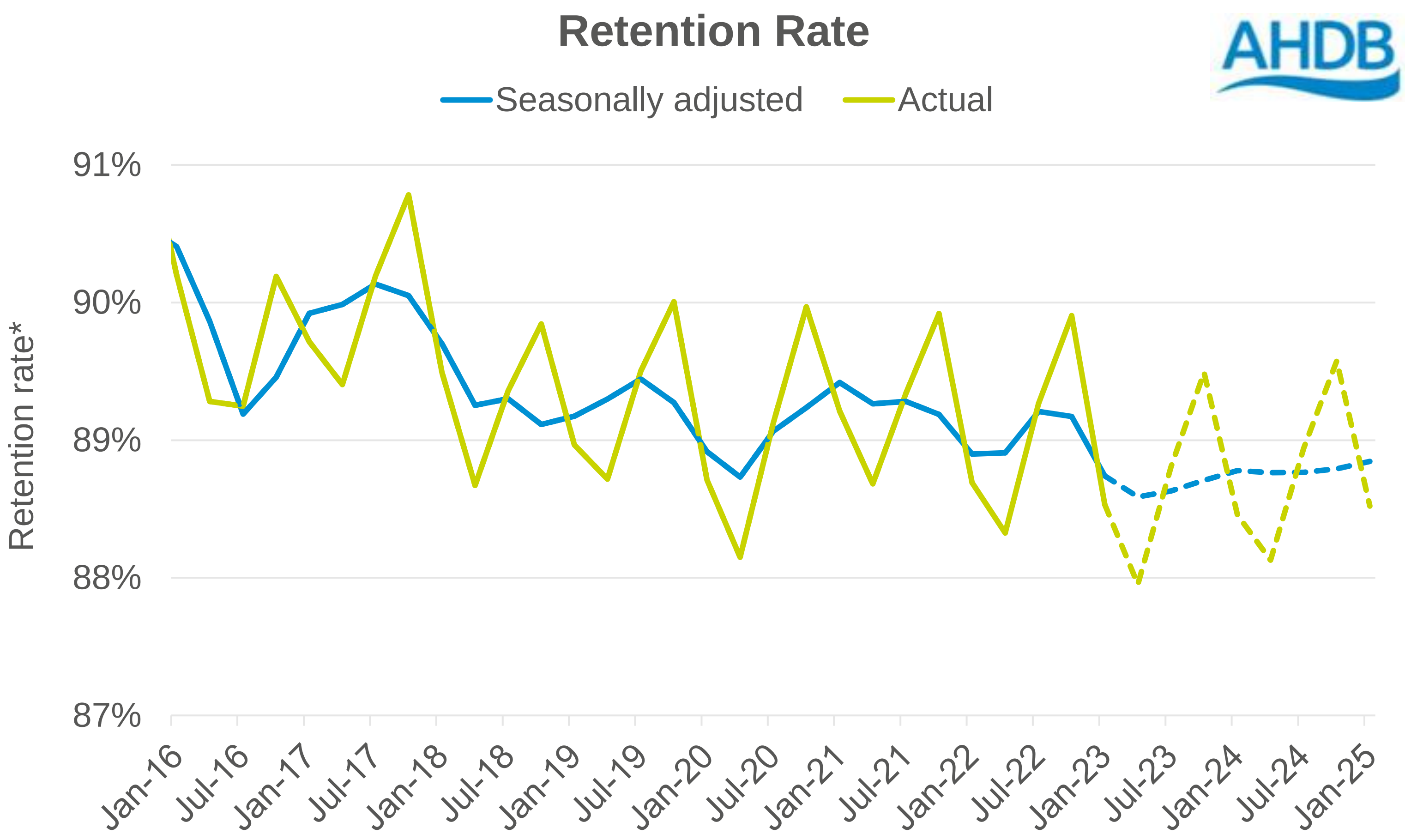
Contents

- Key topics:
  - Herd size - inseminations, calf numbers and calving patterns
  - Feed market update
  - Costs
  - Yields
  - Compositional quality
- Milk forecast

Herd size, inseminations and calvings

DAIRY

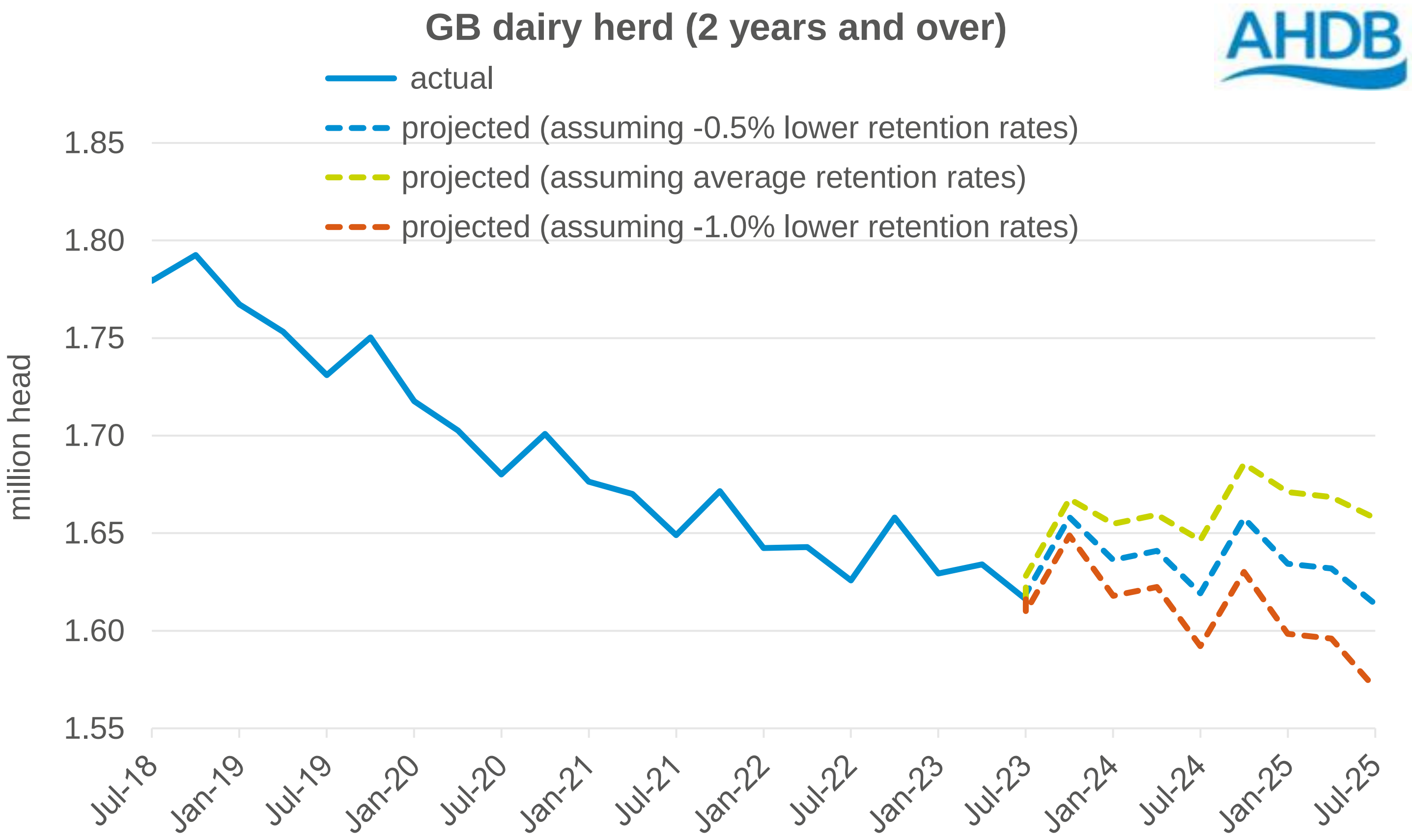
Retention rate



Source: BCMS, AHDB
*Seasonally adjusted 6-monthly retention rate for 2-8yrs

- Retention of cows over 6 month period
- We seasonally adjust because Oct always high and Apr always low – allows us to see trends more easily
- Retention rates slightly lower in H1 2023 and likely to continue the trend in H2 2023 – against initial expectations
- Jul23 retention slightly down on Jul22
- **Expectations for rest of year?**

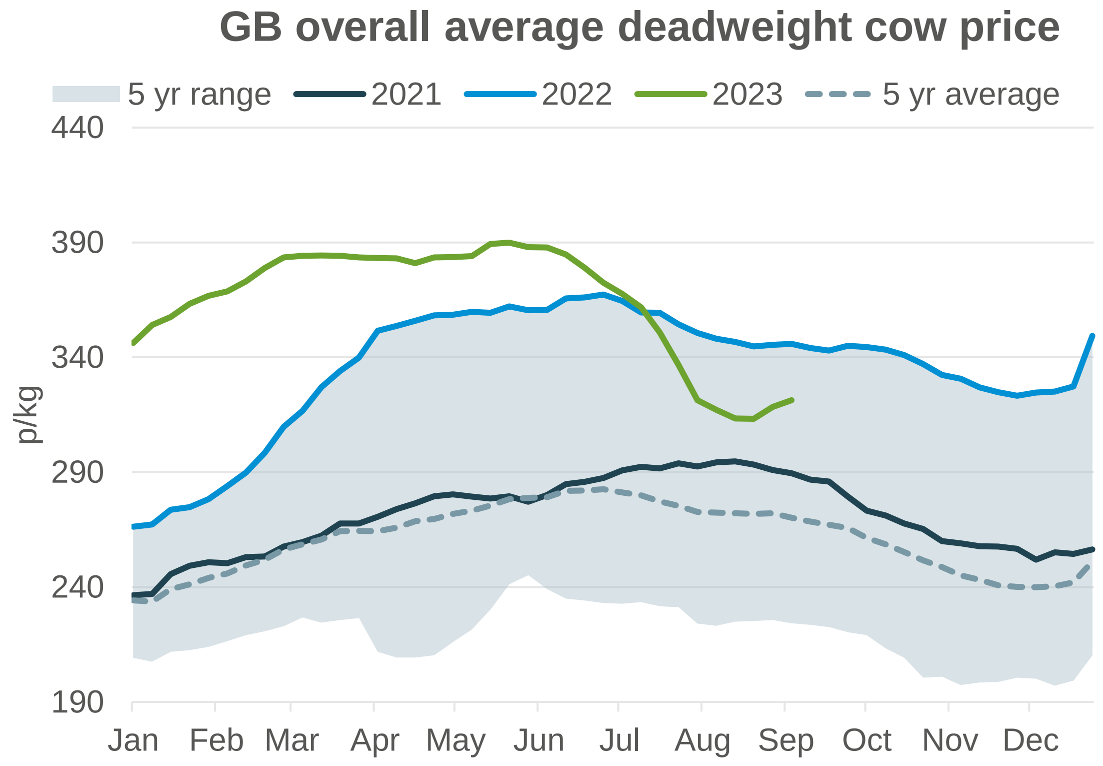
Herd size expectation



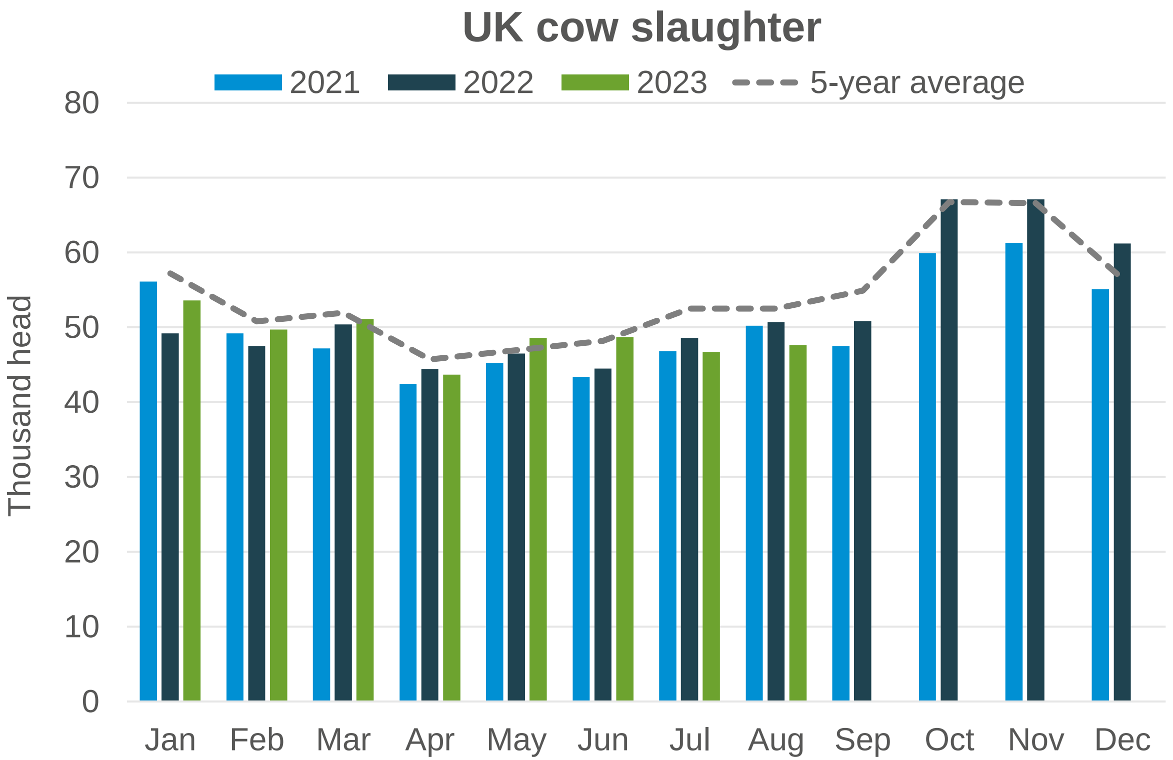
Source: BCMS, AHDB

- Based on predicted youngstock numbers (from insemination data) and 3 year average retention rates
  - 2022/23 assumed lower than average retentions (adjusted down 0.5%)
  - **2023/24 – same, higher adjustment or back to long term average?**
- Herd size maintained if retention rates run 0.5% below average
- Herd size up by around 2% if retention rates return to average
- Herd size down by around 1% if retention rates run 1% below average.

Cow prices have fallen but slaughter is behind average



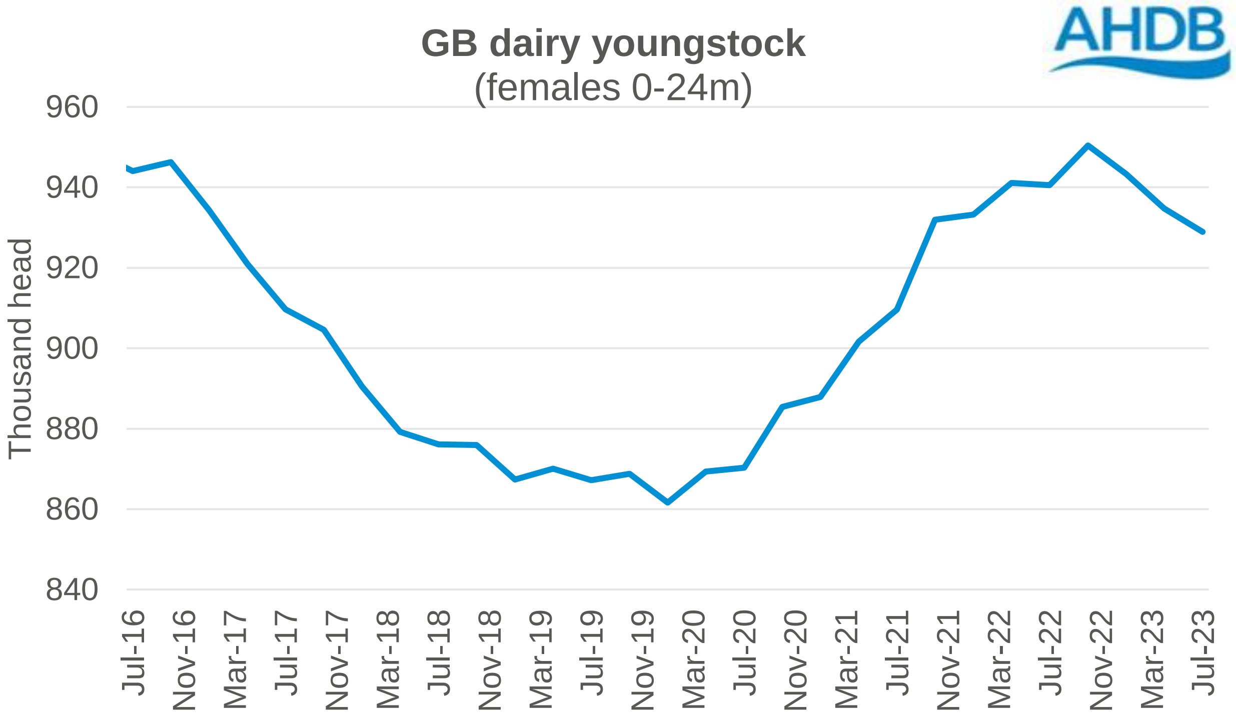
Source: AHDB



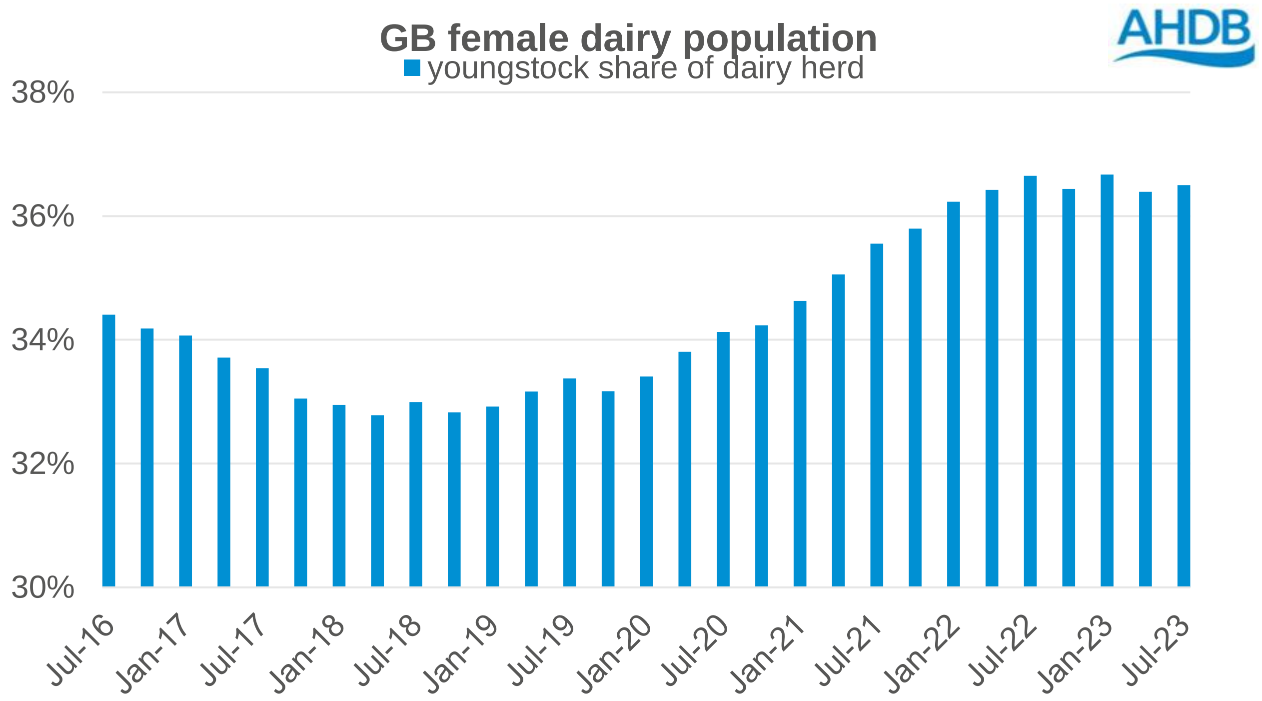
Source: Defra

Note: data is for all cows so will include beef breeding cows as well as dairy cows

Have youngstock numbers peaked?



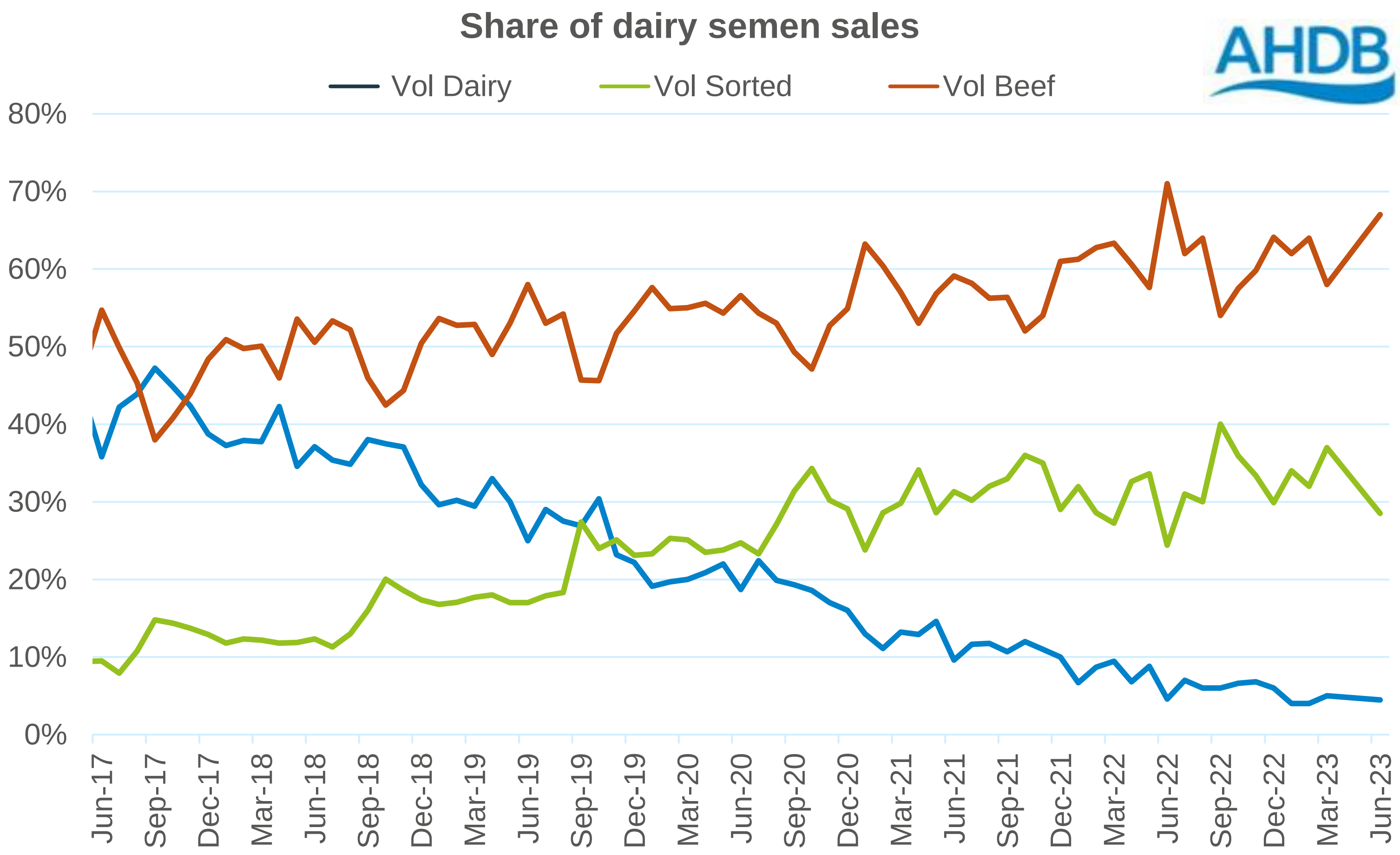
Source: BCMS



Source: BCMS

- Youngstock numbers (0-24m) are now in decline after 2 years of increases
- Rising youngstock from 2020/21 now entered into main herd
- **Will this impact on long term rate of decline in milking herd?**
- **Or just on retention rates?**

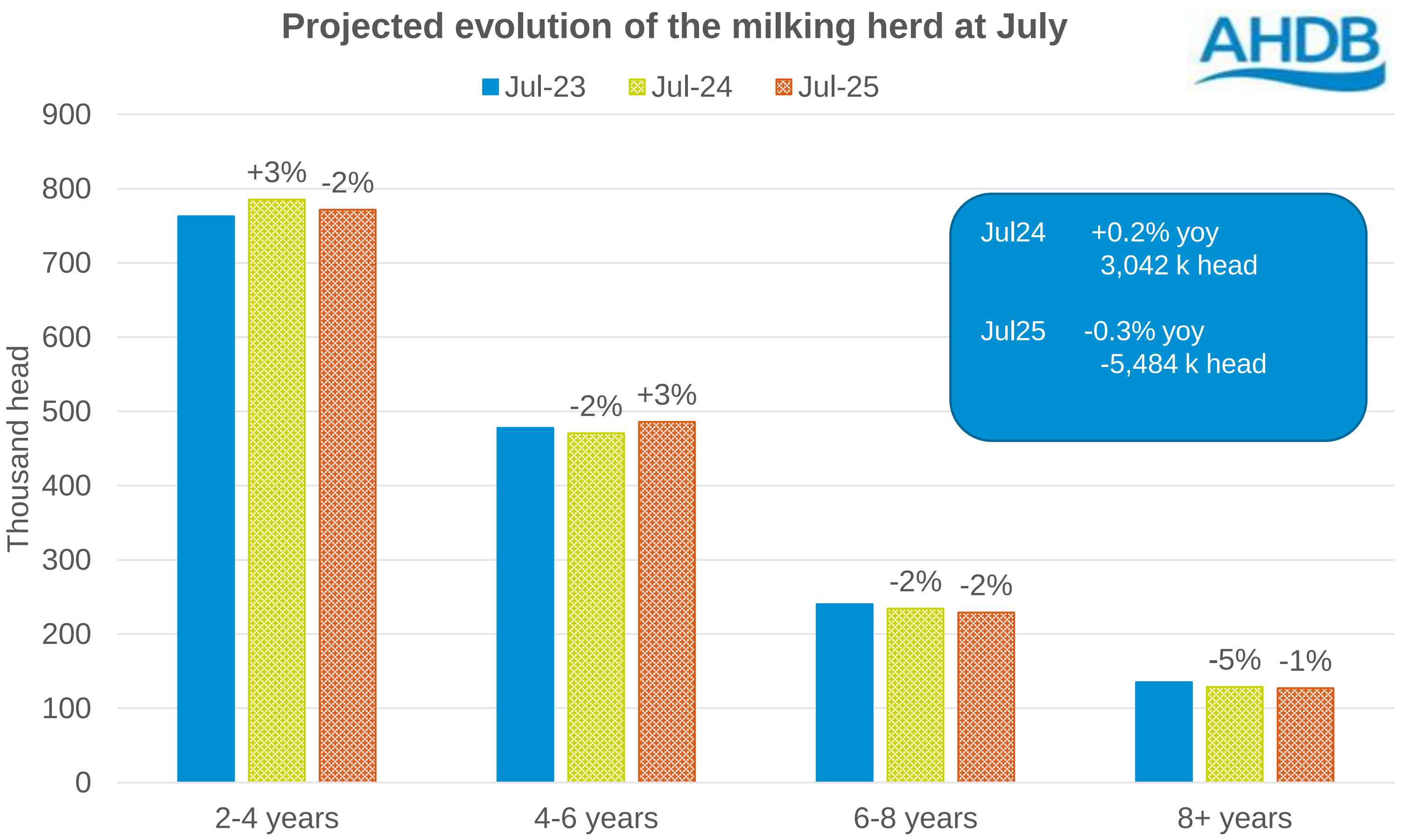
Sorted semen taking the majority of dairy semen sales but shift to beef



Source: Genus

- Conventional dairy sales have plateaued
- Increased use of beef semen in H1 2023
  - Direct switch out of sorted dairy
- **Will this balance off in 2023?**

Future age structure of herd



Source: BCMS, AHDB

- Using current projections of -0.5% retention rate 4-6 year olds will increase while older groups continue to decline
- **Is this a reasonable expectation?**

Herd size discussion

- How much destocking will we see going into winter? Forage stocks are high but what about quality?
- What will happen now the current youngstock are aging into the herd?
- Will the overall milking herd stabilise, or continue to decline?

- Are our assumptions around calving still valid?

Calving assumptions

Number of calves born

1. Proportion of calves born to dairy females inseminated **88%**

2. Proportion of females from sexed semen **95%**

3. Proportion of females from non-sexed semen **50%**

Efficiency of sexed semen

1. Success of sexed relative to non-sexed semen **90%**

2. AI as % of all inseminations **90%**

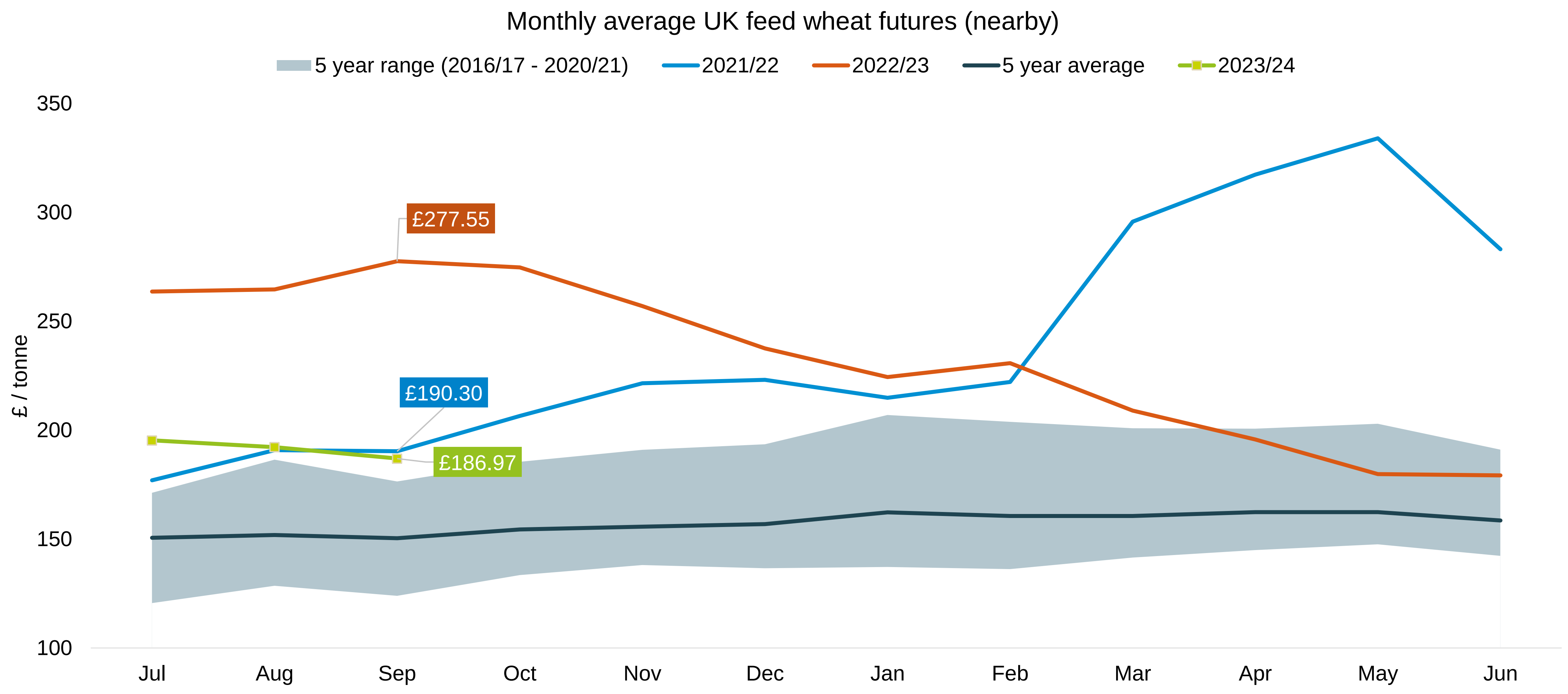
20 September 2023

Feed market update

Megan Hesketh, Senior Analyst (Cereals & Oilseeds)

CEREALS & OILSEEDS

Where are UK feed wheat prices?

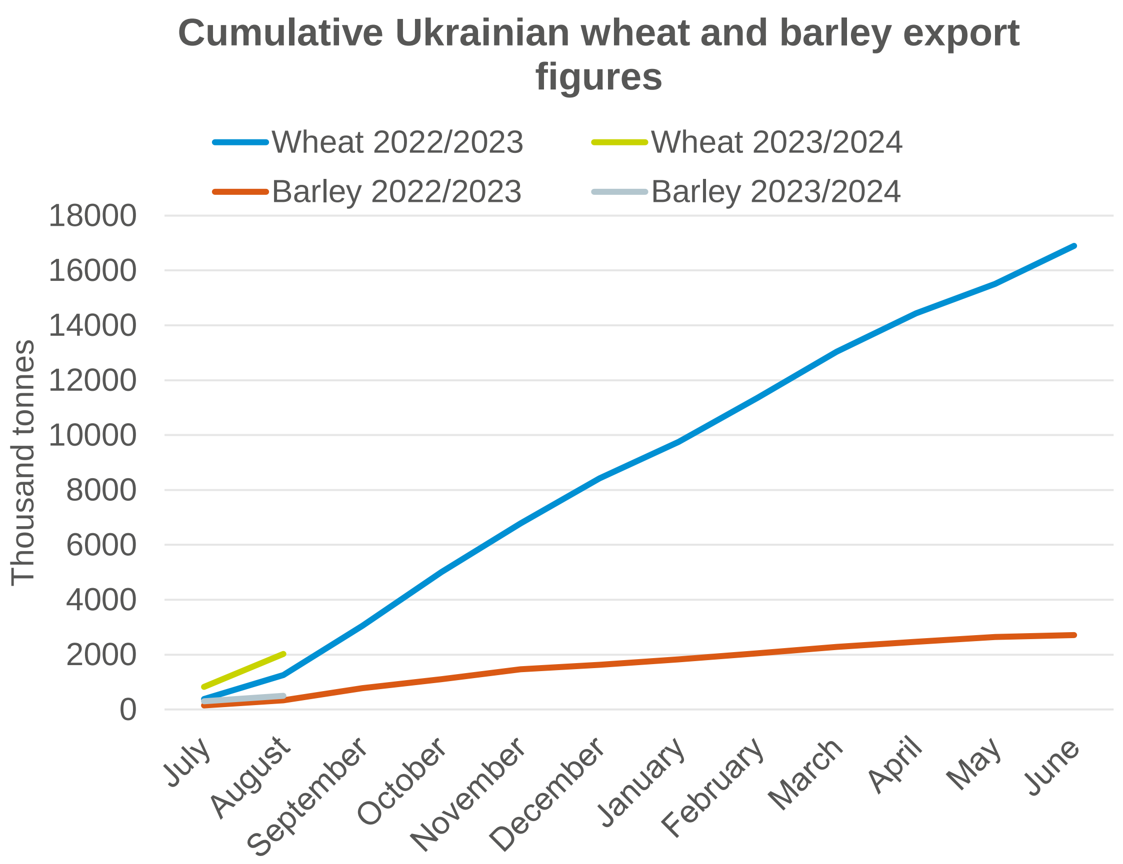


Global markets awaiting direction – two tier market?

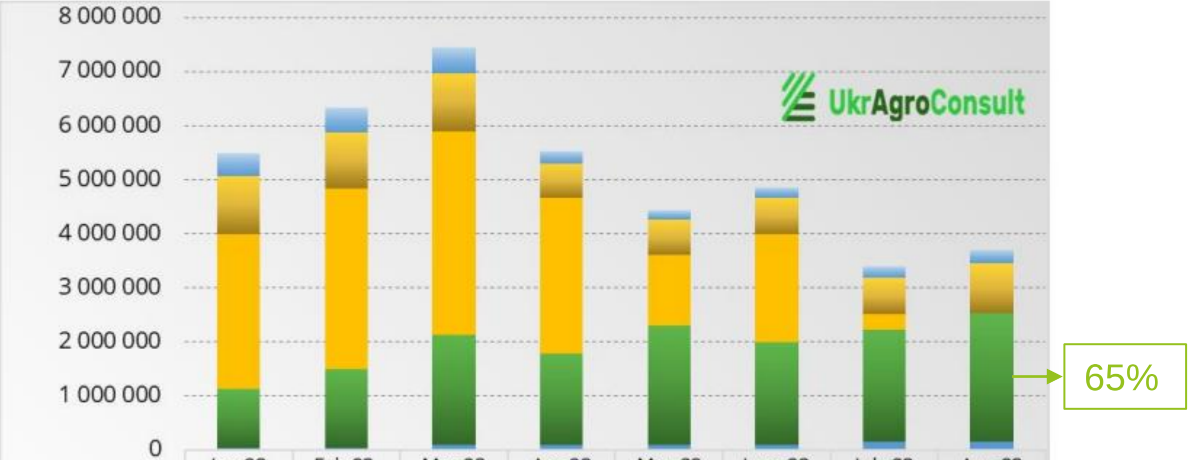
Bullish	Bearish
Quality in focus	Large maize supply
Tightening wheat supply – Australia, Canada	Russian wheat competitive
War in Ukraine	Ukraine grain flowing

Forecast to account for 23% of global exports this season (USDA)

Black Sea grain moving

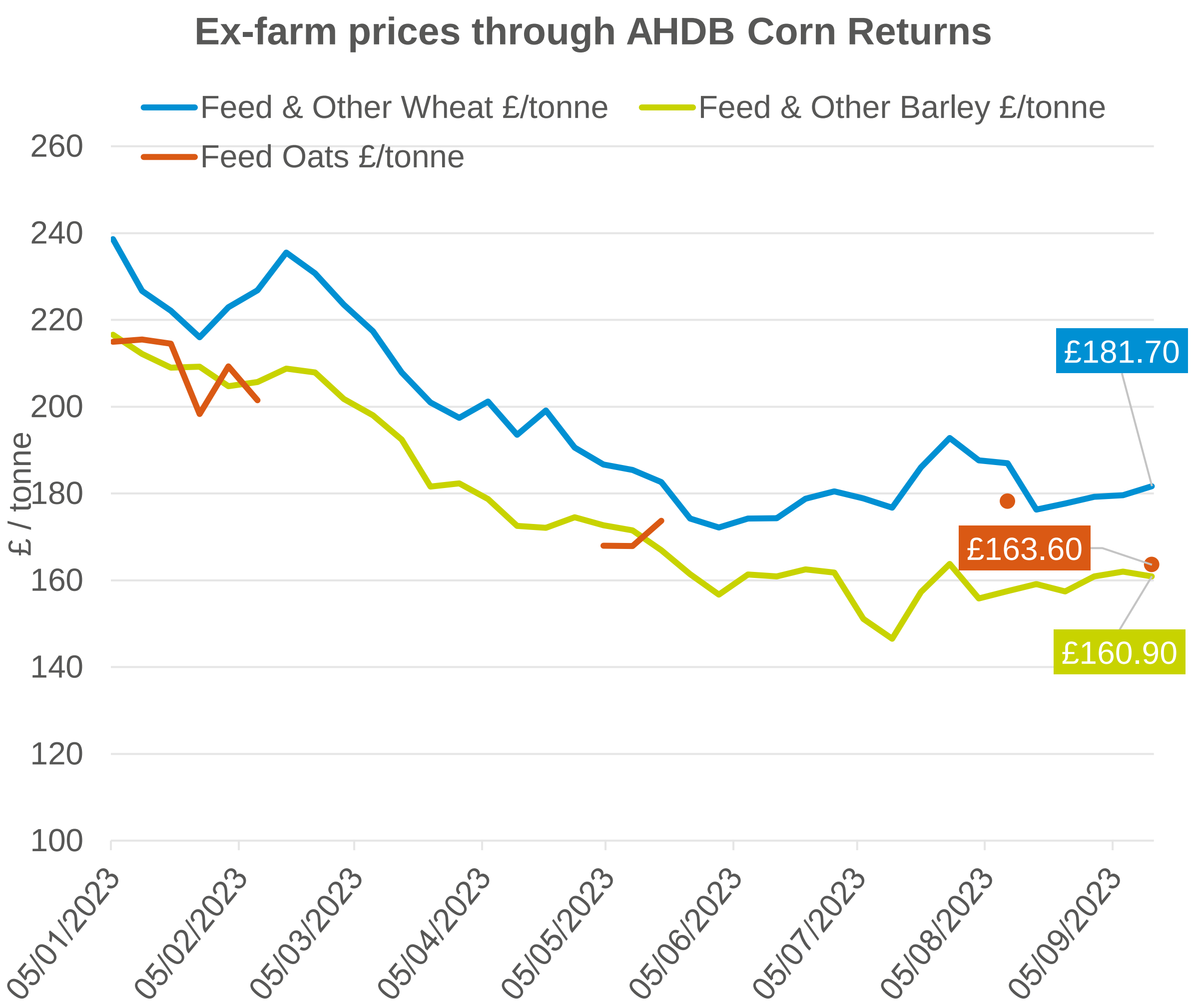


Export of agricultural products by modes of transport this year (Mt)



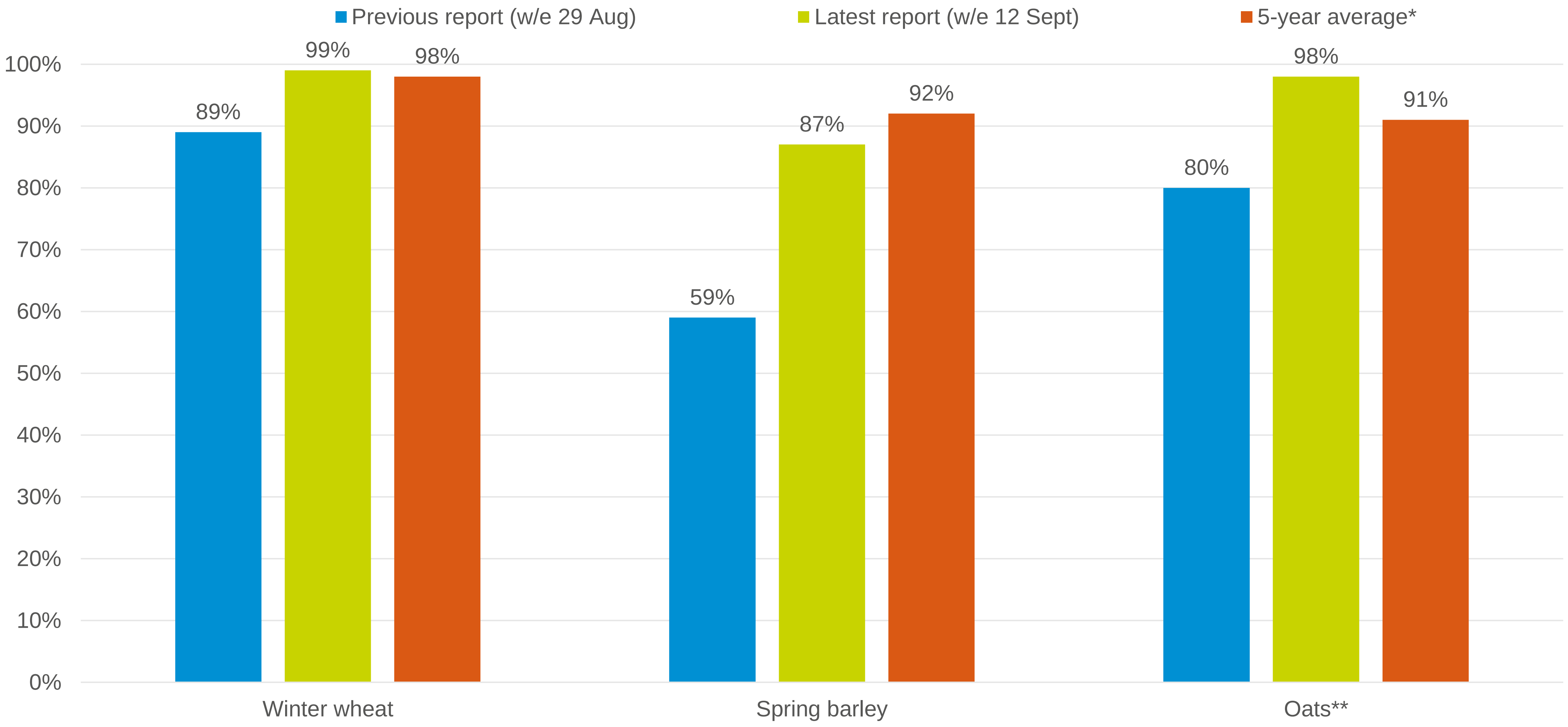
	Jan 23	Feb 23	Mar 23	Apr 23	May 23	June 23	July 23	Aug 23
Trucks	422 997	465 462	483 404	229 811	186 096	190 290	197 673	258 925
Rail	1 069 546	1 020 485	1 075 273	644 344	638 585	675 281	681 612	913 326
Grain corridor	2 863 436	3 351 316	3 765 045	2 880 284	1 305 223	1 993 767	291 329	
Danube ports	1 095 773	1 451 610	2 027 538	1 687 900	2 221 651	1 906 991	2 073 534	2 391 882
Ferry boat	31 712	41 106	100 370	89 438	85 251	90 424	143 948	146 567

Domestic market quiet



- Hearing domestic market quieter
- Awaiting more news on quantity and quality of harvest 23 crop
- Some slower weeks recorded through Corn Returns volumes
- Exports start this season quiet
- Domestic demand steady for new season – static H&I, slow animal feed

GB harvest progress



*5-year average for same week (week 10) **Winter and spring included

What can we expect from harvest 23?

Arable area figures for England
in thousand hectares

Arable Crop	Jun-21	Jun-22	AHDB planting and variety survey 2023 estimate*	Jun-23	% difference 2022 to 2023
Wheat	**1,655**	**1,668**	**1,636**	**1,580**	**-5%**
Barley	**816**	**782**	**839**	**799**	**2%**
Winter barley	345	372	389	391	5%
Spring barley	471	410	451	408	-1%
Oats	**159**	**140**	**140**	**134**	**-4%**
Oilseed rape	**268**	**323**	**358**	**342**	**6%**
Winter oilseed rape	**262**	**317**	-	339	7%
Spring oilseed rape	**6**	**6**	-	4	-40%

Source: Defra, AHDB
*AHDB planted area estimate includes England and Wales combined due to data restraints.

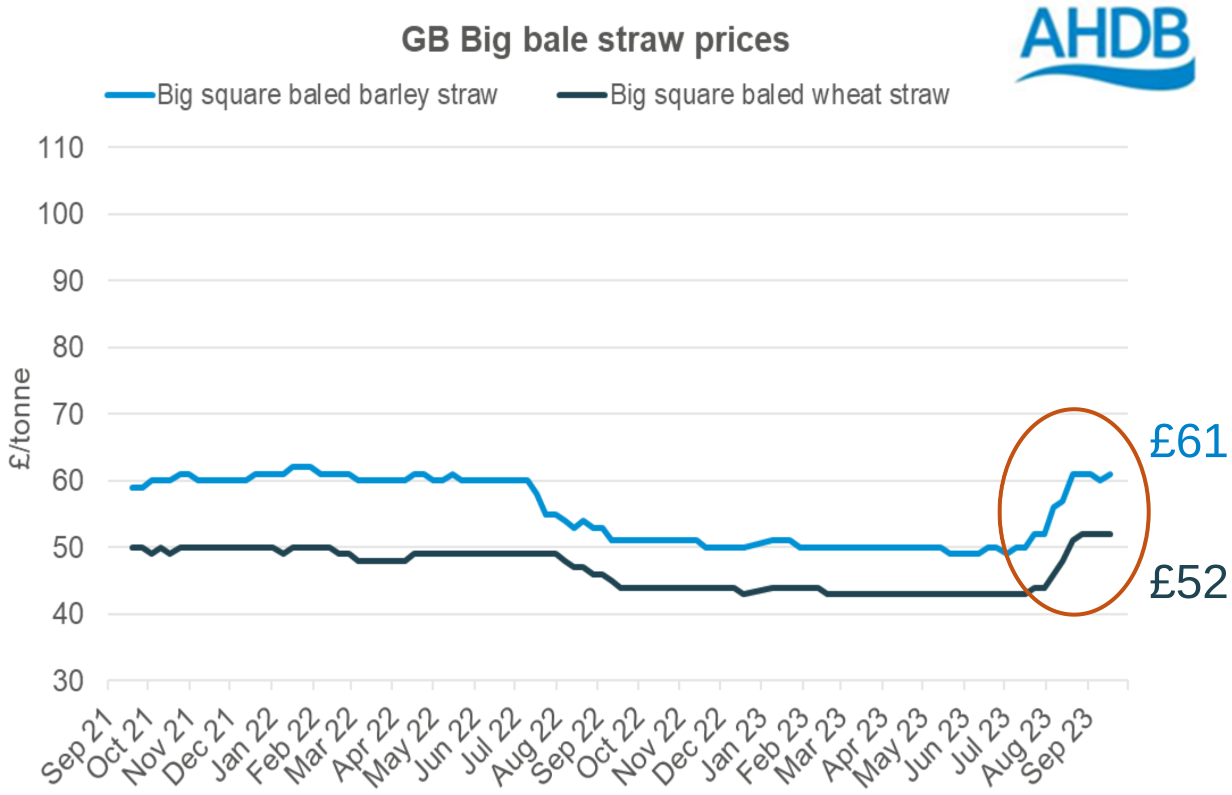
Yields – harvest report data

- **Variable** by region, land type and variety
- Generally near previous 5-yr average
- For spring crops - sowing date important
- OSR generally low yields – weather and pests

Quality – harvest report data

- Early data so far shows the impact of the difficult weather during harvest, with some lower HFN and germination rates.
- Variation in specific weights

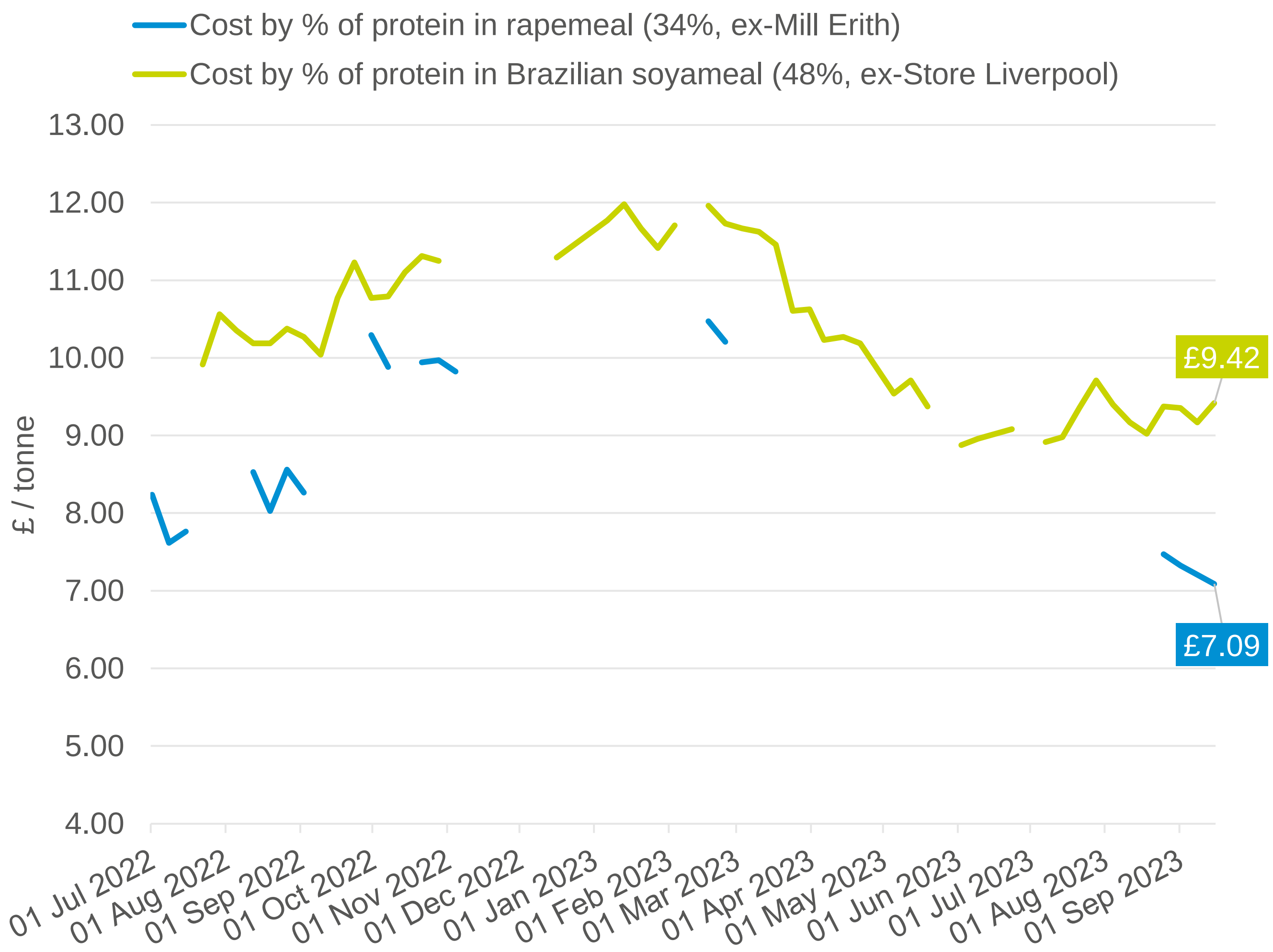
Straw update



Source: British Hay & Straw Merchants' Association

- Variability in straw yields - good yields generally reported in Eastern England, the East Midlands, and Scotland, but lower straw yields in the North West.
- Some difficulties drying/baling spring cereal straw in particular.
- While it varies by region, overall, more straw is being chopped to try and avoid delays in cultivations.

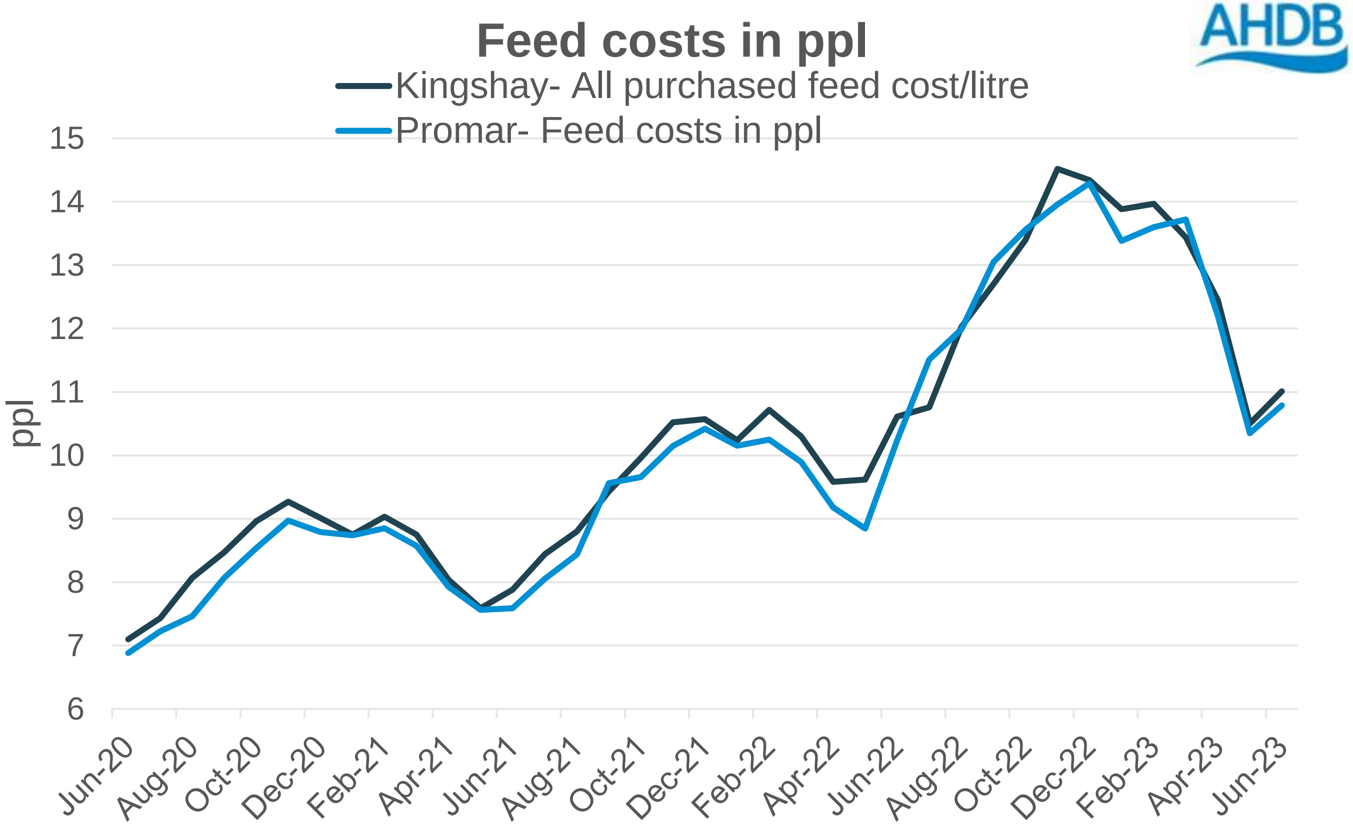
Protein meal price by % - where next for oilseeds?



- Global rapeseed market well supplied
- Strong soyabean price supporting wider picture/OSR short term
- LT – large SA soyabean supplies are due

Costs & Yields

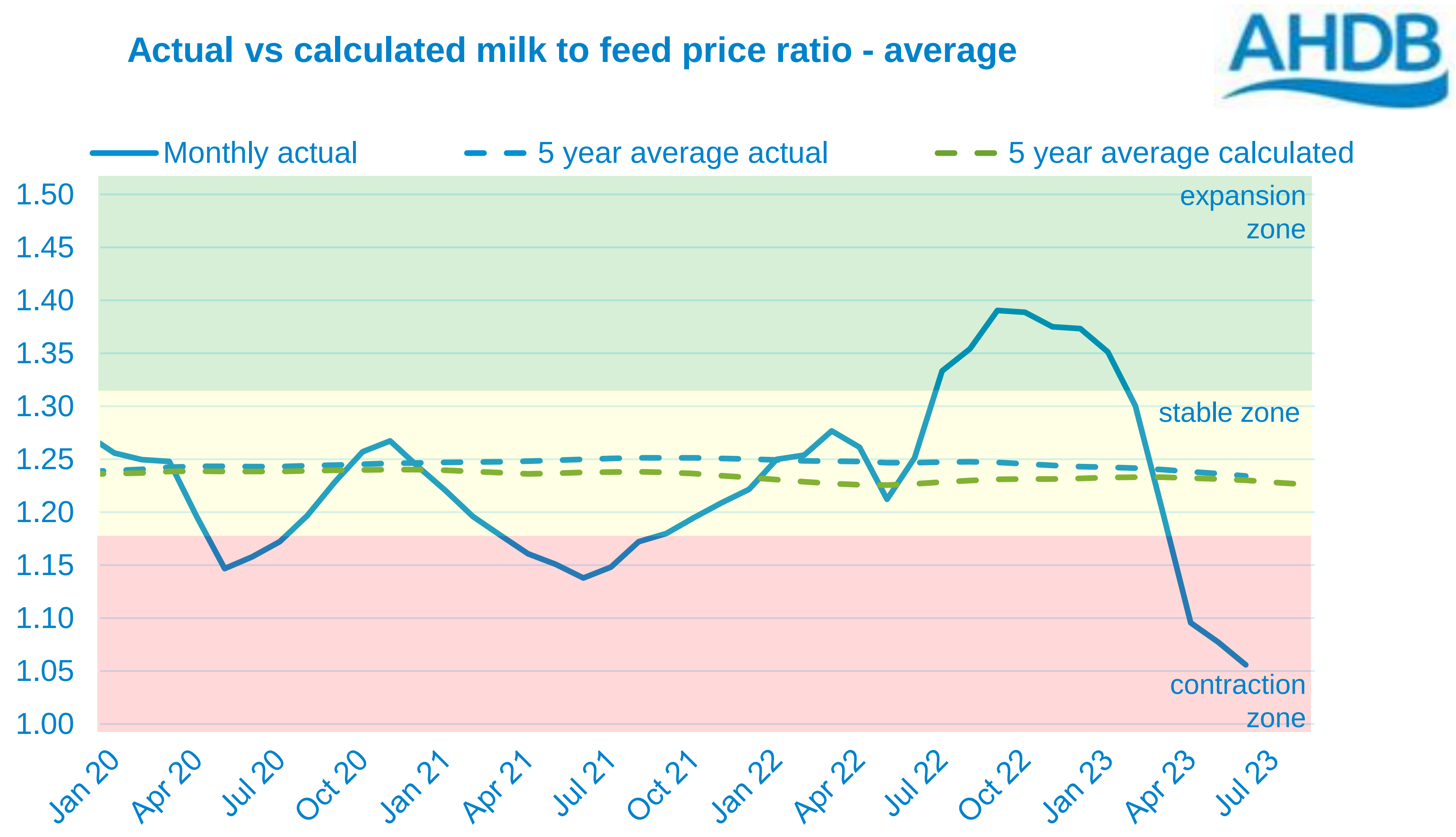
Purchased feed costs remain high



Source: Kingshay, Promar

- Purchased feed costs only – cost of forage not accounted for
- Prices declined in the first half, remain high compared to 2020 levels.
- Jun-23 costs were almost 5% up on Jun-22

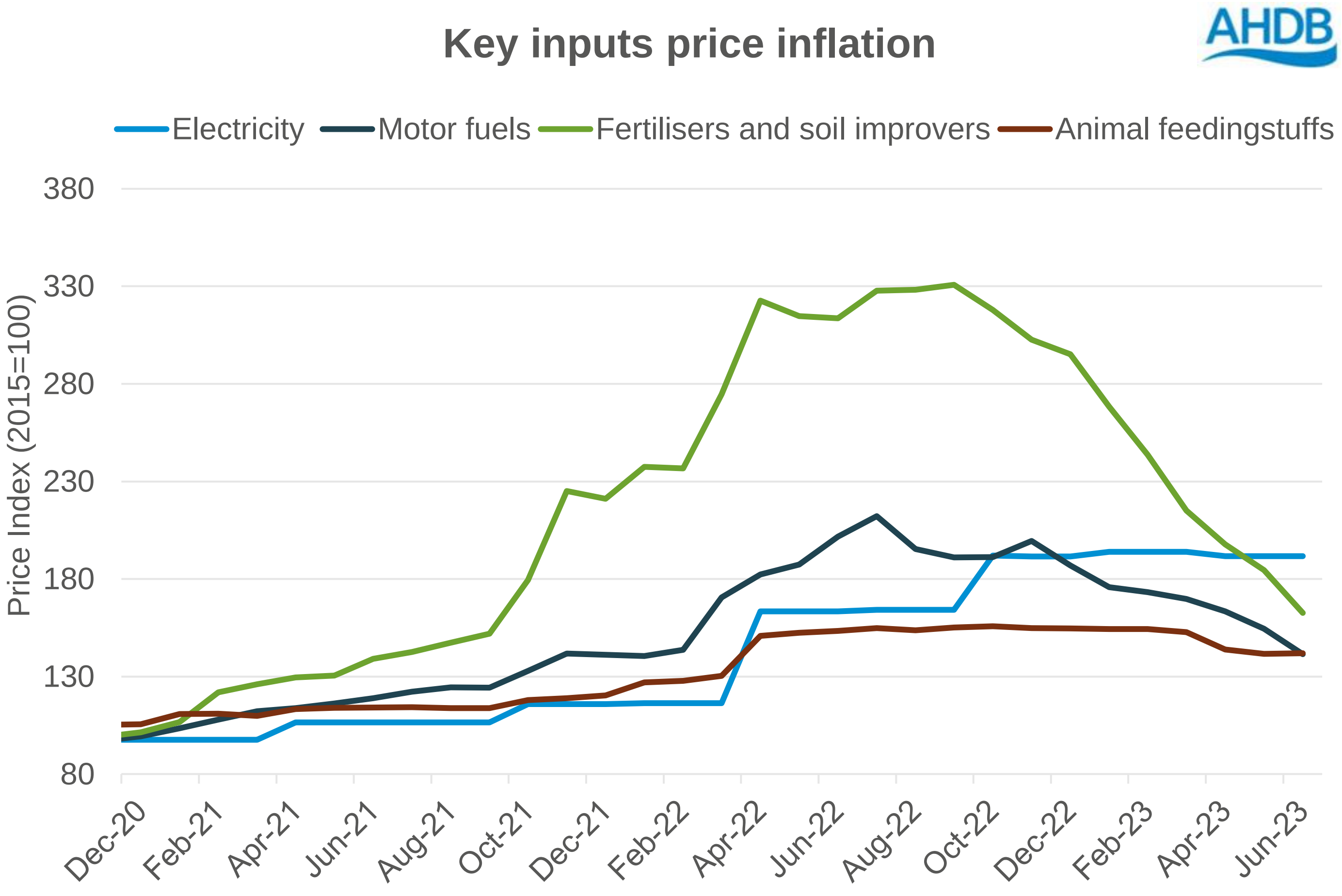
Milk to (concentrate) feed price ratio



- MFPR has fallen into the contraction zone
- Production has remained firm thus far due to high availability of forage but could contract as we move into winter
- Feed prices currently difficult to predict

Source: Actual - Kingshay, Promar, Defra, AHDB, Daera. Calculated - AHDB, Defra

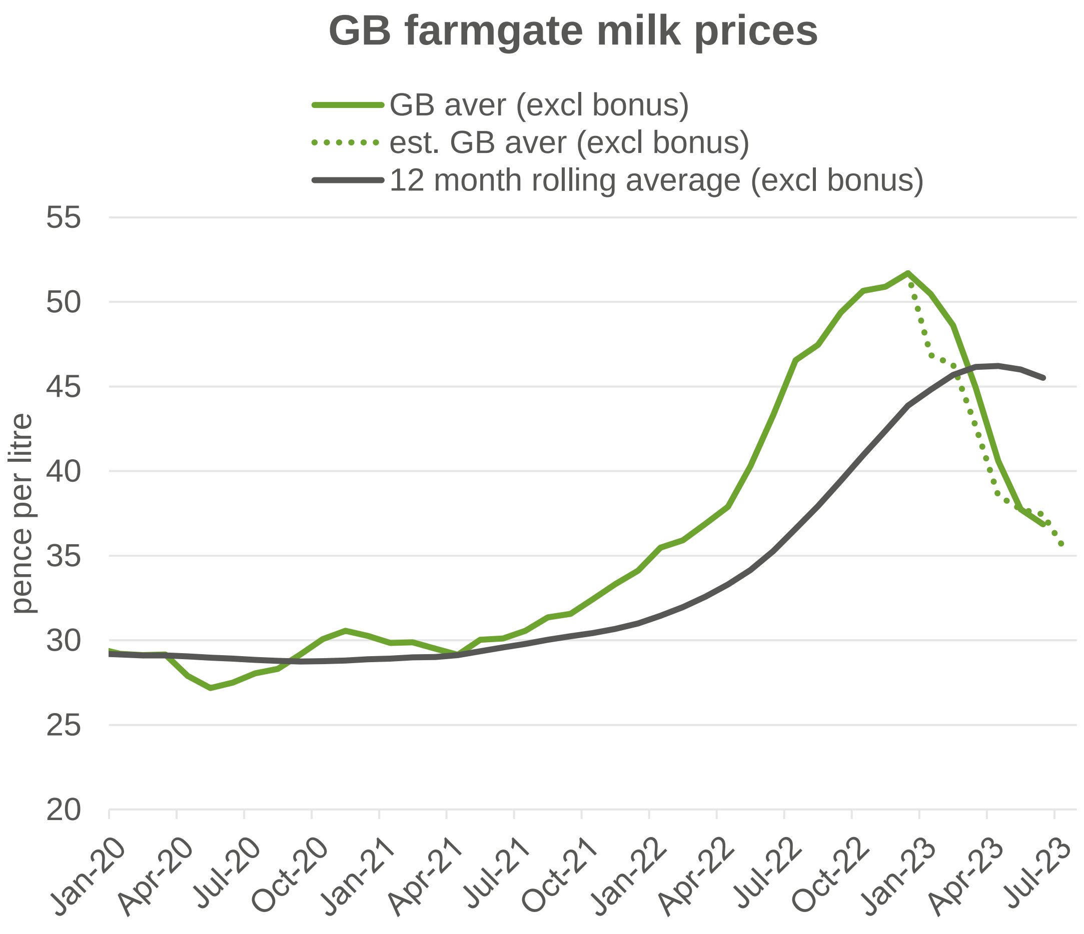
Other costs



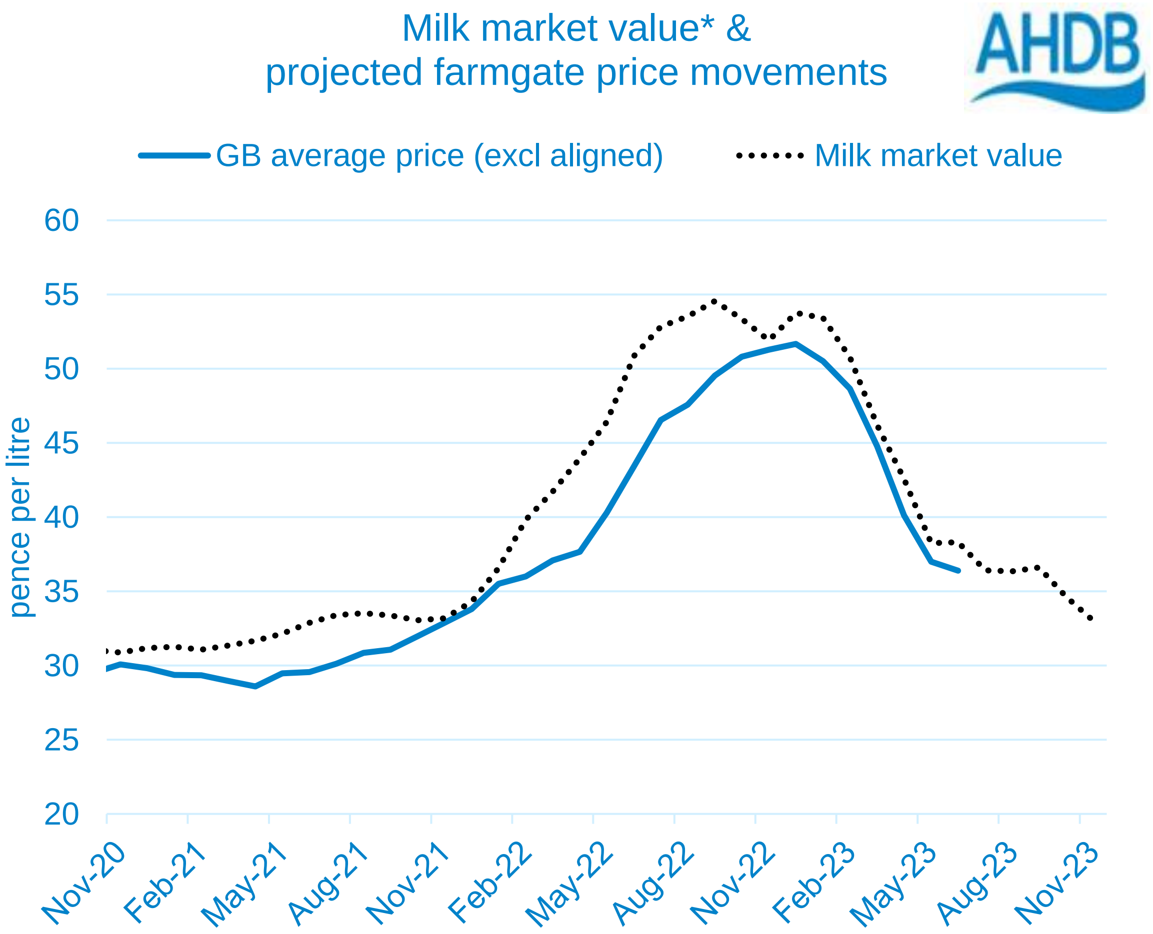
Source: ONS

- Fertilisers and soil improvers easing from their peak but remain high
- Key inputs still remain historically high, such as electricity and feed
- Impact of general inflation on sundry costs
- Increased cost of borrowing

Average milk prices expected to continue to fall based on declining MMV



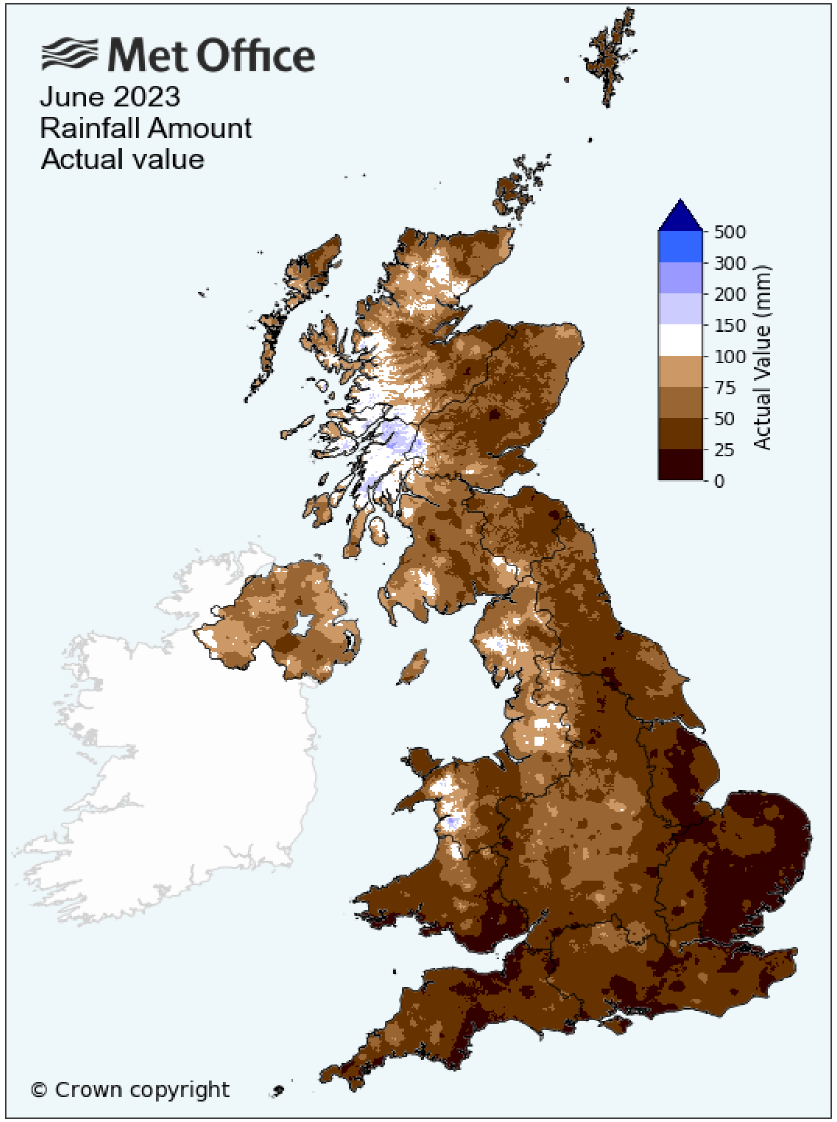
Source: Defra, AHDB

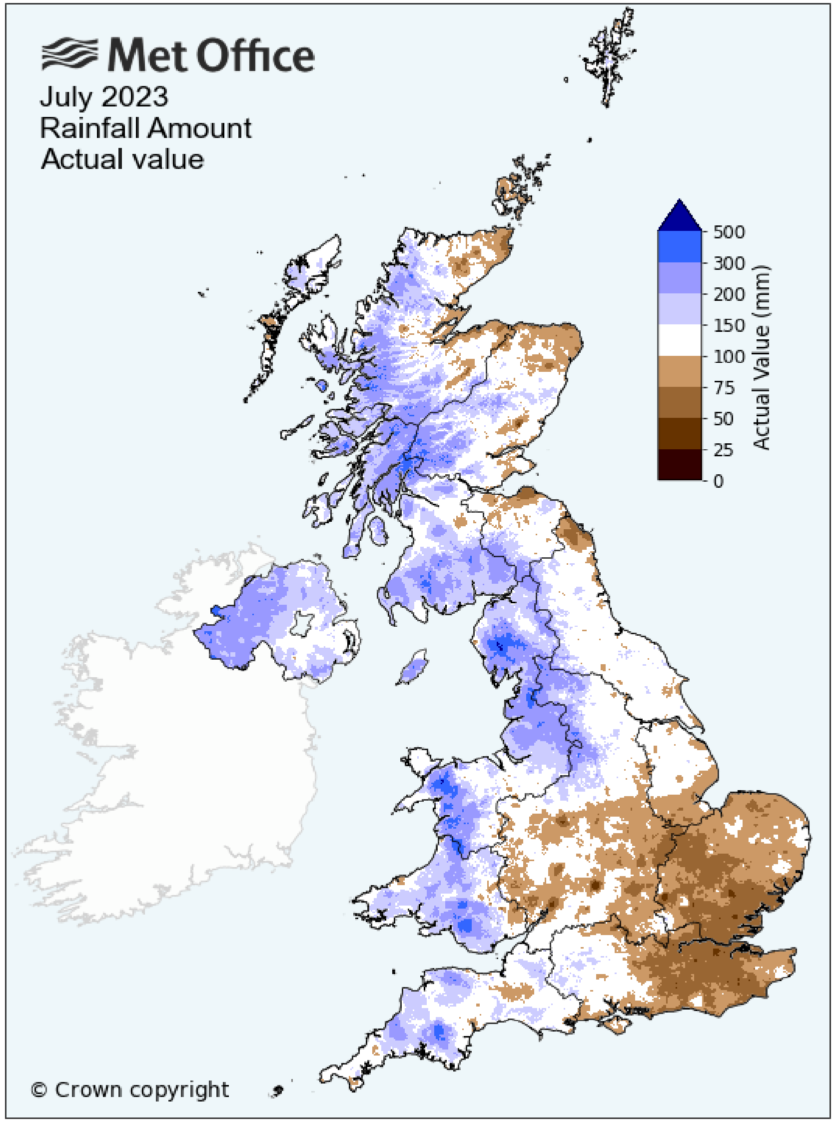


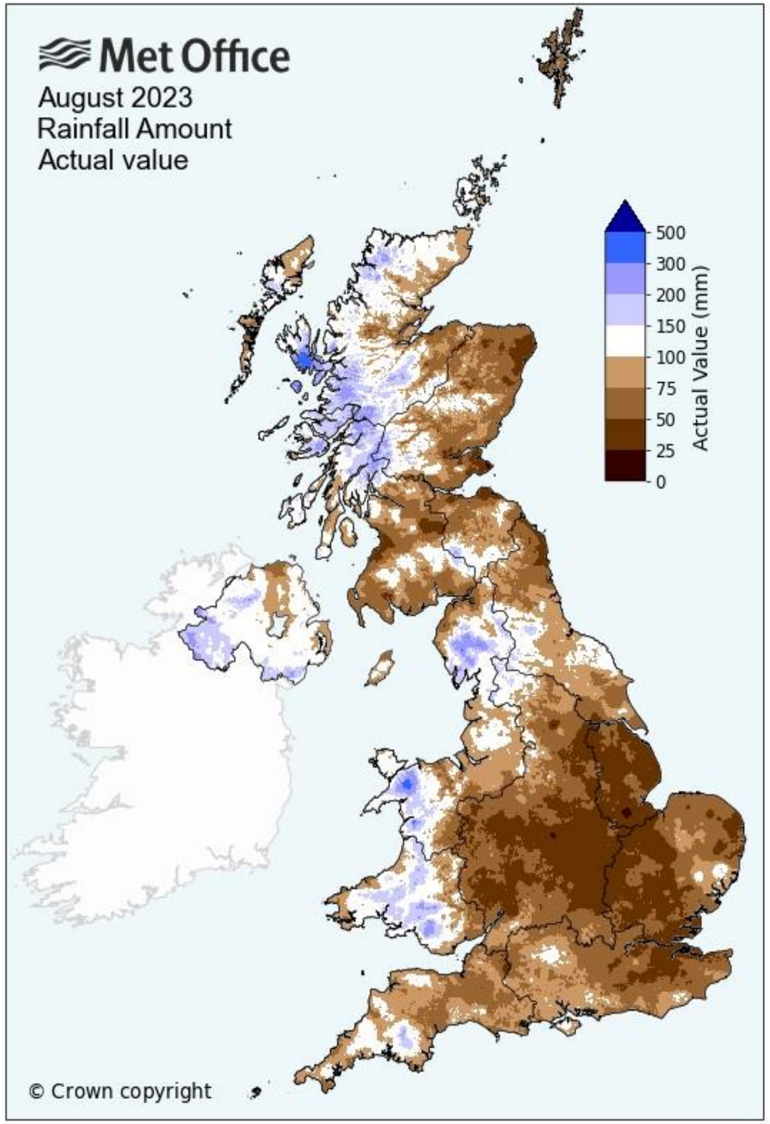
Source: Defra, AHDB

*weighted average AMPE/MCVE (20:80)

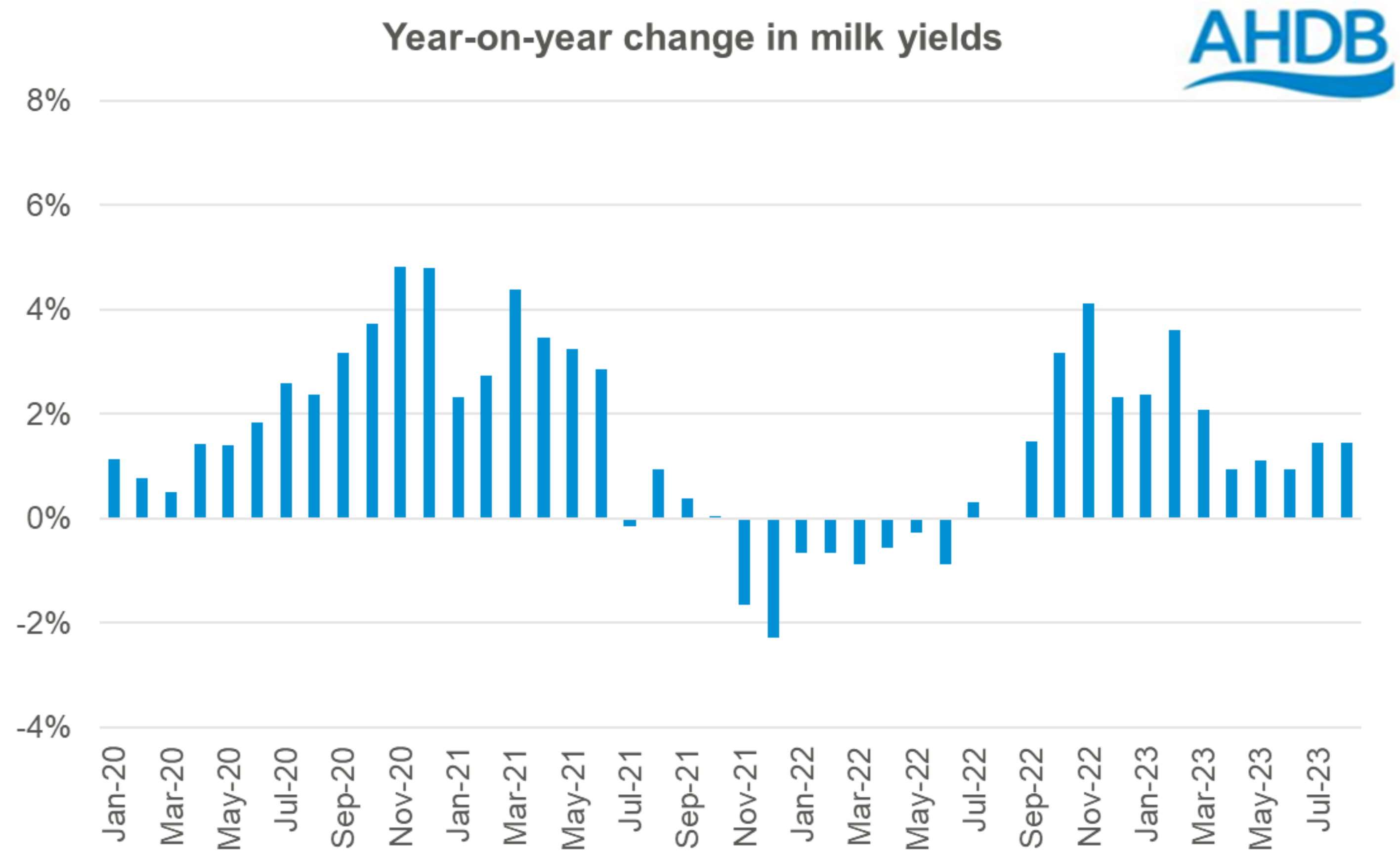
Forage availability?







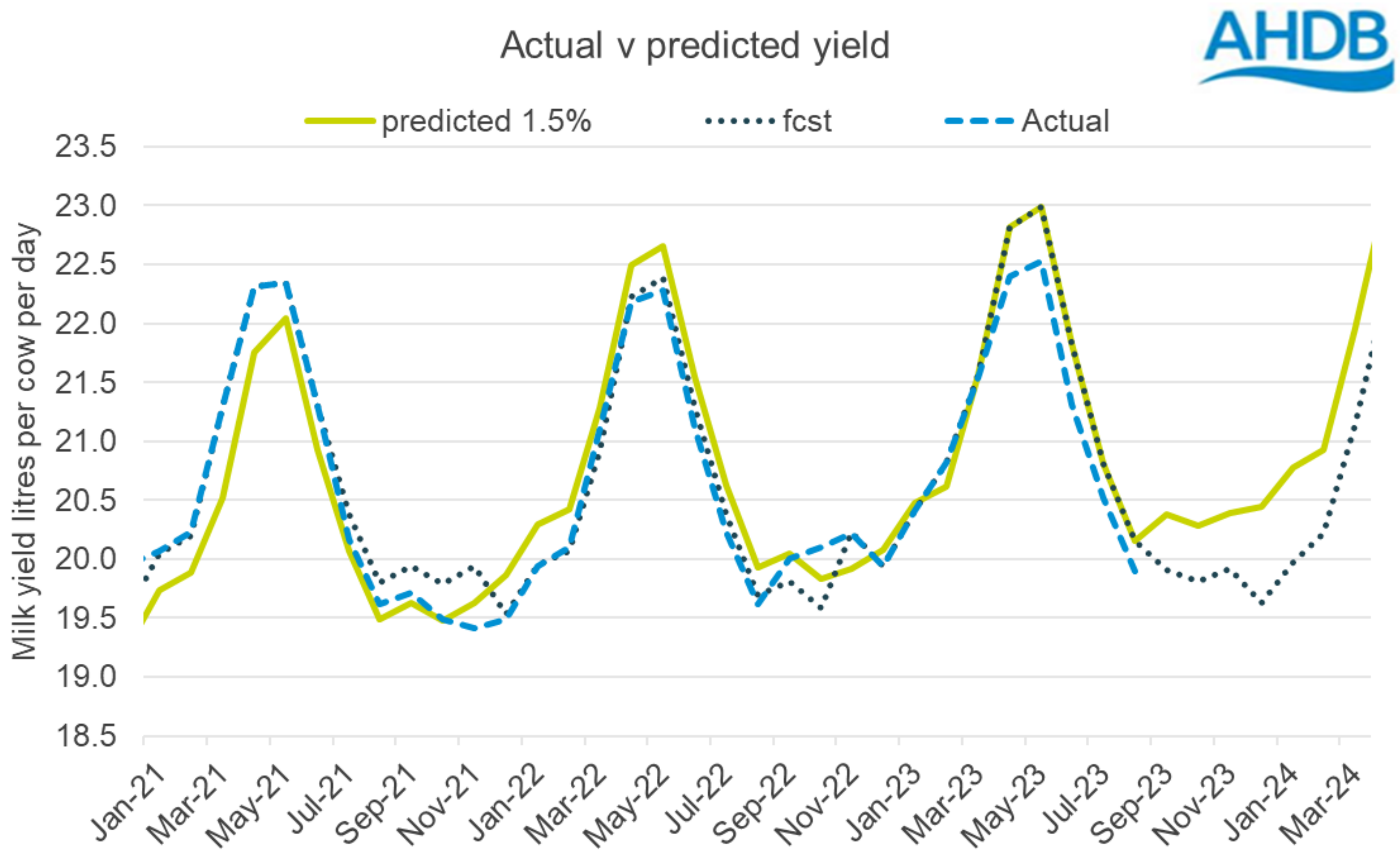
Milk yields



Source: AHDB

- Higher costs impacted on yields through 2021 and most of 2022
- Higher prices boosted yields in H1 2023
- Prior to this yield drop-off, we had been assuming 2.3% annual growth in yields
- Assumed lower yields of -1.5% from December onwards (current milk year)
- **Will the lower yield levels continue next year?**

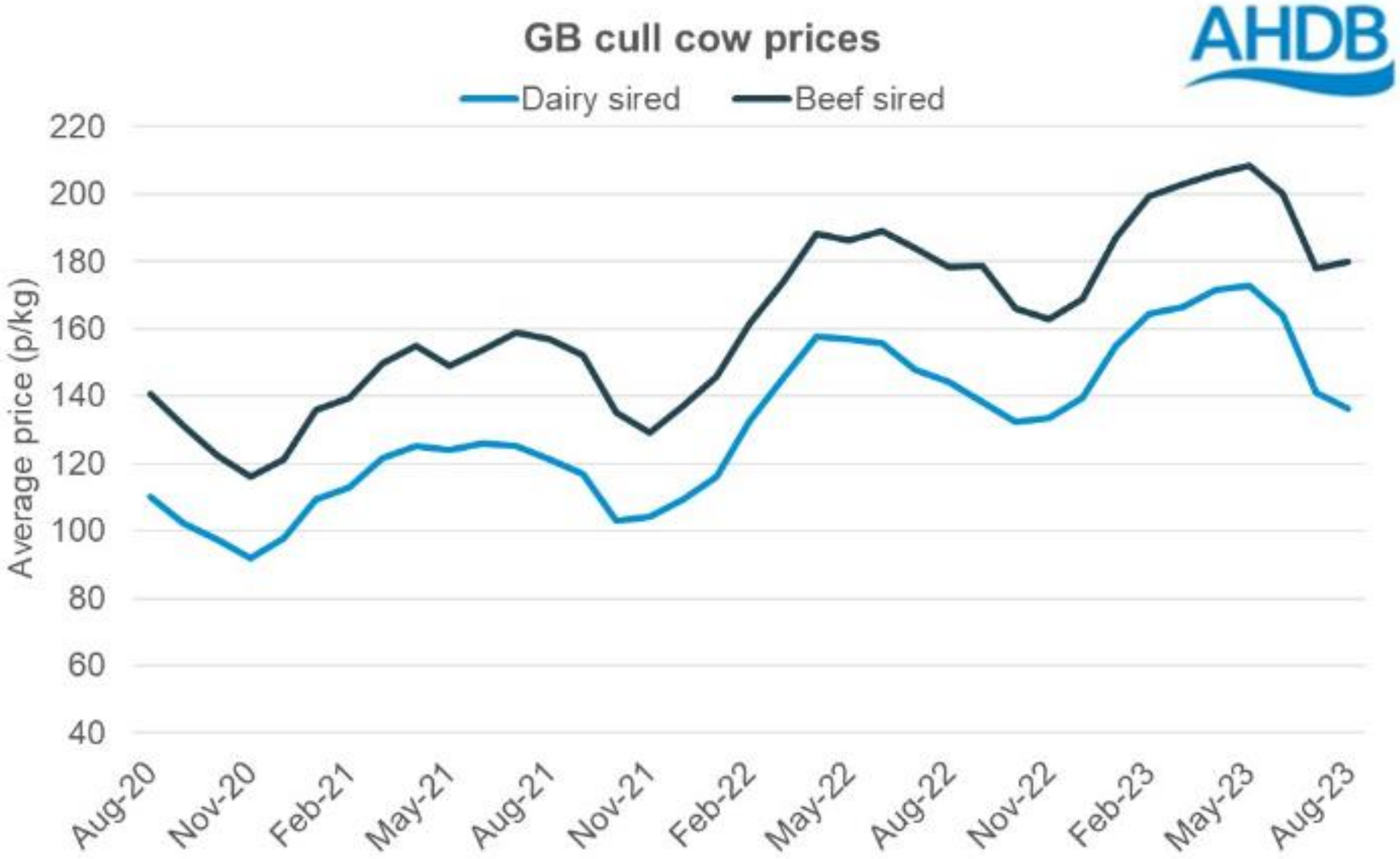
Yield forecast



Source: BCMS, Defra, AHDB

- Historically yields were growing by 1.5% and then 2.3% year-on-year
- yields have been low since July 2021
- actual yields surpassed expectations Sep-Dec 22
- expected yields are likely to be lower for remainder of milk year (-1.5% on 2022)

Cull cow prices have eased in recent months but slight recent recovery



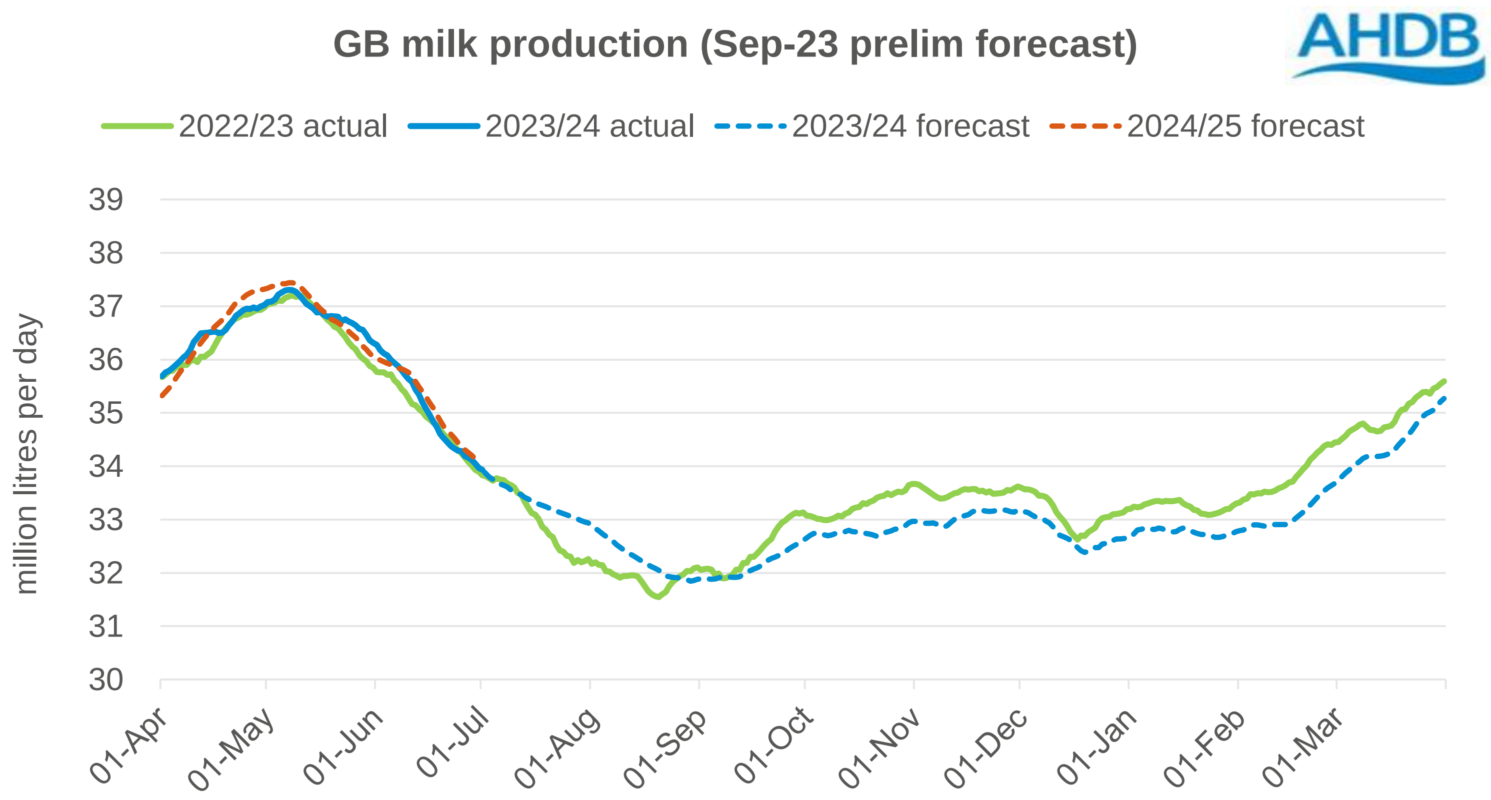
Source: AHDB, LAA, IAAS

Costs & yields discussion

- How much are fertiliser and fuel prices affecting production decisions? What about other costs? Interest rates?
- After a (mostly) profitable last year, at what point will the current lower prices trigger a supply response?
- What impact will this have on yields in the second half of the year?

Latest milk forecast

GB milk production – March forecast 2022/23



Source: AHDB

- 2023/24 forecast **12,309m litres**, down -0.6% on 22/23
  - down in second half of milk year
- 2024/25 forecast (first half) **6,250m litres,** down -0.1% on 22/23 (first half)
- Yields through second half milk year projected down to 0.2% and decline by 1.5% from December
- Yield growth to slow and move into negative territory from December.

Contributors’ forecasts

All contributors

year on year chang	Q4 2023	Q1 2024	Q2 2024	Q3 2024
up more than 4%	1	1	1	1
up 3-4%		1		
up 2-3%				
up 1-2%	1	1	3	1
up 0-1%	2	2	2	2
unchanged	2	5	4	6
down 0-1%	5	1	2	2
down 1-2%		1	1	1
down 2-3%	2	1		
ADHB forecast	-1.3%	-1.9%	-0.3%	-0.5%

Processor contributors

year on year chang	Q4 2023	Q1 2024	Q2 2024	Q3 2024
up more than 4%	1	1	1	1
up 3-4%		1		
up 2-3%				
up 1-2%			2	
up 0-1%	1	2	1	2
unchanged	2	2	2	3
down 0-1%	3	1	1	1
down 1-2%			1	1
down 2-3%	1	1		
ADHB forecast	-1.3%	-1.9%	-0.3%	-0.5%

PROVISIONAL

Preliminary September forecast

GB milk production forecast - September 2023

m litres	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25
	Actuals	Actuals	Forecast	Yr-on-yr	Forecast	Yr-on-yr
Apr	1,094	1,098		0.4%	1,095	-0.3%
May	1,135	1,141		0.6%	1,140	-0.1%
Jun	1,041	1,045		0.4%	1,040	-0.5%
Jul	1,019	1,028		0.8%	1,020	-0.8%
Aug	989	997		0.8%	990	-0.7%
Sep	976		965	-1.1%	965	-1.1%
Oct	1,033		1,020	-1.3%		
Nov	1,006		995	-1.0%		
Dec	1,025		1,010	-1.5%		
Jan	1,031		1,015	-1.6%		
Feb	950		925	-2.6%		
Mar	1,088		1,070	-1.7%		
Year	12,386		12,309	-0.6%	6,250	-0.1%

Source: AHDB

Notes: Figures in red are forecasts. A 28-day equivalent is used for Feb-24

- Preliminary forecast update puts production at **12.31bn** litres for 2023/24, **-0.6%** down on 2022/23
- Lower than July forecast (-75m litres) due to lower than expected yields vs exceptional growth last Autumn
- 2023/24 currently projected to show marginal decline from lower yields in H2
- Official forecast to be published later this month

Milk forecast discussion

- General thoughts on the provisional forecast
- How will farmers react to tighter margins - reduce yields or reduce herds?
- Are there any long-term issues hiding behind the short-term challenges?

Next steps

- Publish the background information from the meeting
- Review feedback
- Forecasts:
  - Baseline
  - Scenarios
- Analysis and feedback:
  - Track costs/milk price balance
  - Yields are largest uncertainty

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AHDB

Our trade and policy resources focus on the future changes in domestic policy and trading relationships to help farmers and growers explore how these will affect their business. There is also a dedicated Consumer and Retail Insight team who look at the needs of the modern consumer as well as their attitudes towards cooking, buying and eating food.


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