

19 March 2024

AHDB milk forecasting forum

AHDB Market Intelligence

<https://ahdb.org.uk/dairy-markets>



Housekeeping

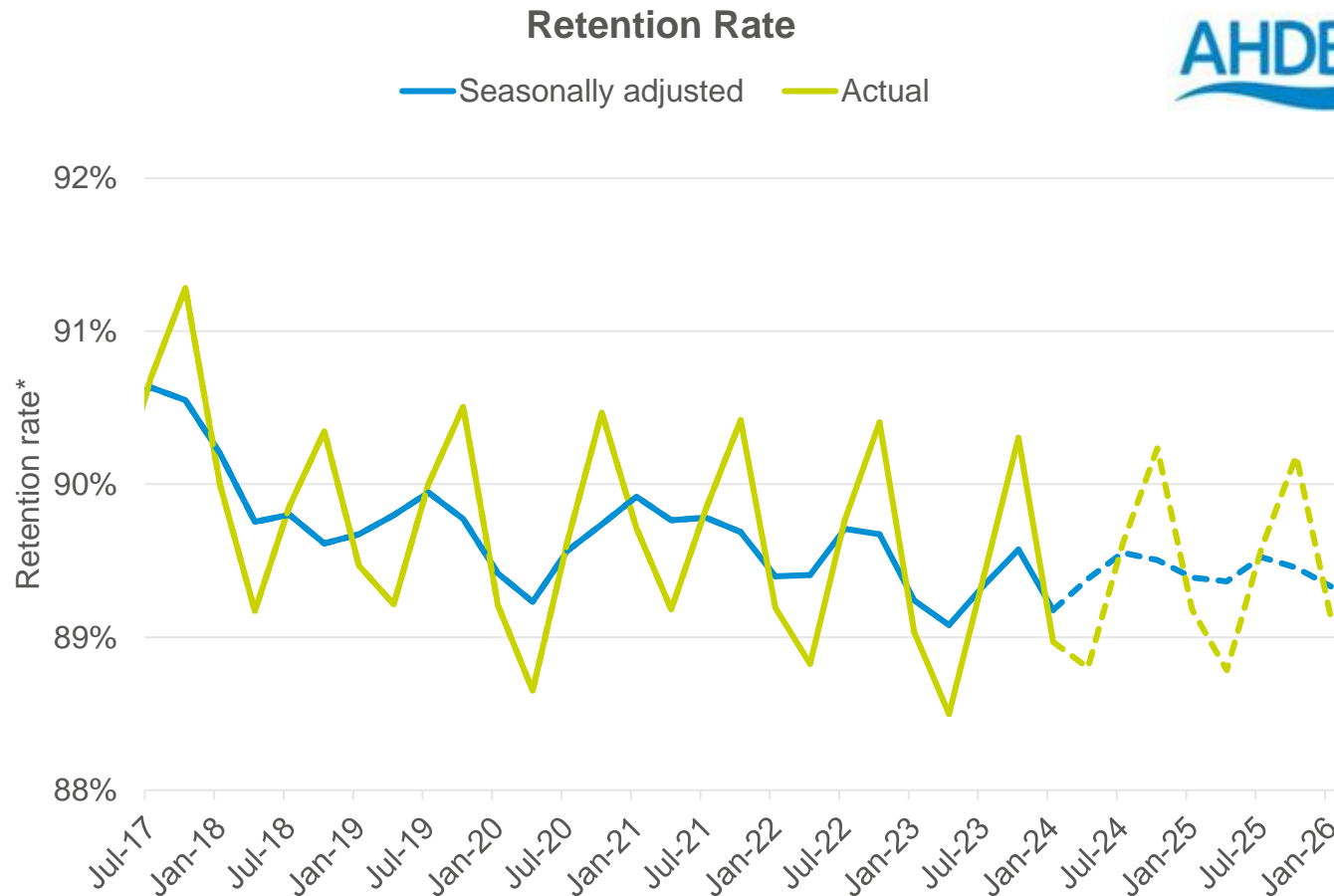
- This is intended to be a discussion so please do speak up
- But please mute your microphones when you are not speaking
- We will aim to have a discussion at the end of each key topic

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

Retention rates

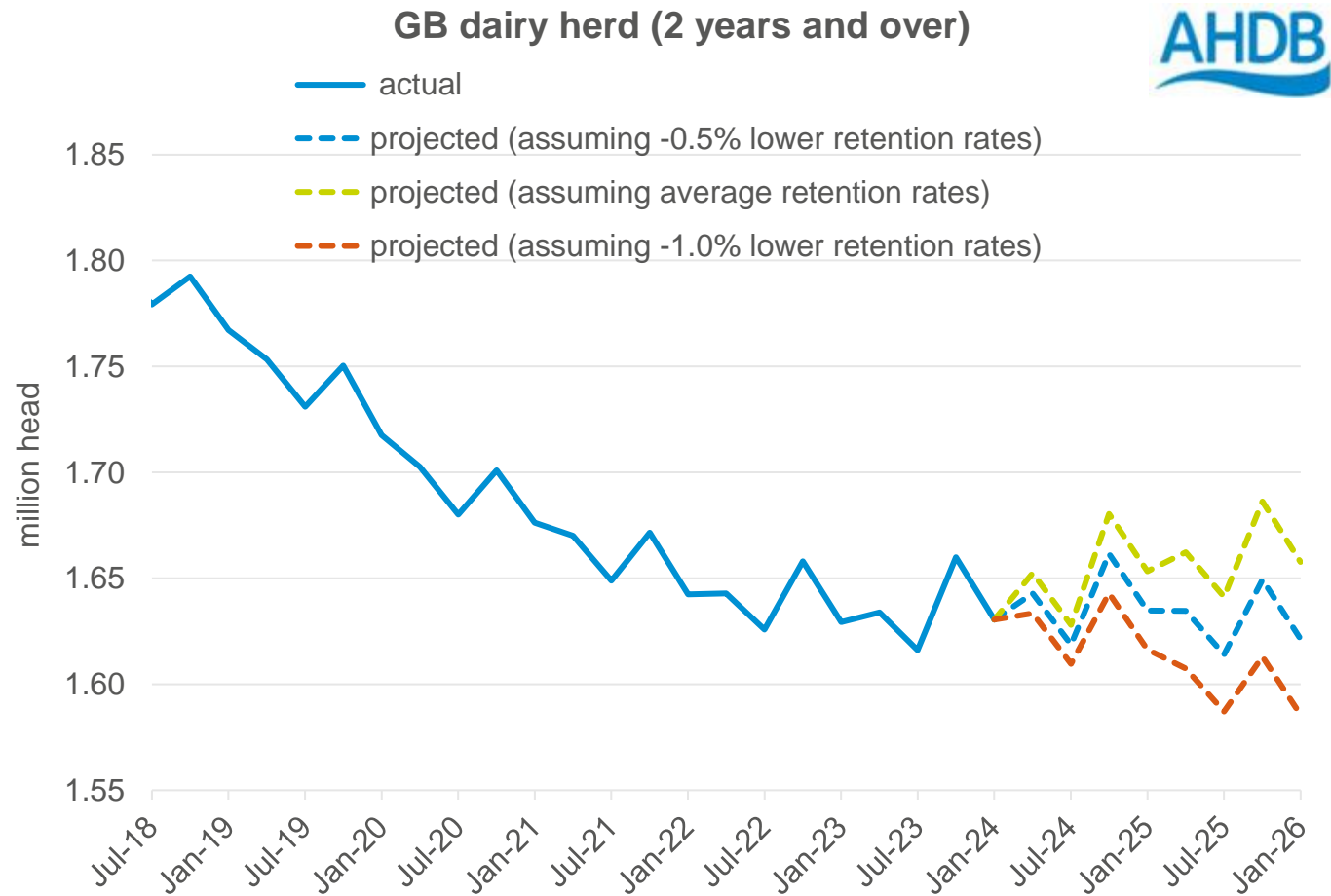


- Retention of cows over 6 month period
- We seasonally adjust because Oct always high and Apr always low – allows us to see trends more easily
- Retention rates dipped in H1 2023 and continued the trend in H2 2023 – tough economic conditions
- Retention rate will steady out at lower than historic levels over the next couple of years as herd size has consolidated

Source: BCMS, AHDB

*Seasonally adjusted 6-monthly retention rate for 2-8yrs

Herd size expectation



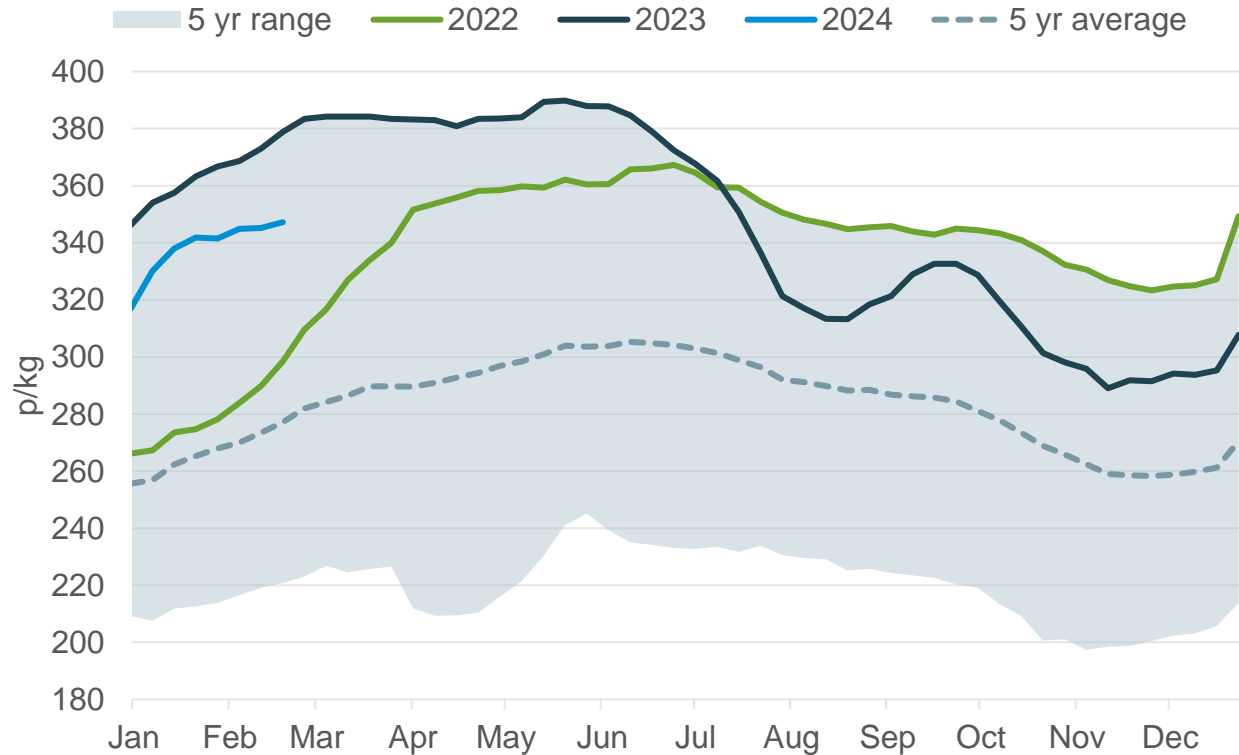
- Based on predicted youngstock numbers (**from insemination data**) and 3 year average retention rates
- Herd size is maintained if retention rates run 0.5% below average
- Herd size will increase if retention rates return to average
- Herd size will decrease if retention rates run 1% below average.

In 2023/24 we adjusted the forecast for retention rates to run 0.5% below historic averages.

Expect that this will continue for the 2024/25 season – is this reasonable?

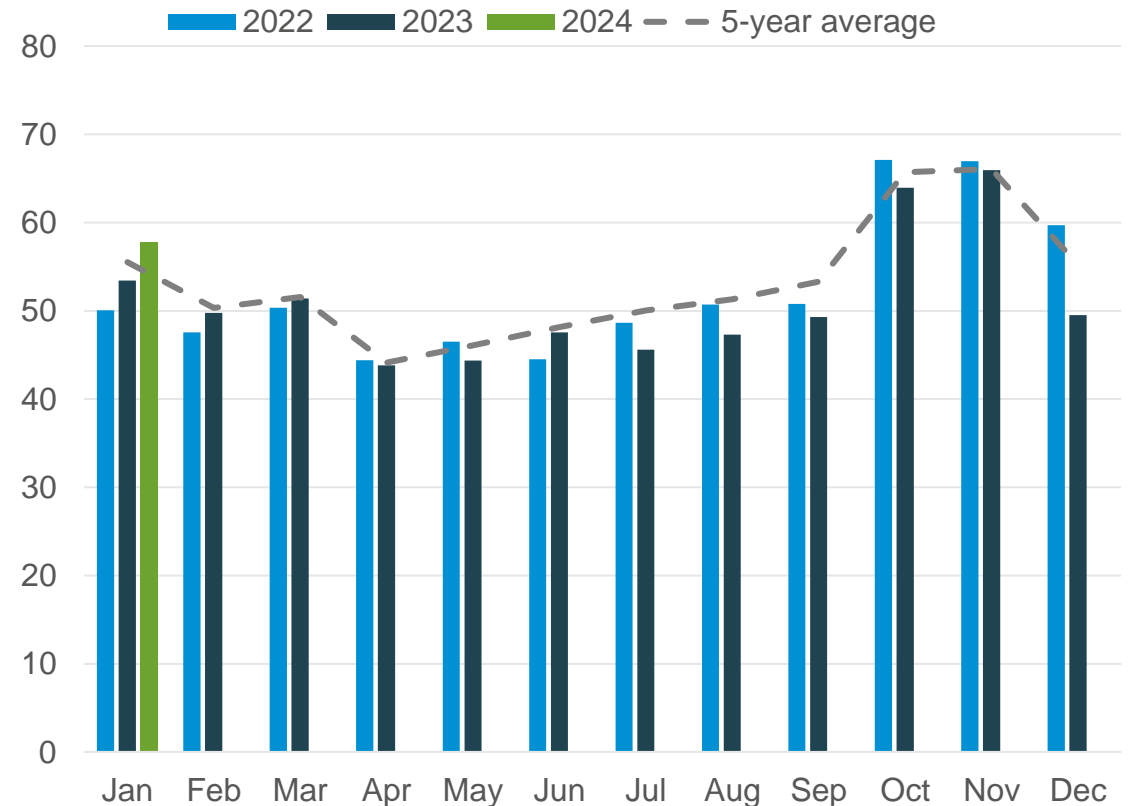
Cow prices are behind year ago levels with slaughter beginning to lift in January

GB overall average deadweight cow price



Source: AHDB

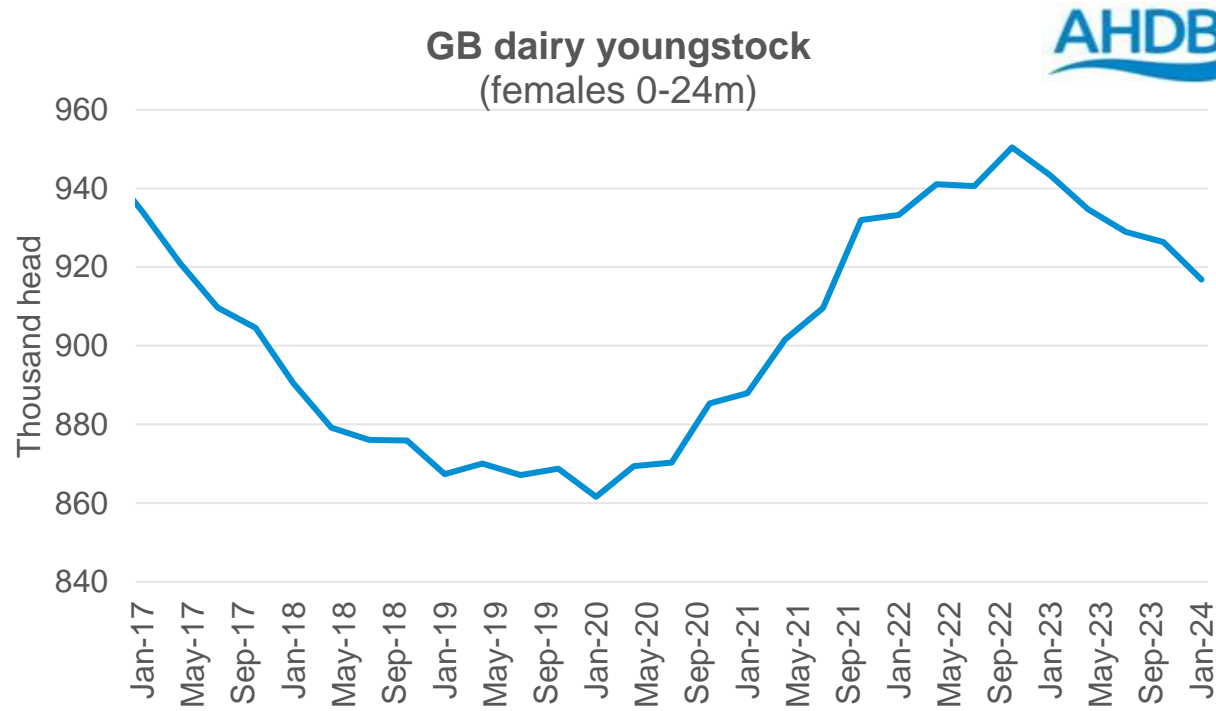
UK cow slaughter



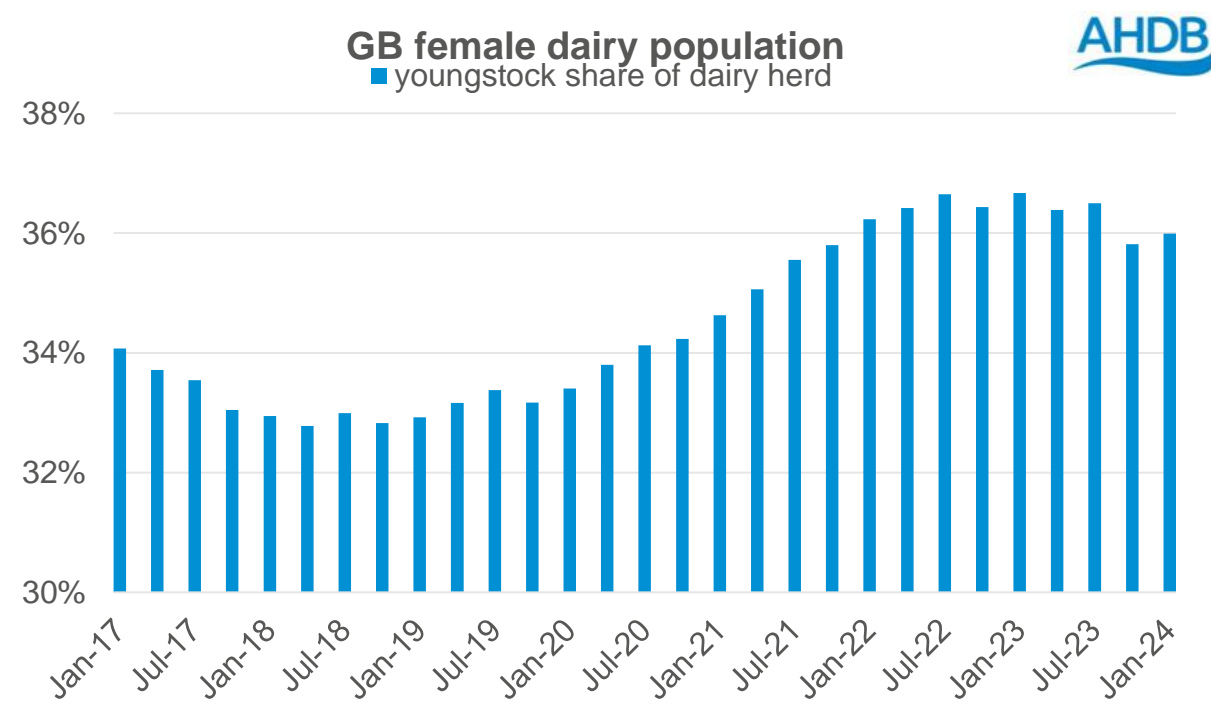
Source: Defra

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

Have youngstock numbers peaked?



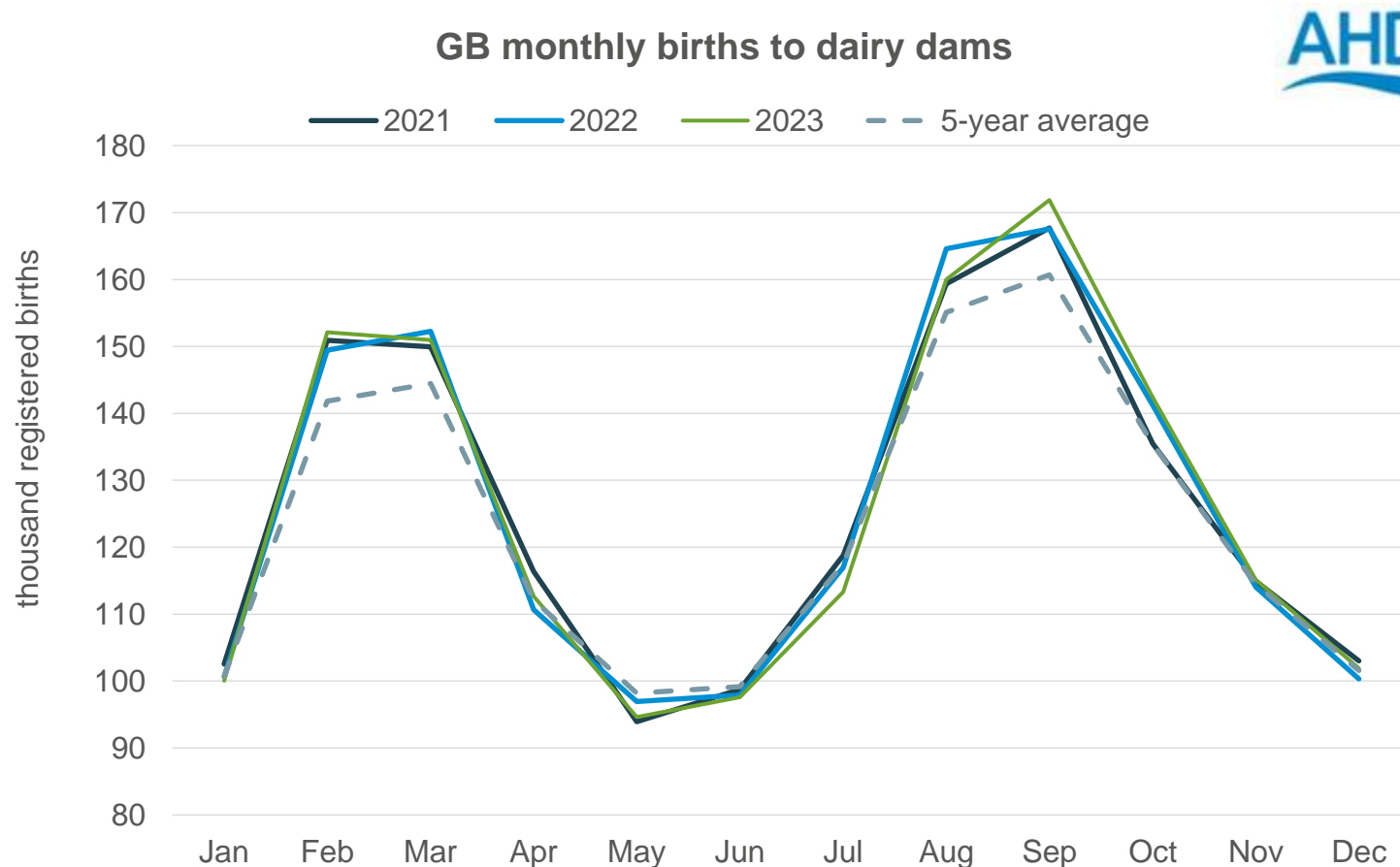
Source: BCMS



Source: BCMS

- Youngstock numbers (0-24m) continue to 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?**

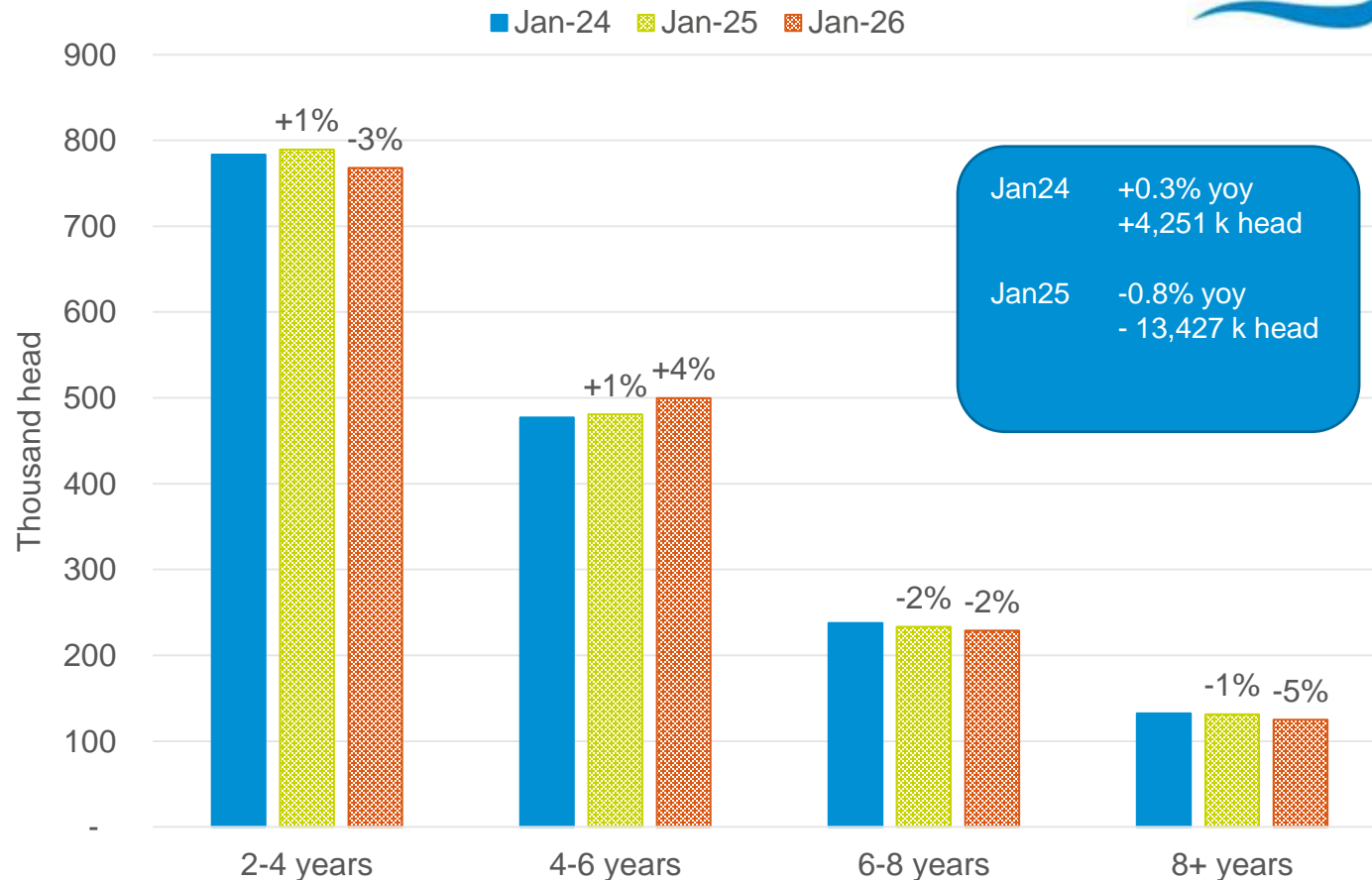
Births to dairy dams steady in H2



- Jul-Dec 2023 calf registrations on par with 2022 (down 0.01%)
- Farmers have maintained herd sizes despite high-cost environment

Future age structure of herd

Projected evolution of the milking herd at January



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

- What will happen now the current youngstock are aging into the herd?
- Will the overall milking herd stabilise, or see any 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 **95%**
2. AI as % of all inseminations **90%**

19 March 2024

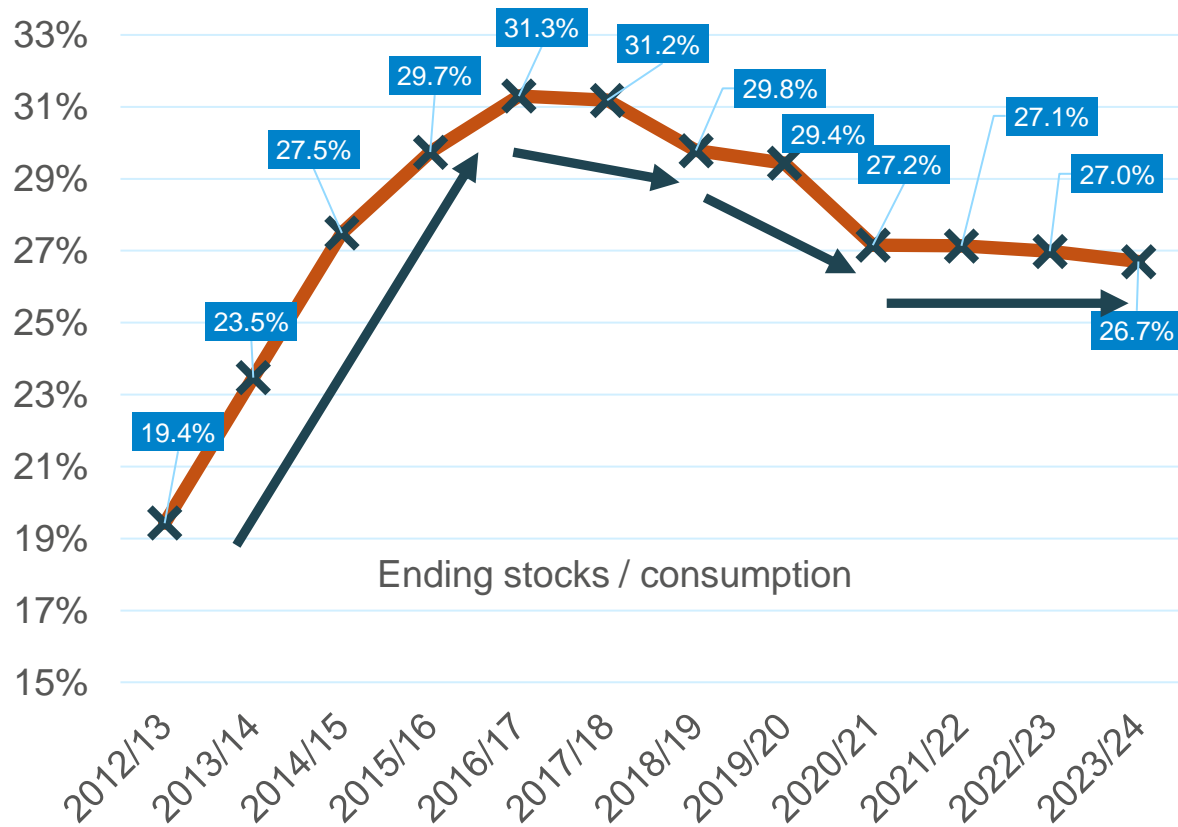
What has been driving cereal & oilseed prices?

Anthony Speight



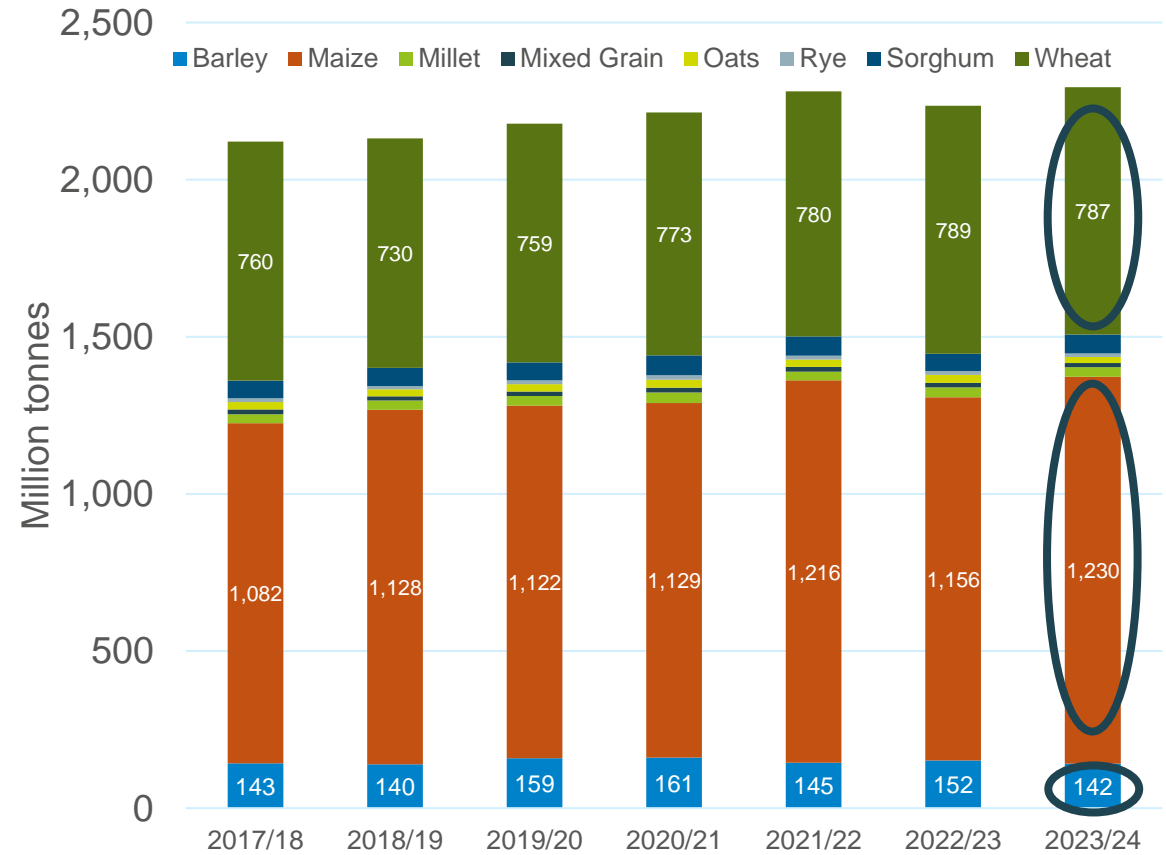
Global grain markets are well supplied

Stocks to use ratio of global grains



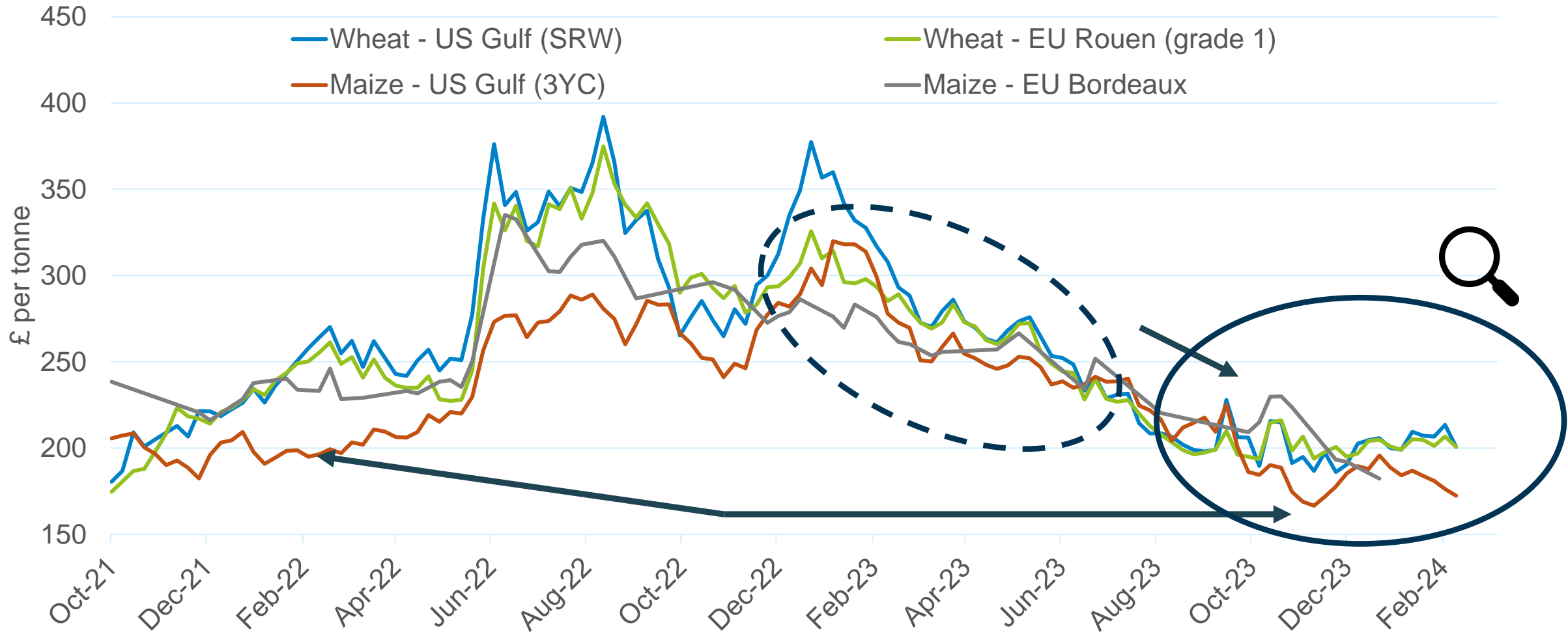
Source: USDA.
Grains: Barley, Maize, Millet, Mixed Grains, Oats, Rye,

Global grain production is set to grow for 2023/24



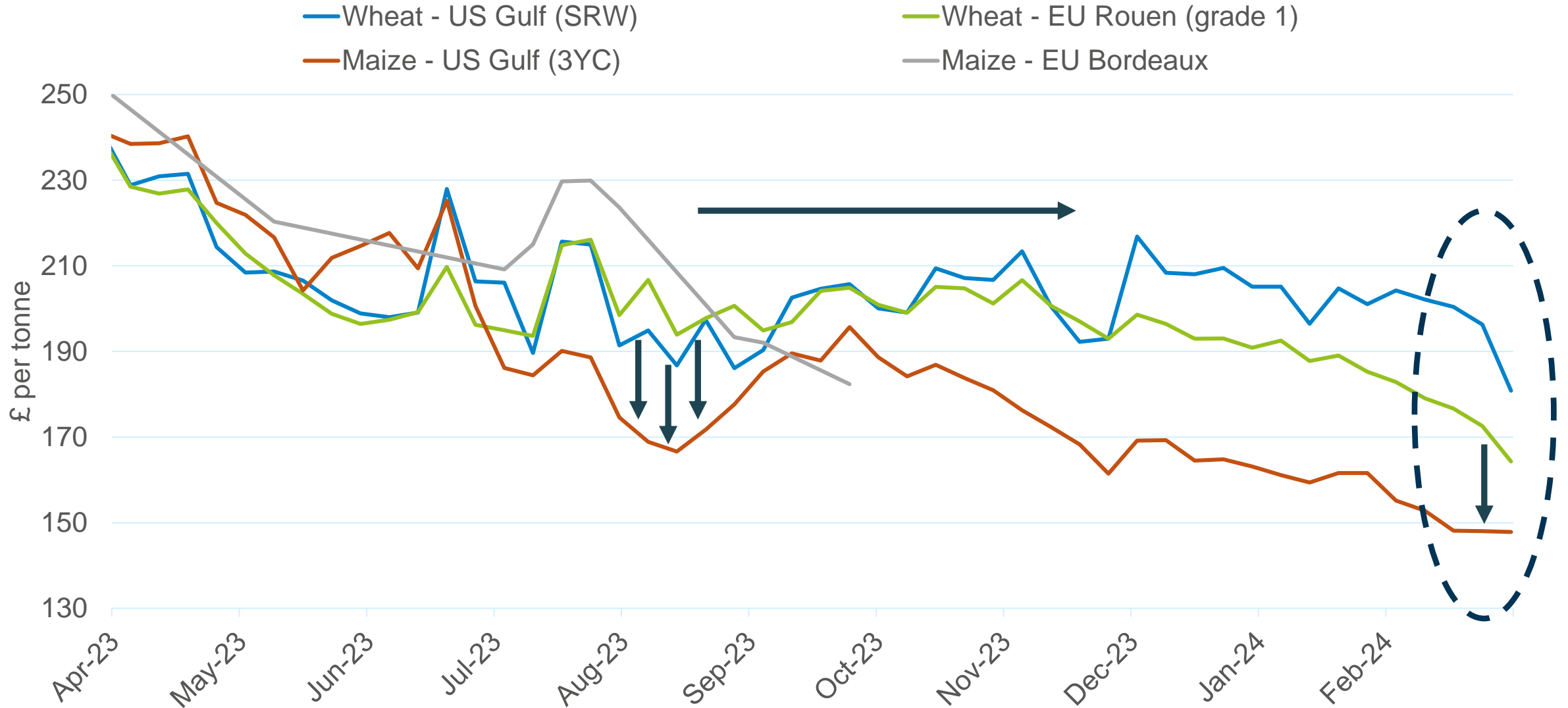
Source: USDA – March World Agricultural Supply & Demand Estimate

Price outlook – where are we at now?



Source: EU Commission

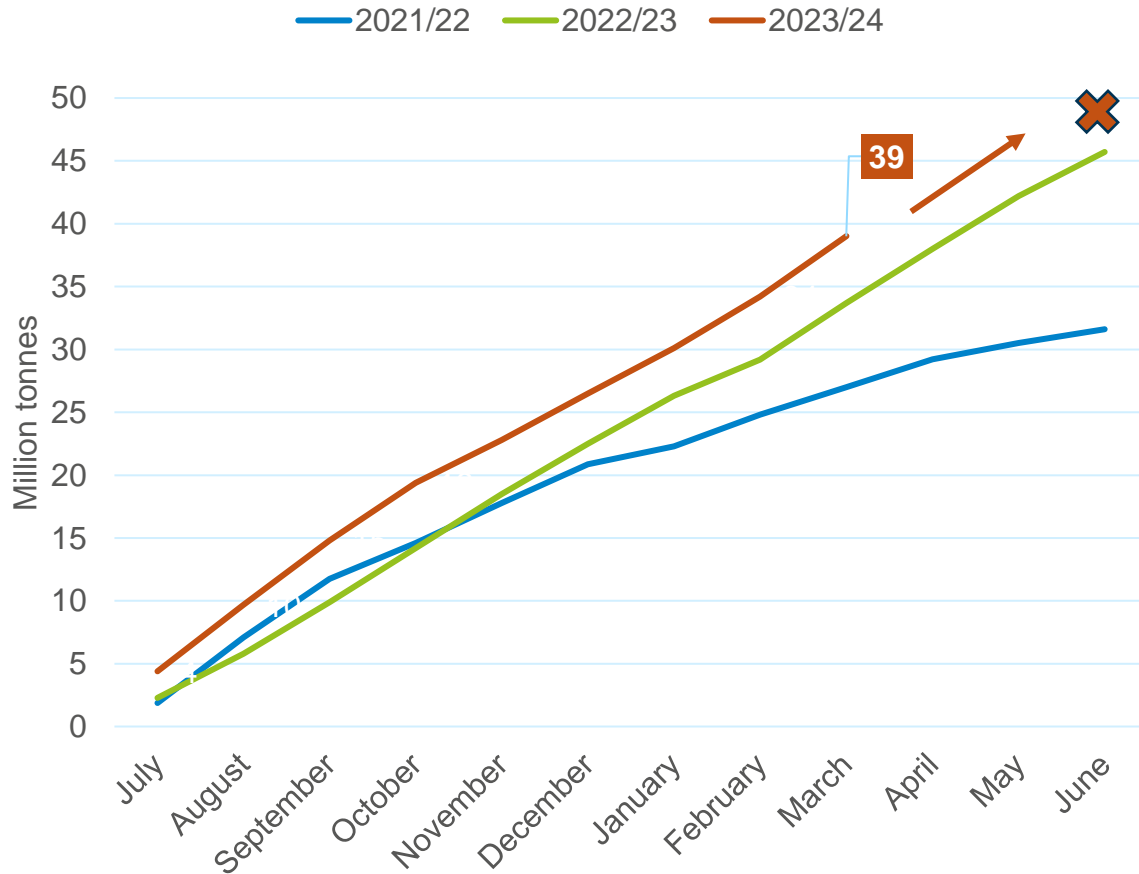
Price outlook – where are we at now?





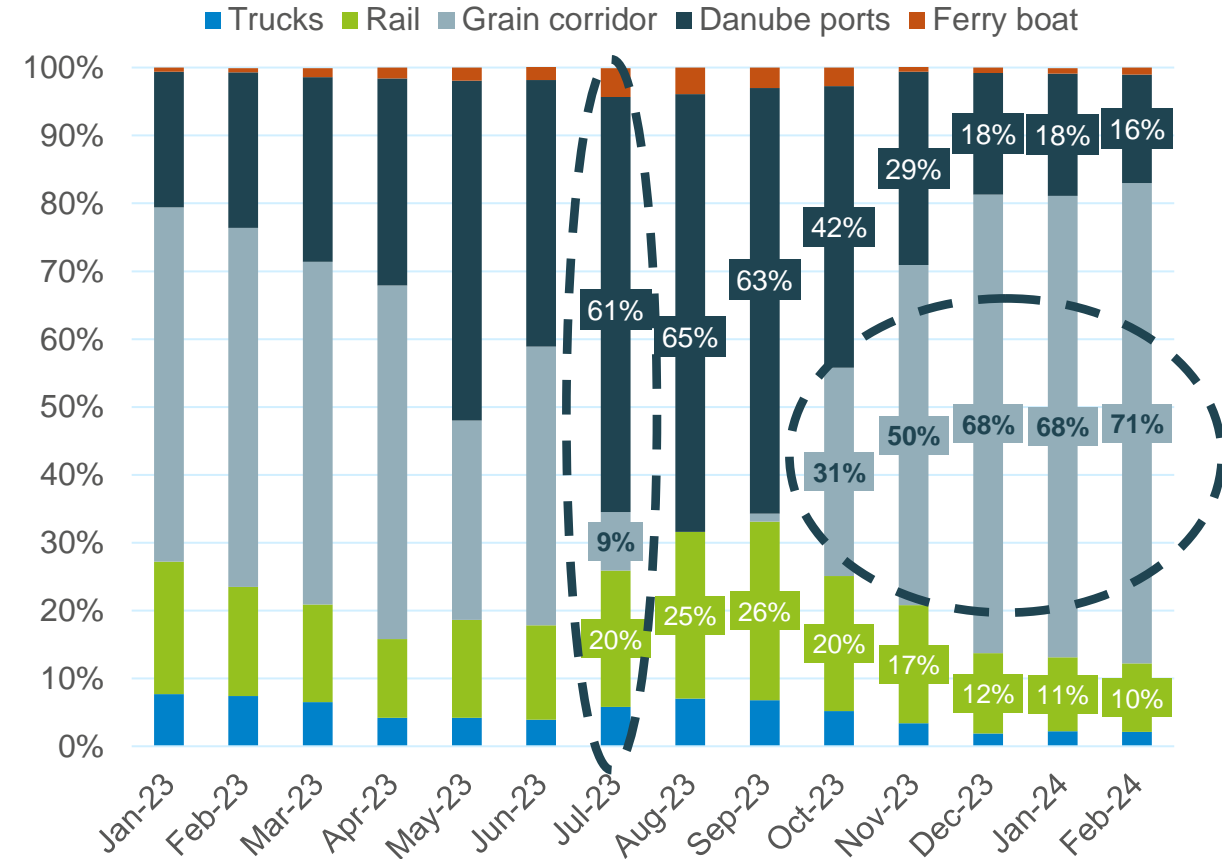
Russia and Ukraine pressuring grain markets

Russian wheat export expected to continue



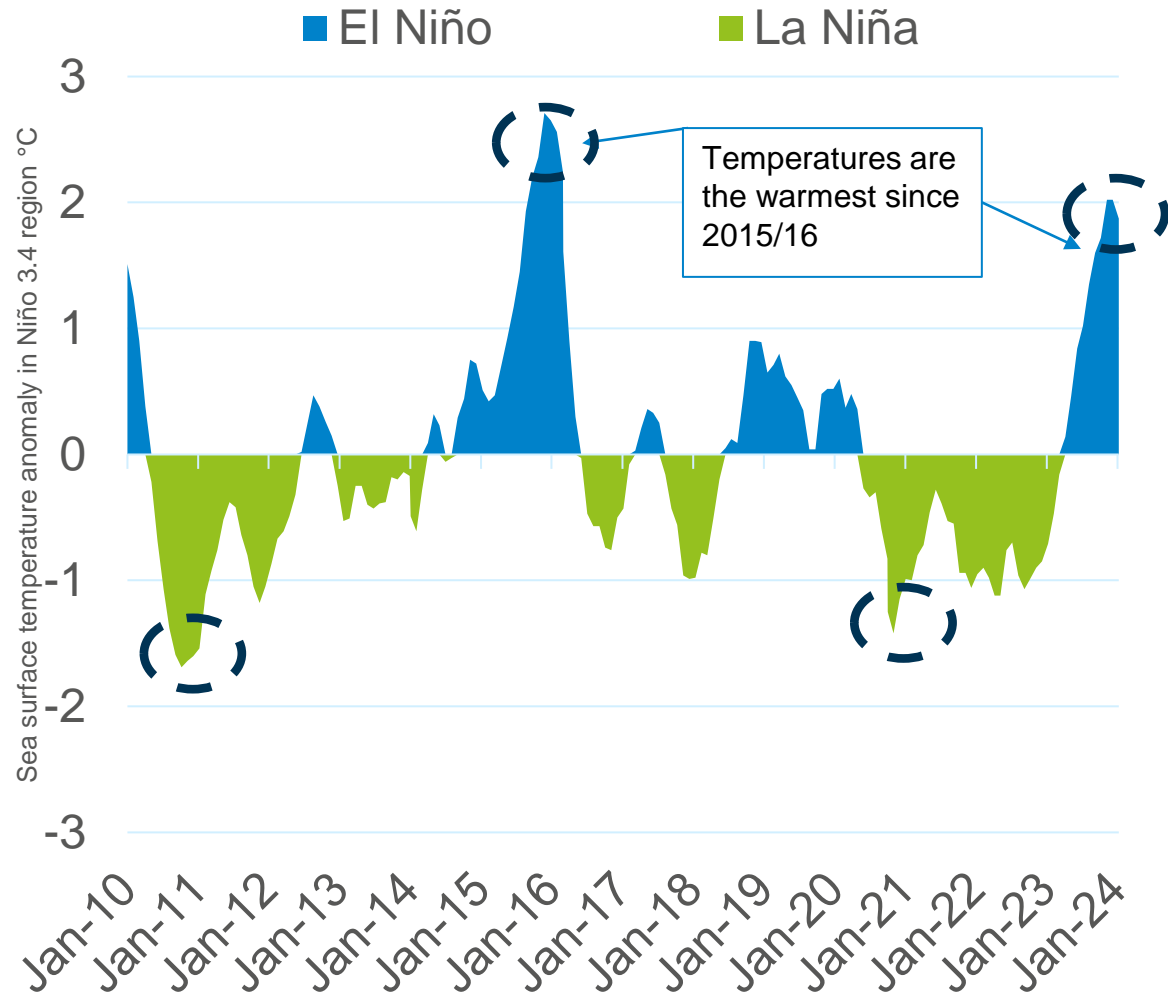
Source: SovEcon

Ukrainian export avenues

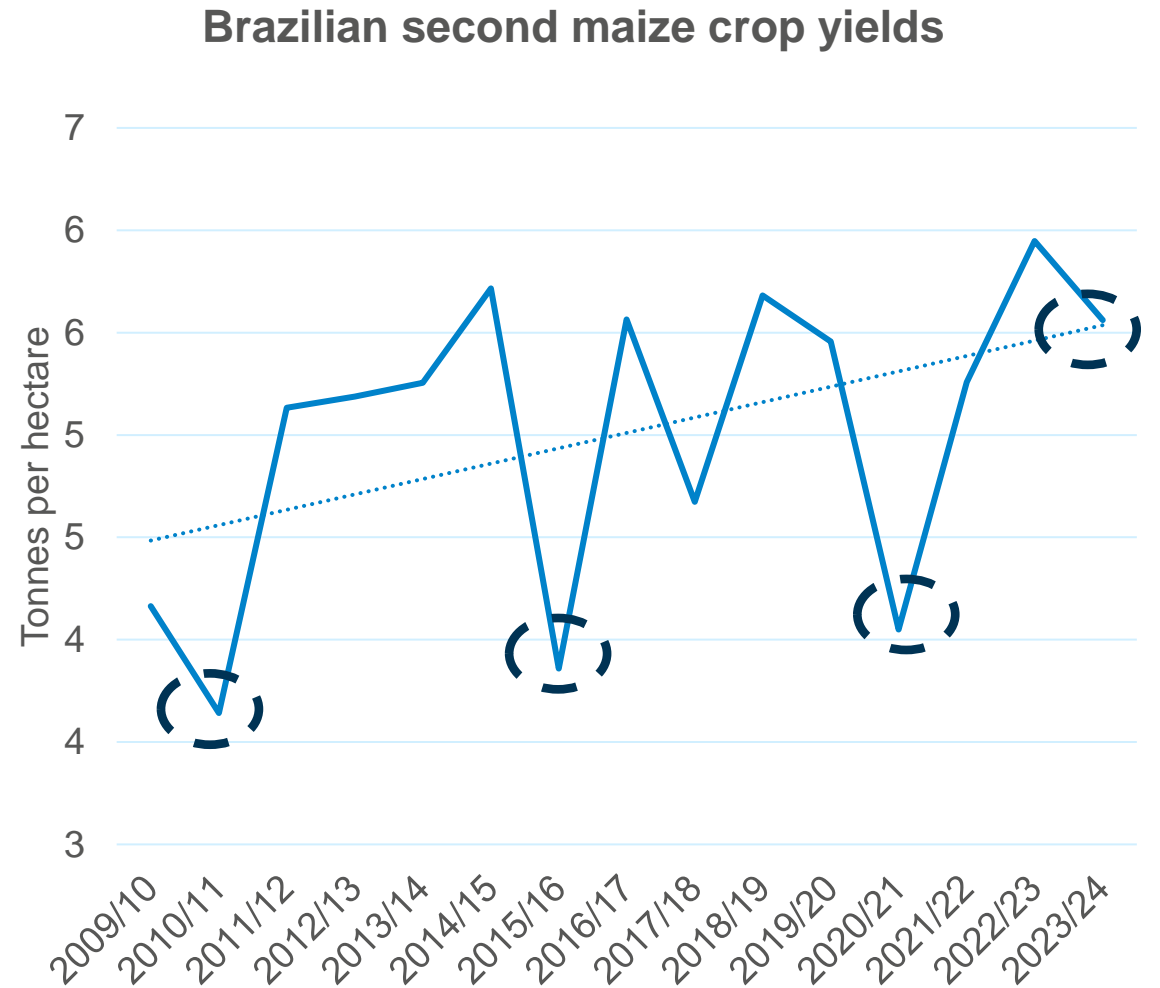


Source: UkrAgroConsult based on customs data.

El Niño is going to be the market driver



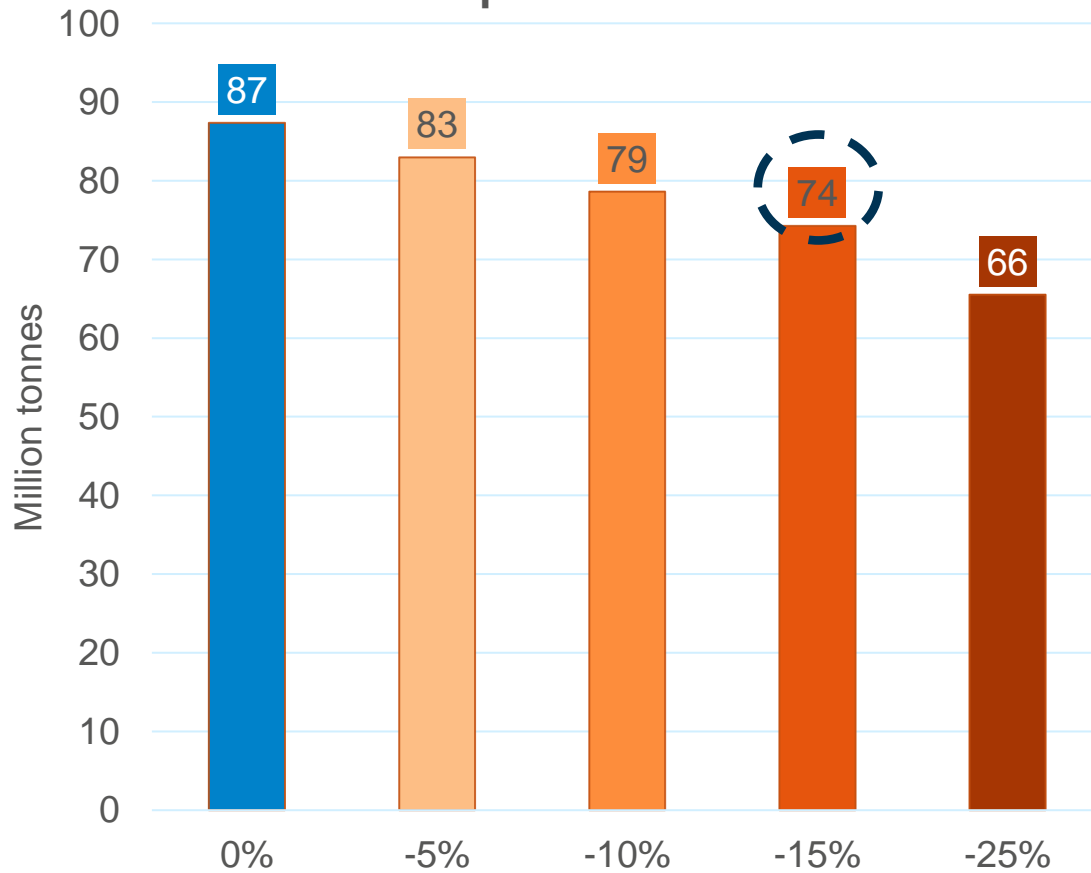
Source: National Oceanic and Atmospheric Administration



Source: Conab

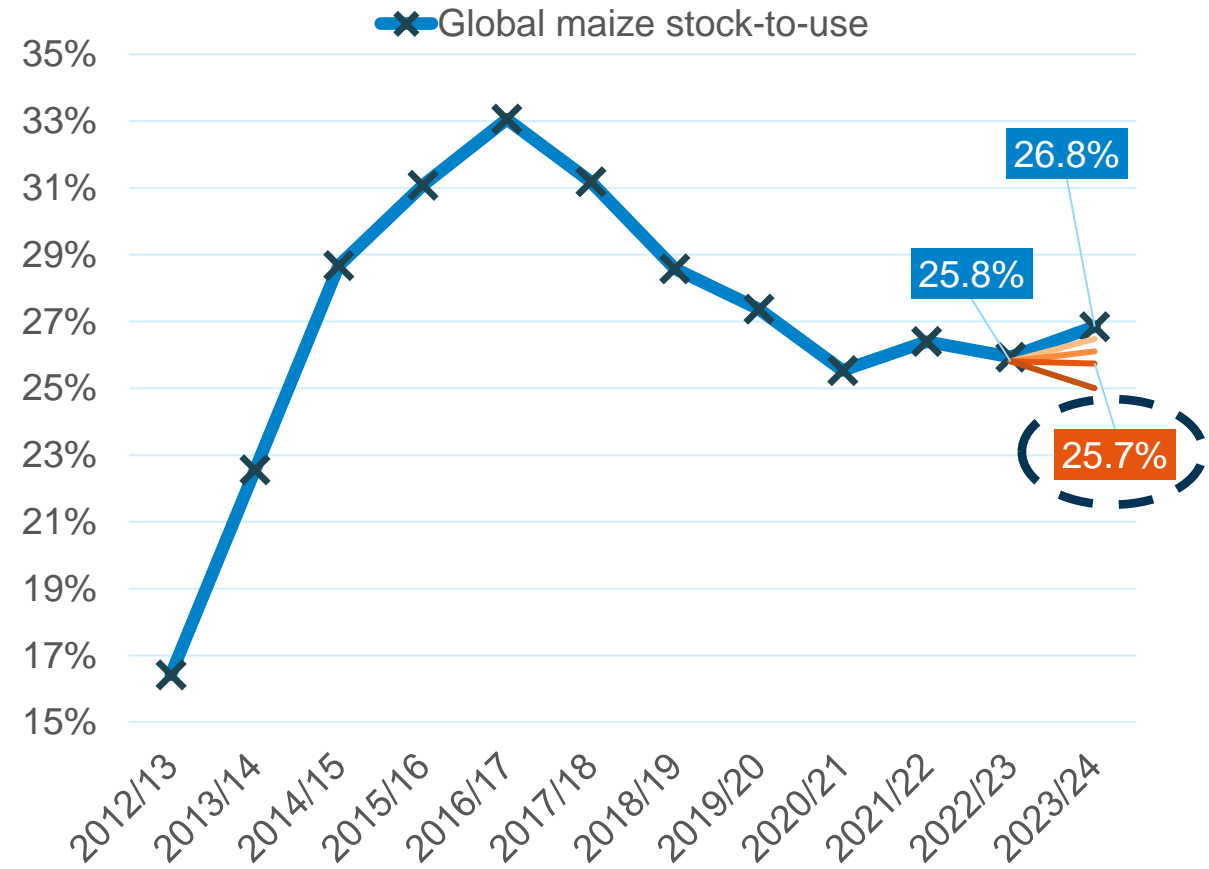
El Niño is going to be the market driver

Brazilian maize production has downward potential



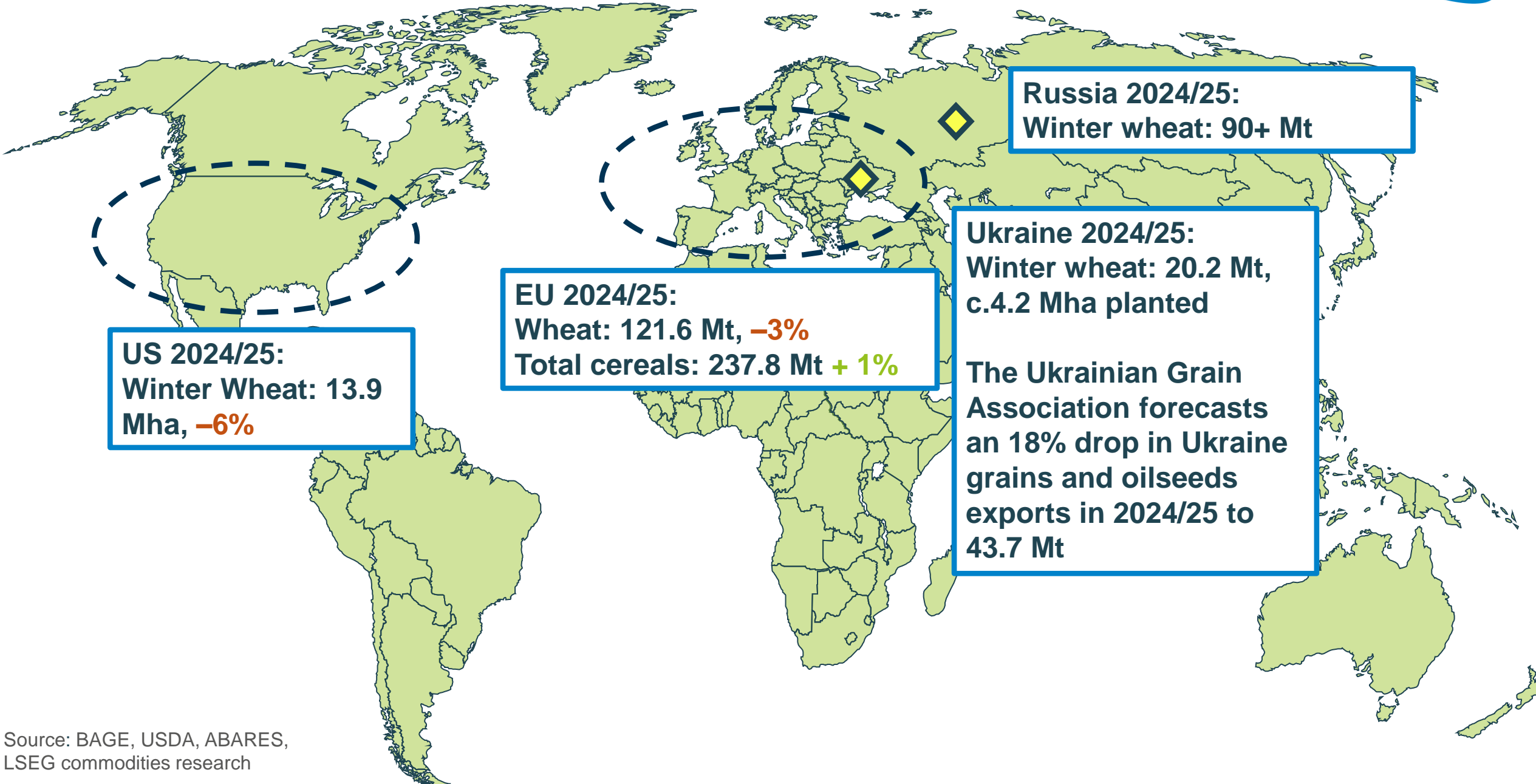
Source: Conab, AHDB analysis

Global stock-to-use ratios could tighten



Source: USDA, AHDB analysis

Harvest 2024



US 2024/25:
Winter Wheat: 13.9 Mha, **-6%**

EU 2024/25:
Wheat: 121.6 Mt, **-3%**
Total cereals: 237.8 Mt **+1%**

Russia 2024/25:
Winter wheat: 90+ Mt

Ukraine 2024/25:
Winter wheat: 20.2 Mt, c.4.2 Mha planted

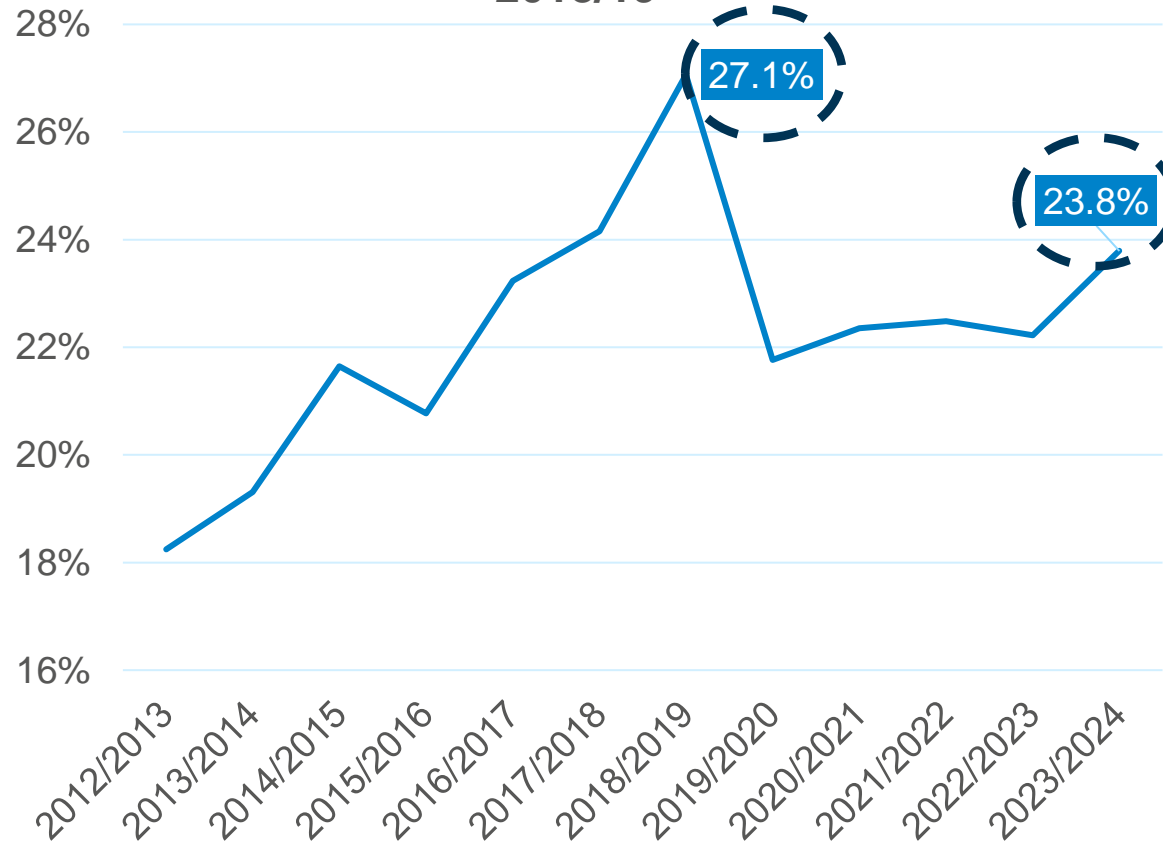
The Ukrainian Grain Association forecasts an 18% drop in Ukraine grains and oilseeds exports in 2024/25 to 43.7 Mt

Global oilseeds



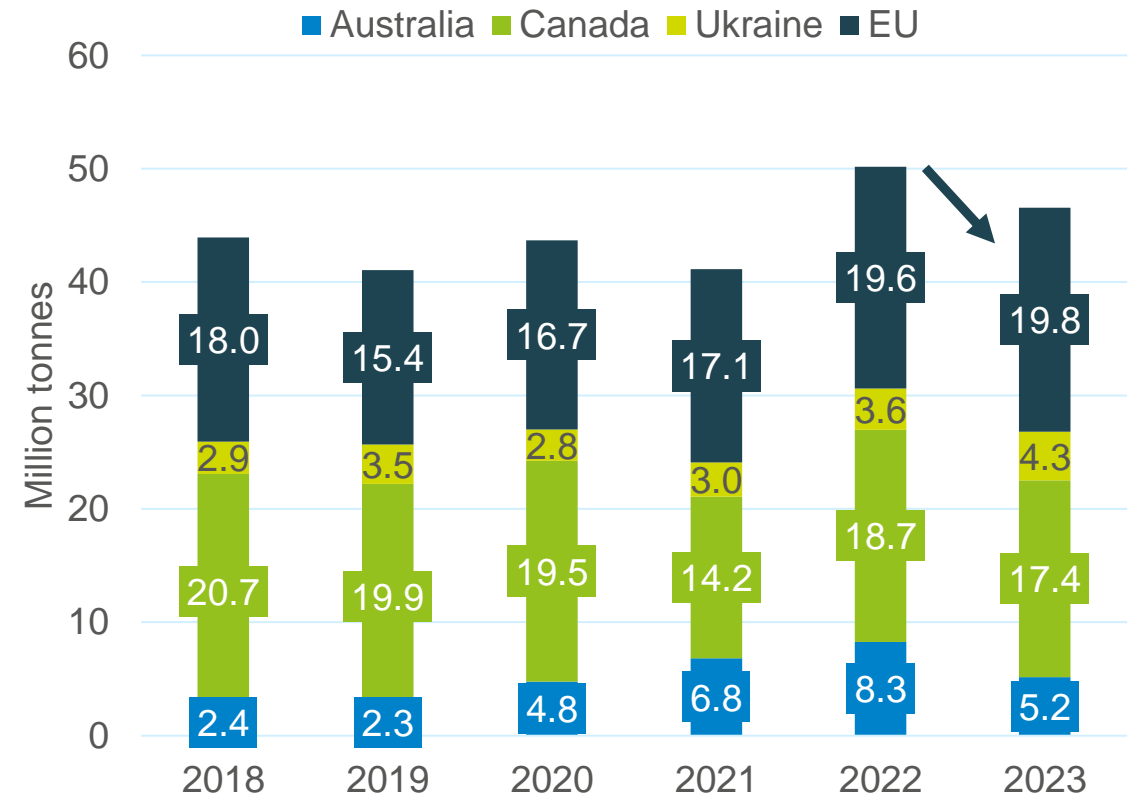
Oilseed markets and well supplied

Major oilseed* stocks-to-use highest since 2018/19



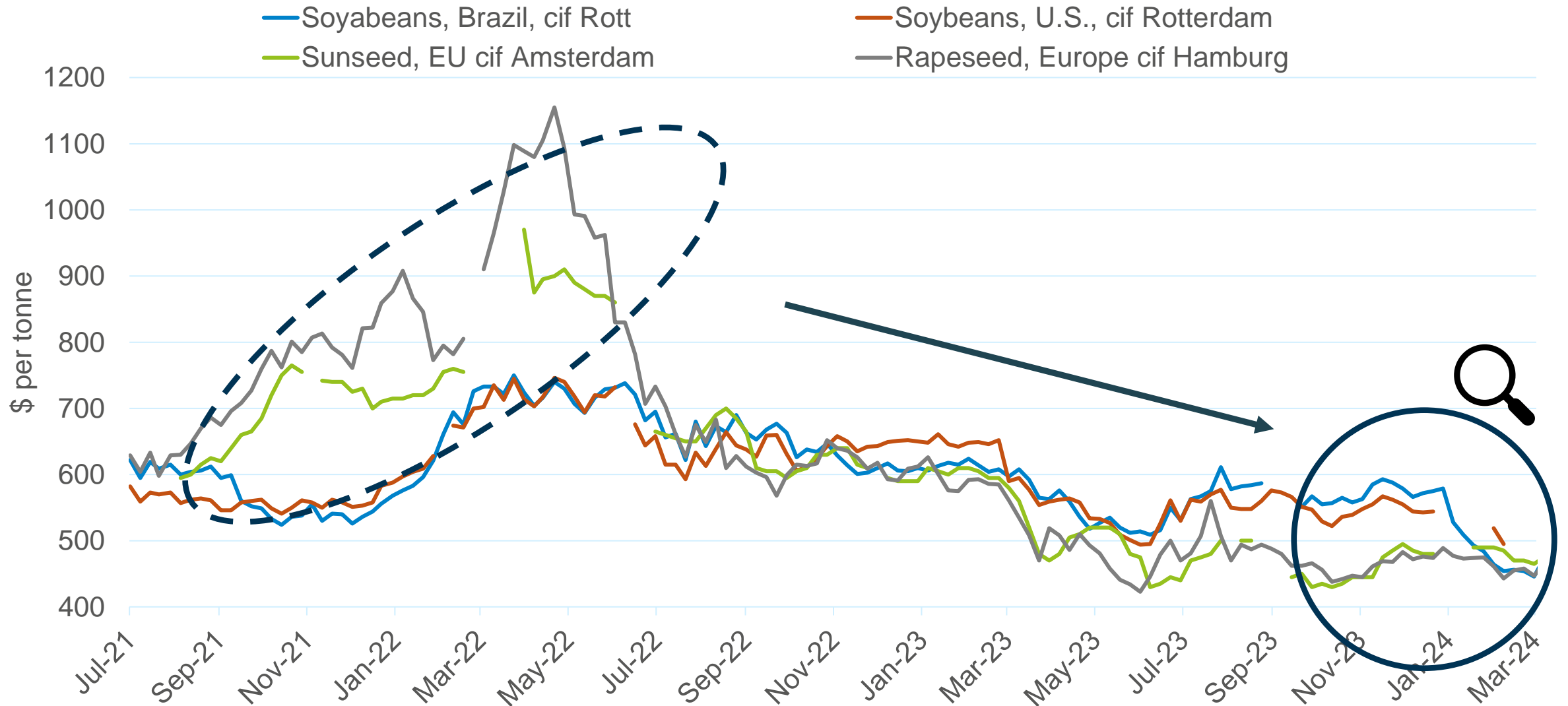
Source: USDA, *rapeseed, sunseed & soyabeans

Major rapeseed production has decreased



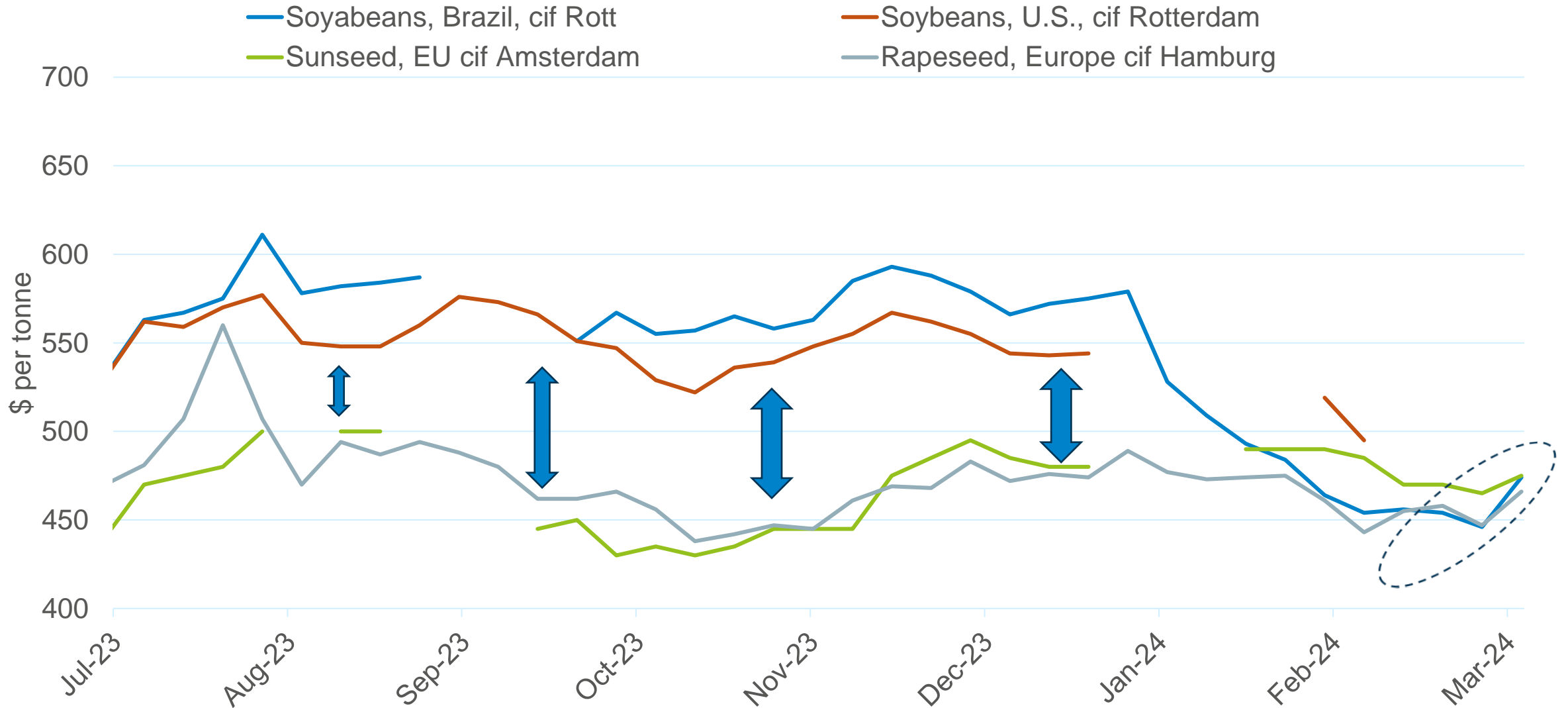
Source: ABARES, StatCan, EU commission & UkrAgroConsult

Rapeseed pricing in relation to other oilseeds



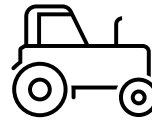
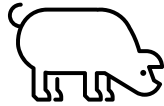
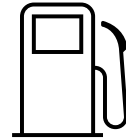
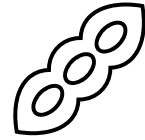
Source: Oilworld.biz

Rapeseed pricing in relation to other oilseeds

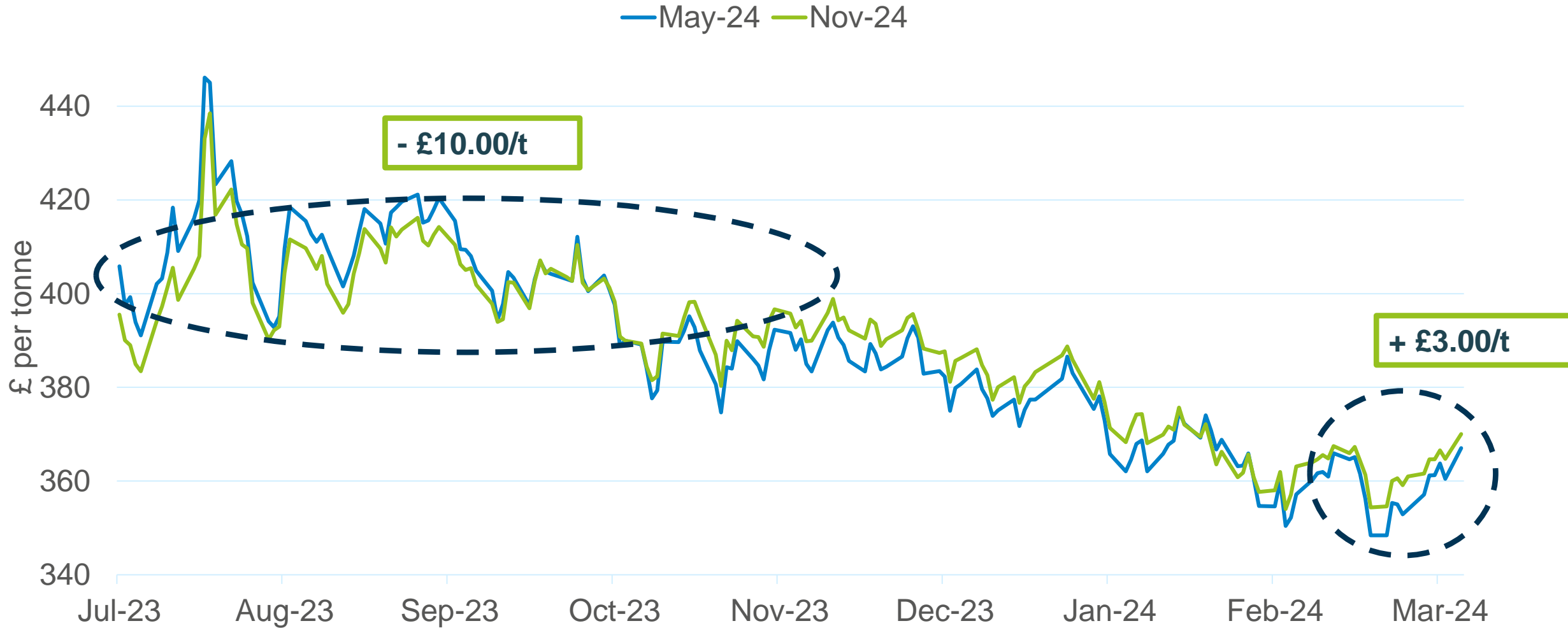


Source: Oilworld.biz

What is going to drive prices in 2024?



Rapeseed tightness for next year?



Source: Euronext

Domestic situation



AHDB Early Bird Survey

Thousand hectares	Defra June Survey for harvest 2023	November 2024 EBS forecast for harvest 2024	March 2024 EBS forecast for harvest 2024	March EBS % year-on-year change
All wheat	1,720	1,660	1,463	-15%
Winter barley	455	423	355	-22%
Spring barley	682	756	881	29%
Oats	167	180	209	26%
Other cereals*	65	52	53	-18%
OSR	391	317	280	-28%
Other oilseeds**	26	20	20	-24%
Pulses	275	245	236	-14%
Arable fallow	311	388	558	79%
Other crops on arable land***	709	739	745	5%
TOTAL	4,800	4,780	4,800	

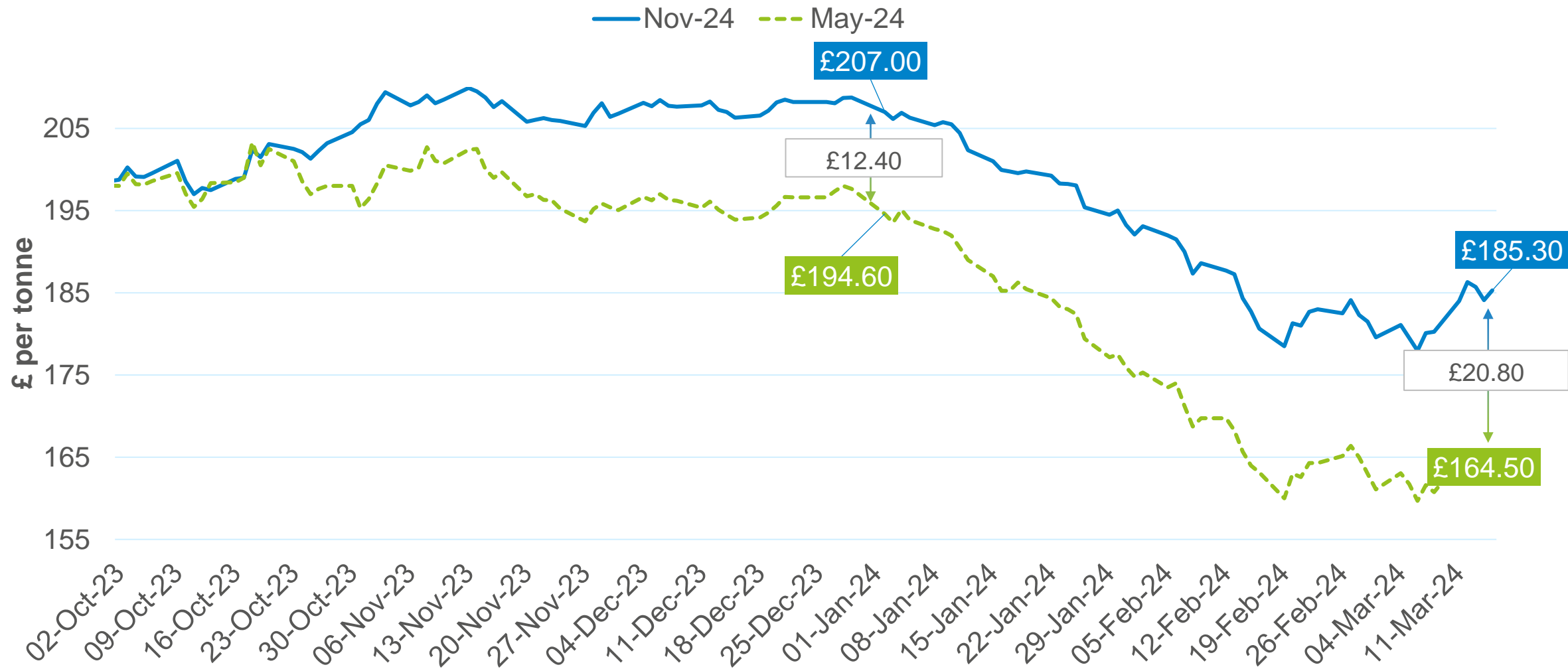
*crops included are rye, triticale and mixed grains

**crops included are linseed and borage

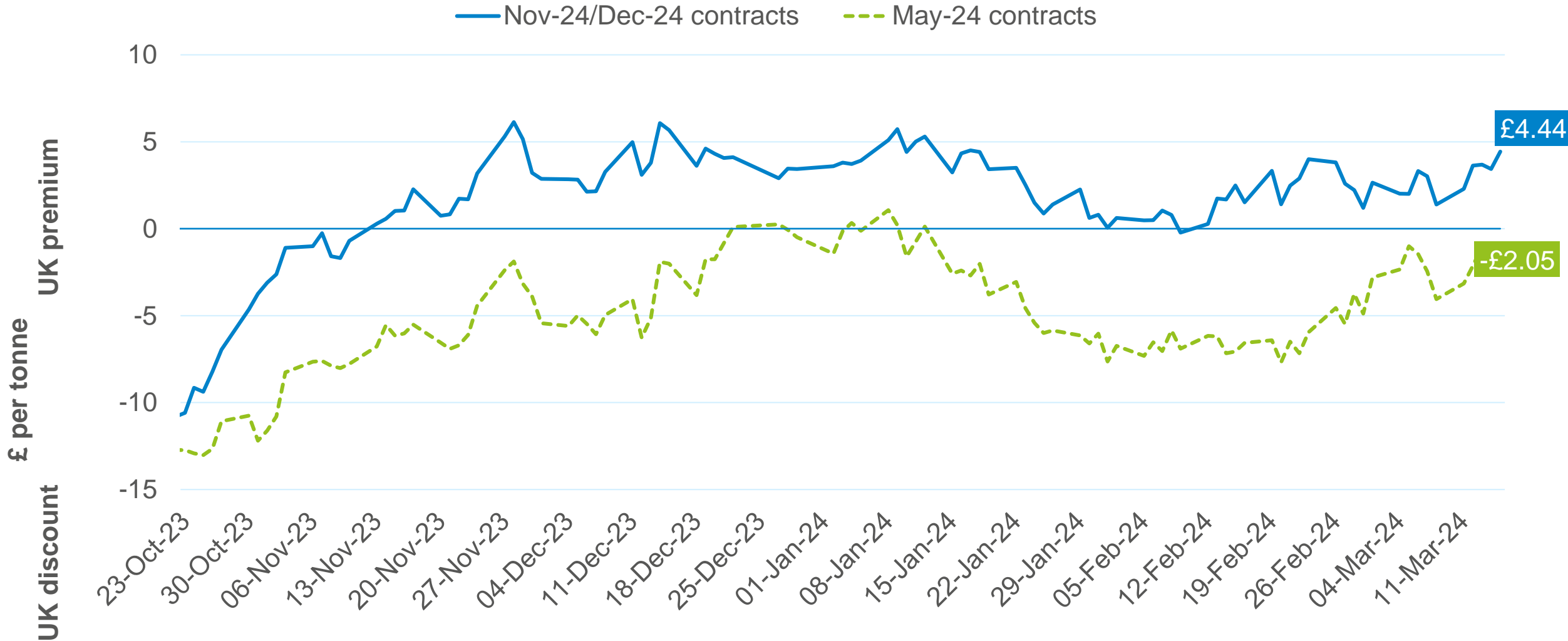
***crops include sugar beet, potatoes, vegetables, maize (33%) and temporary grass (20%)

Source: Defra, The Andersons Centre for the AHDB

UK feed wheat futures carry into the new crop widening

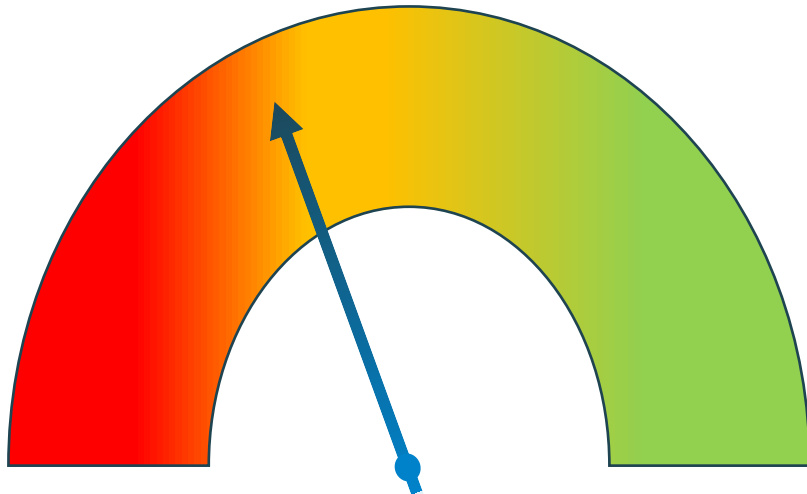


UK feed wheat futures relationship to Paris milling wheat futures shifted again for May-24



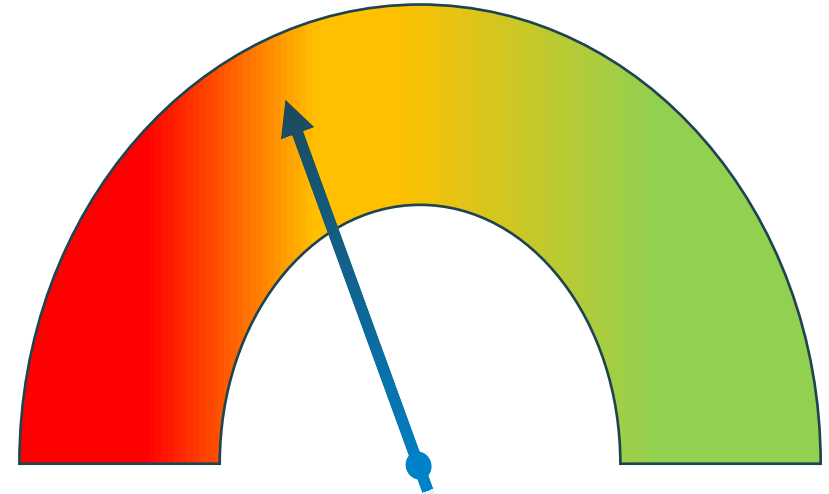
Bearish markets but with caution

Grains



- Brazilian Safrinha crop could change the tide of old crop markets.
- Black Sea geo-politics. Conflict in the Middle East
- No major cause for concern for new-crop...yet

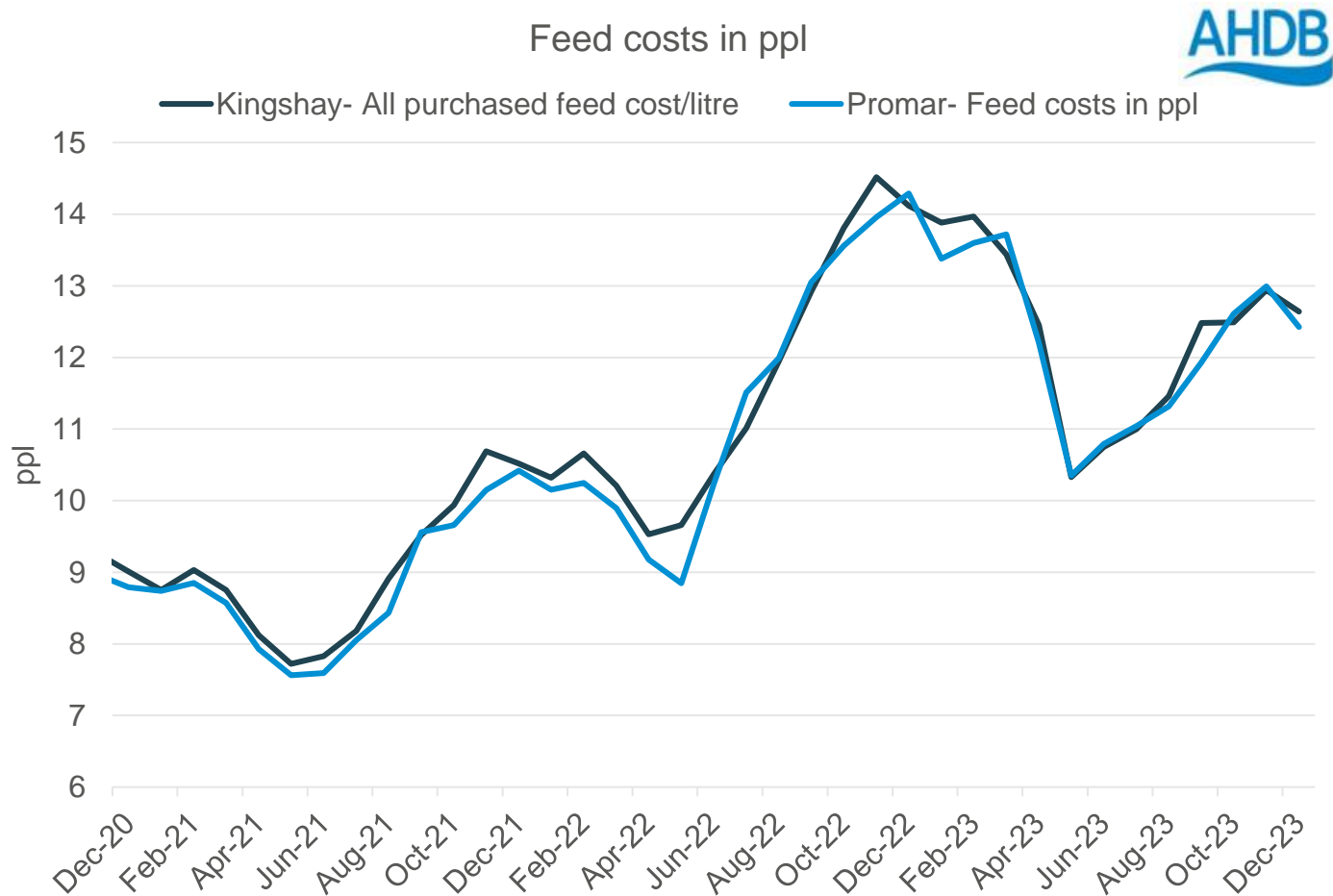
Oilseeds



- Brazilian soyabean crop revisions key for market.
- Rapeseed prices will be driven by soyabeans. But will remain at a premium

Costs & Yields

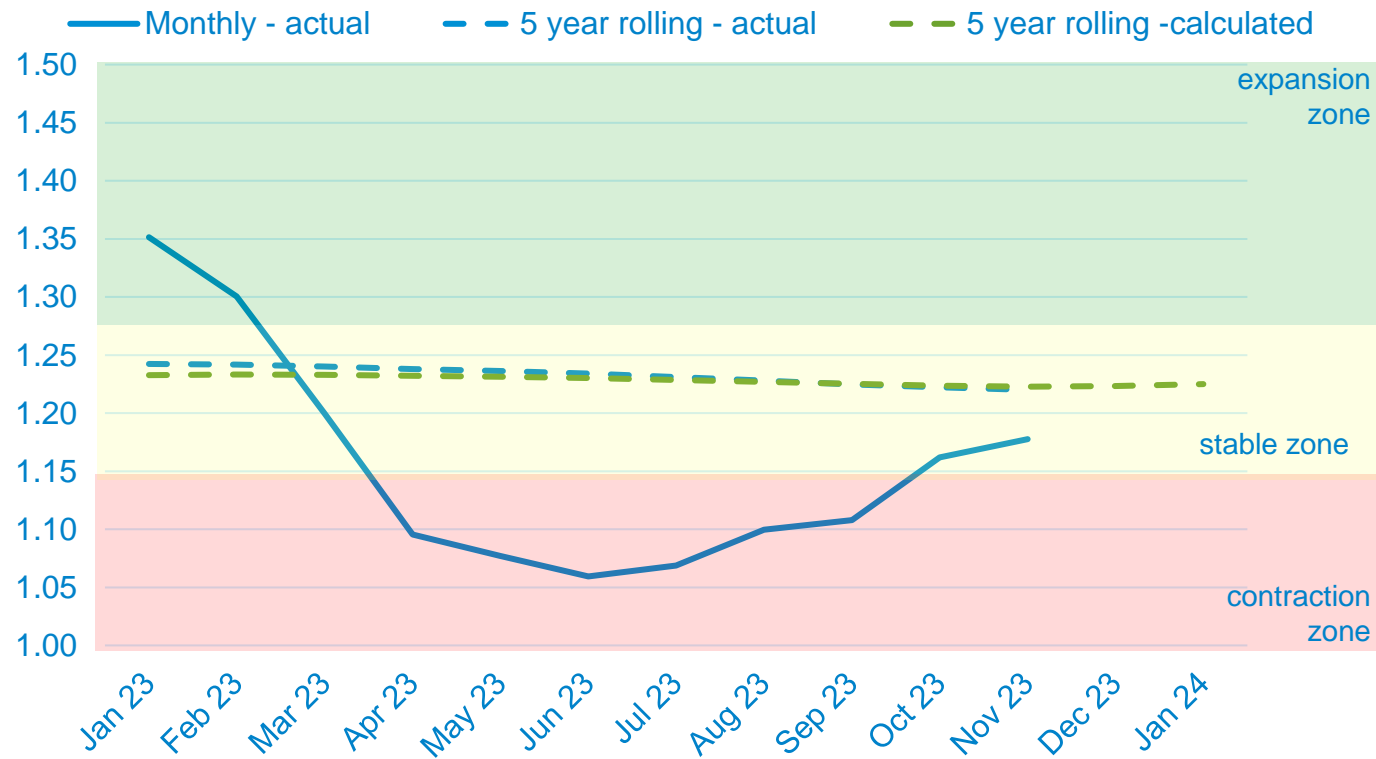
Purchased feed costs remain high



- Purchased feed costs only – cost of forage not accounted for.
- Prices remain high compared to historic levels, dipped but now coming back up.
- Dec-23 costs were 10.5% down on Dec-22.

Milk to (concentrate) feed price ratio

Actual vs calculated milk to feed price ratio - average

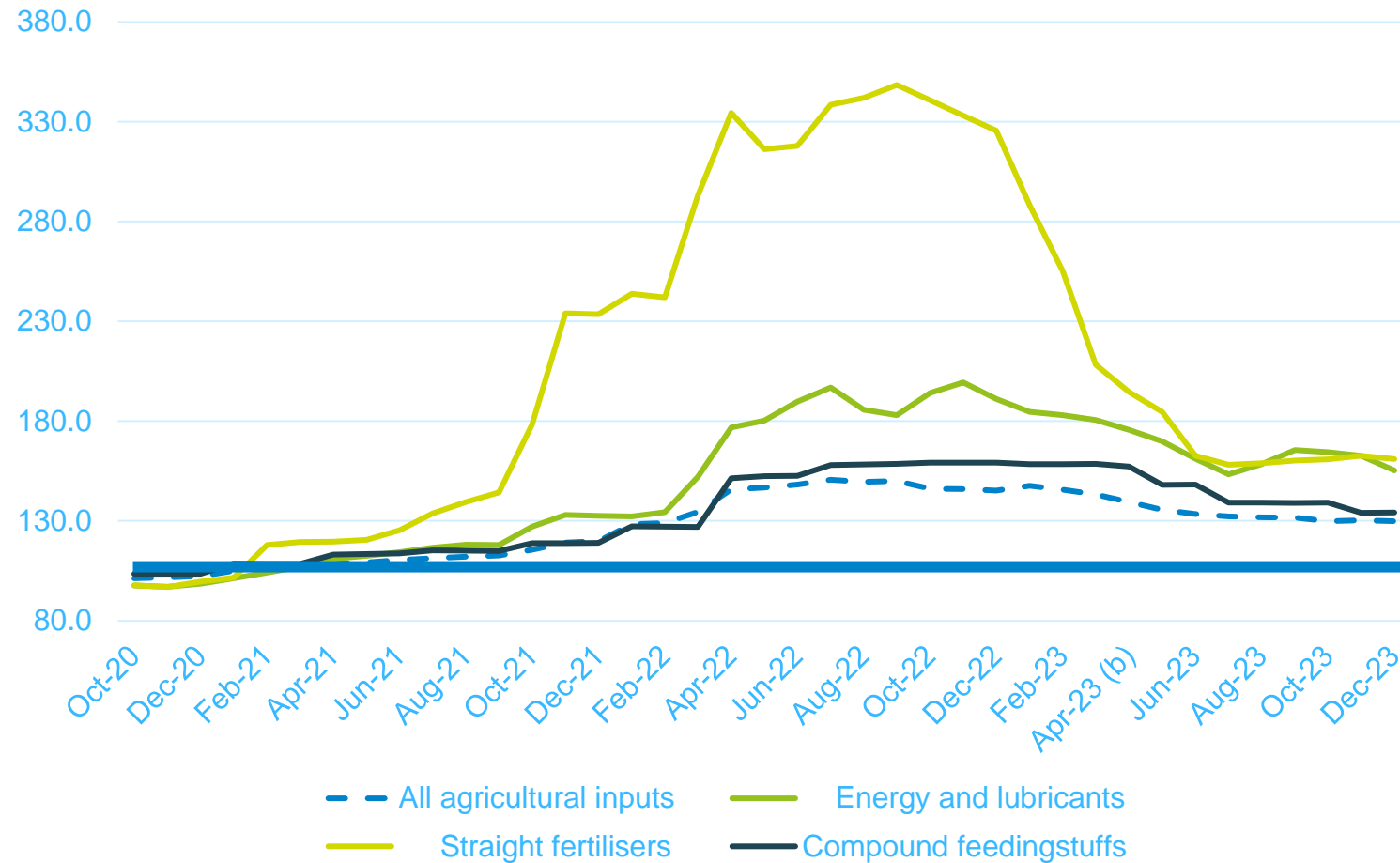


- MFPR is edging back into the stable zone
- Production decline has slowed and will be watched carefully as we head into the flush

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

Input costs currently seem to have settled at a new, higher level

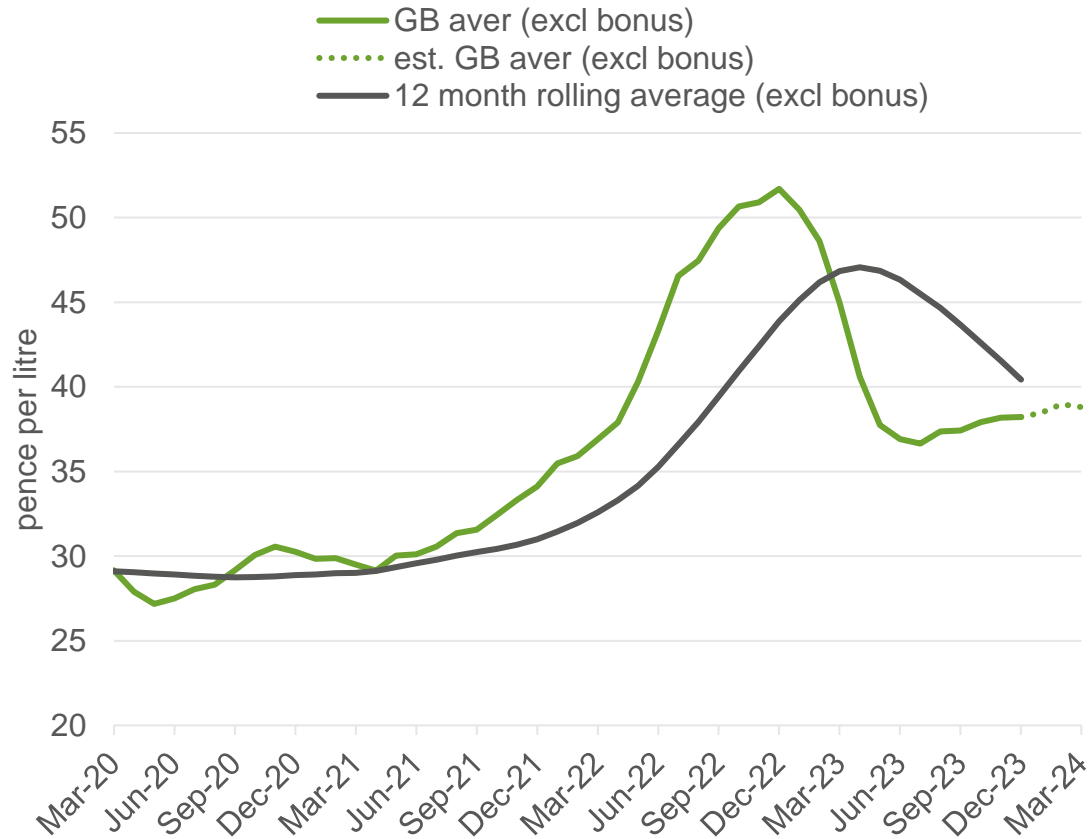
UK agricultural price inflation



- Additionally:
- Overall inflation on other costs
- Interest rates has hiked cost of borrowing and especially overdraft lending
- Potential for further pressure on inputs as Middle East conflict develops

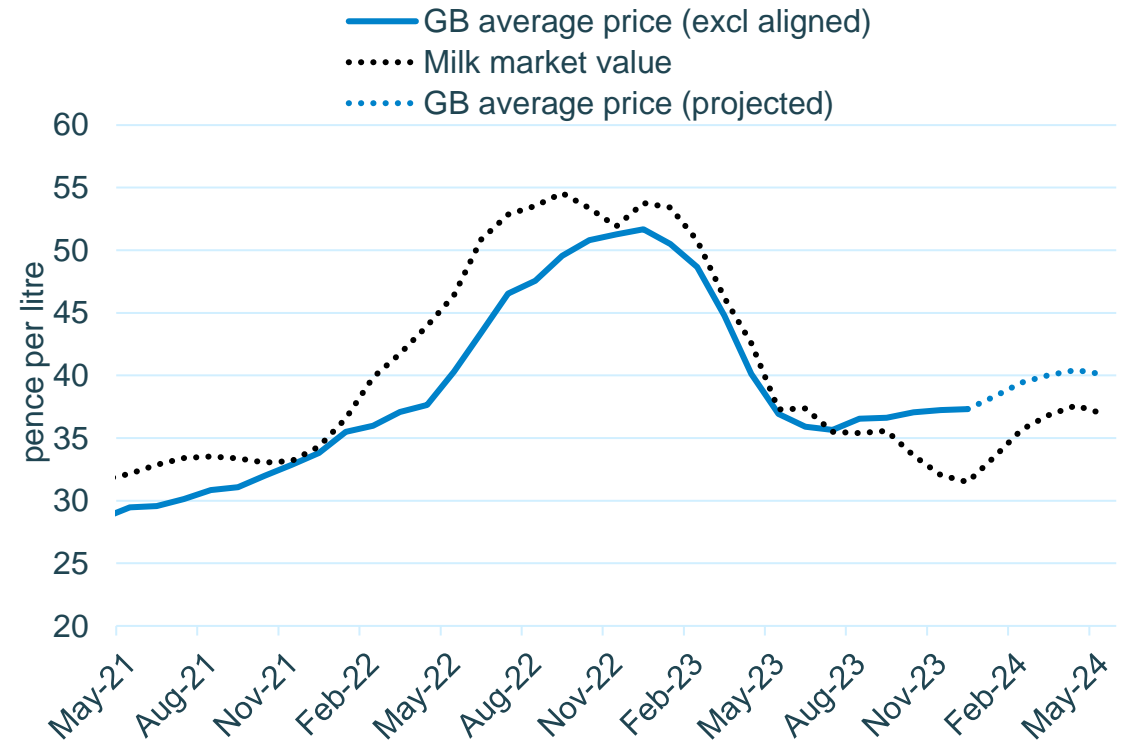
Average milk prices expected to recover slightly based on increasing MMV

GB farmgate milk prices



Source: Defra, AHDB

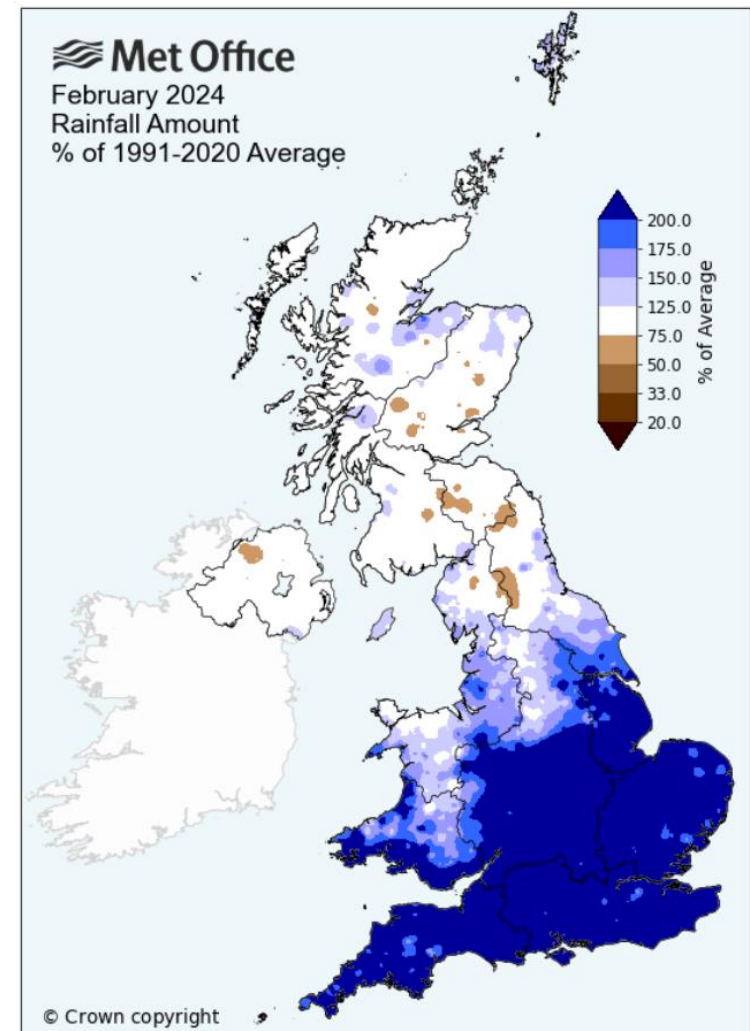
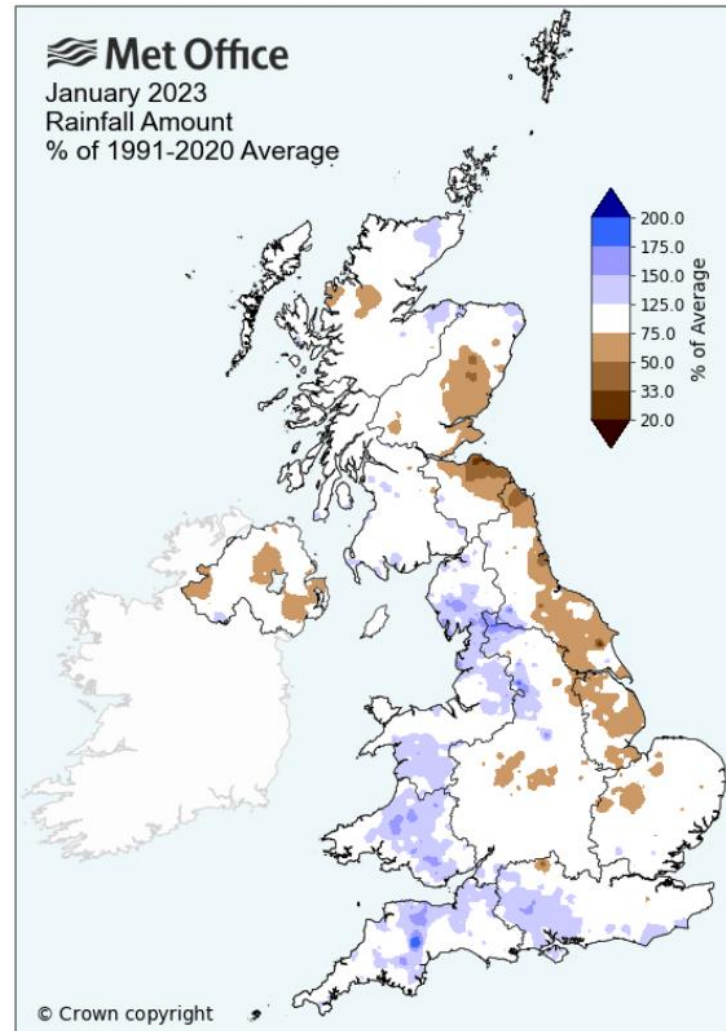
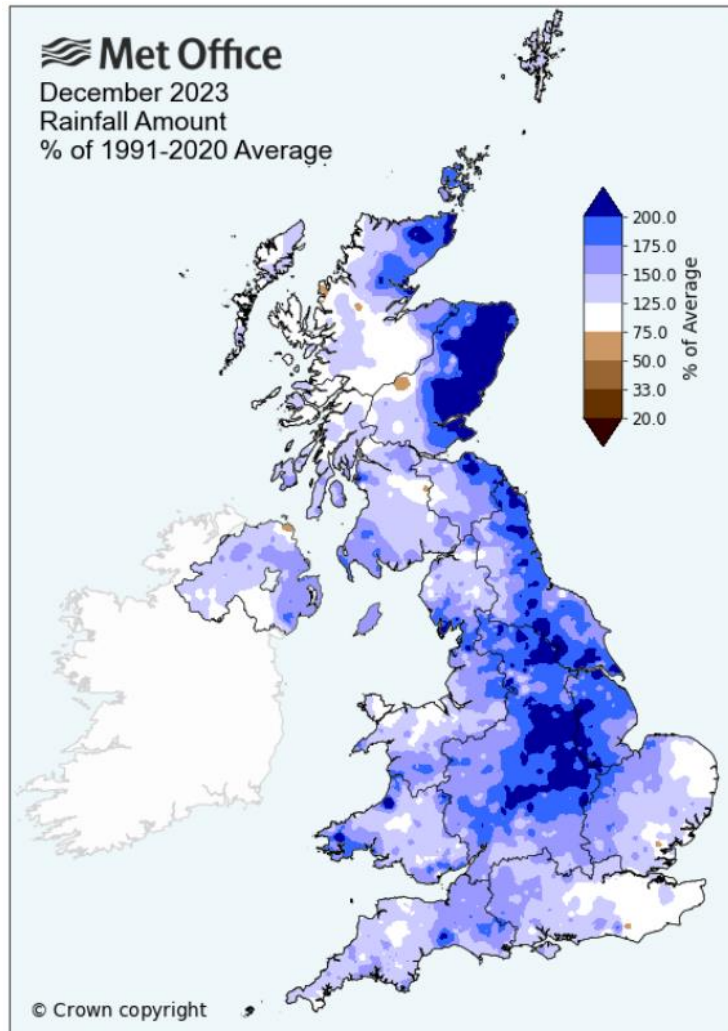
Milk market value* & projected farmgate price movements



Source: Defra, AHDB

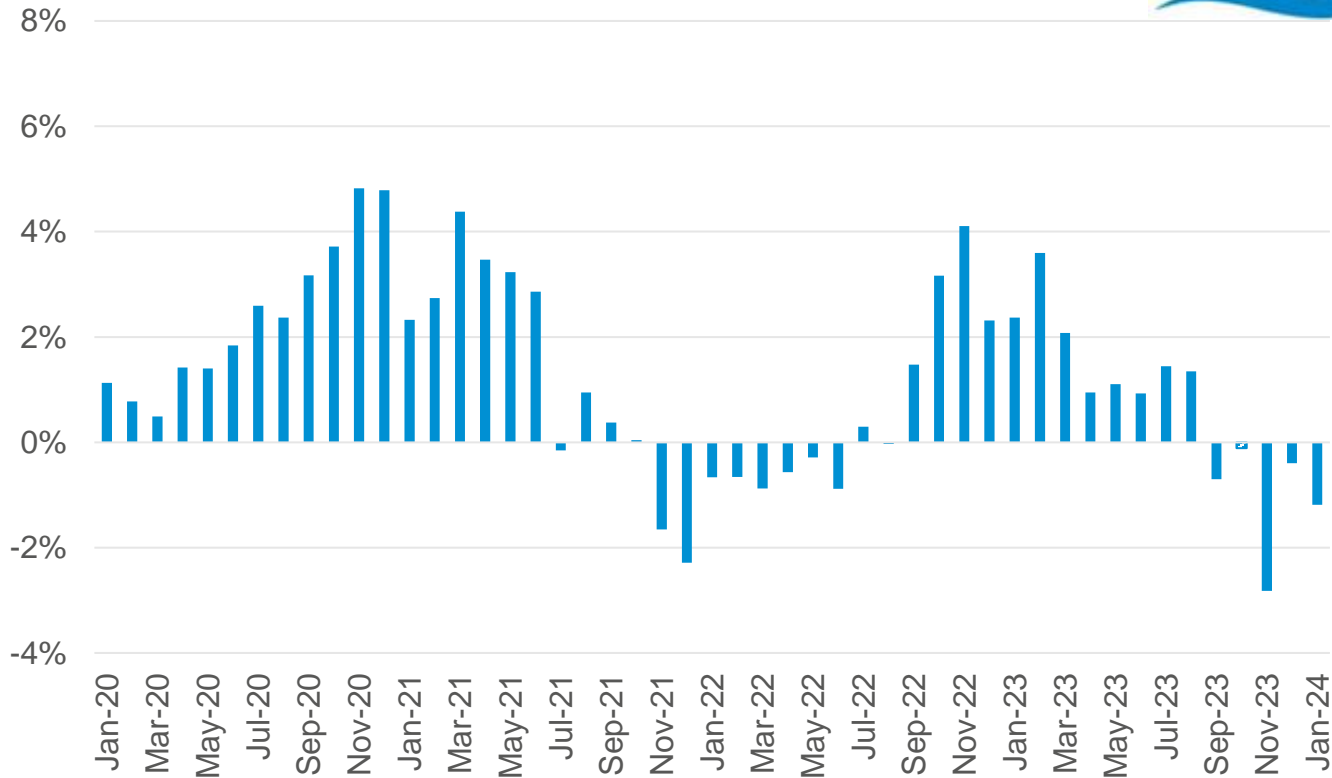
*weighted average AMPE/MCVE (20:80)

The ground remains extremely wet in many regions



Milk yields

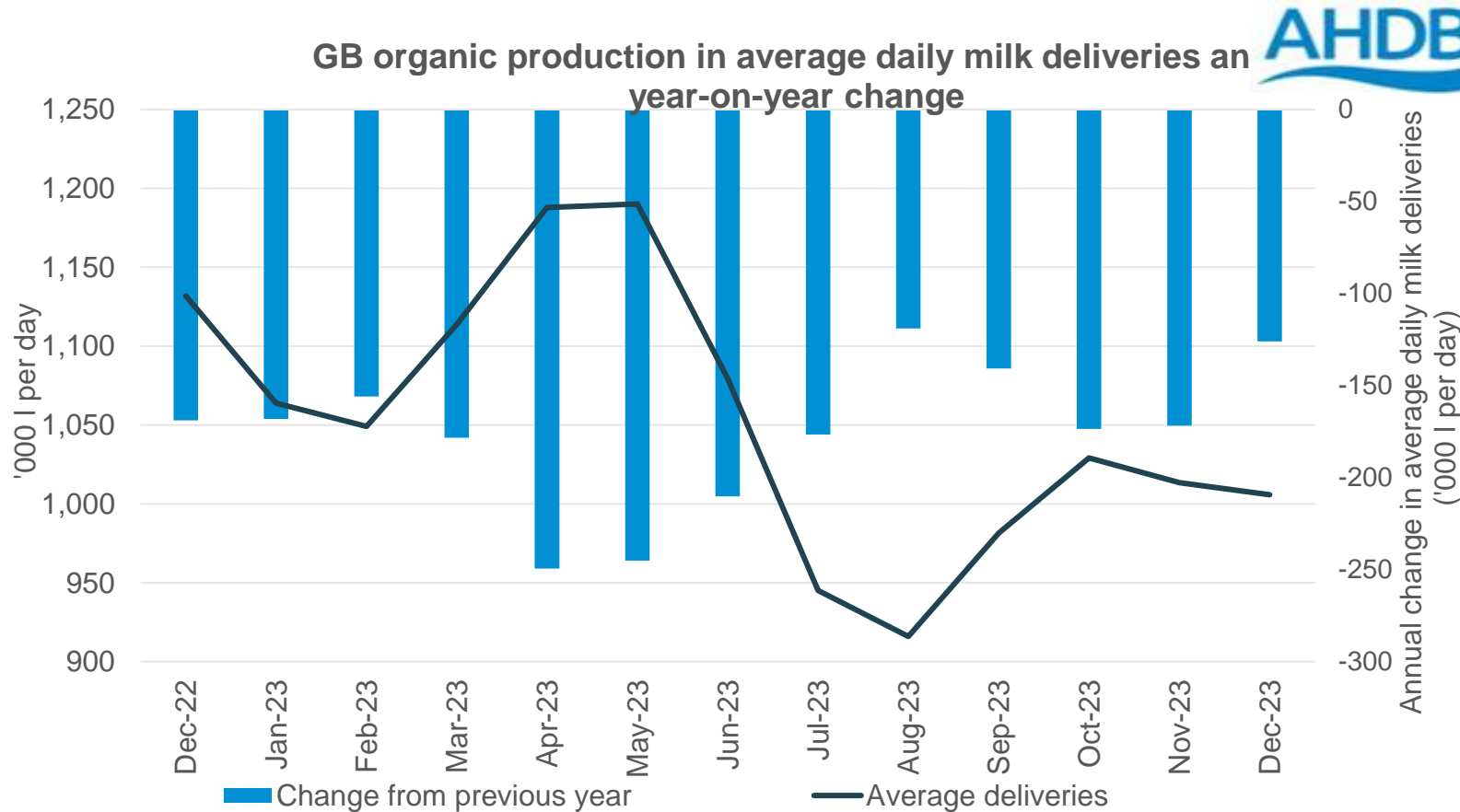
Year-on-year change in milk yields



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 -0.5% from March onwards (new milk year)
- **Will the lower yield levels continue later in the year?**

Organic production



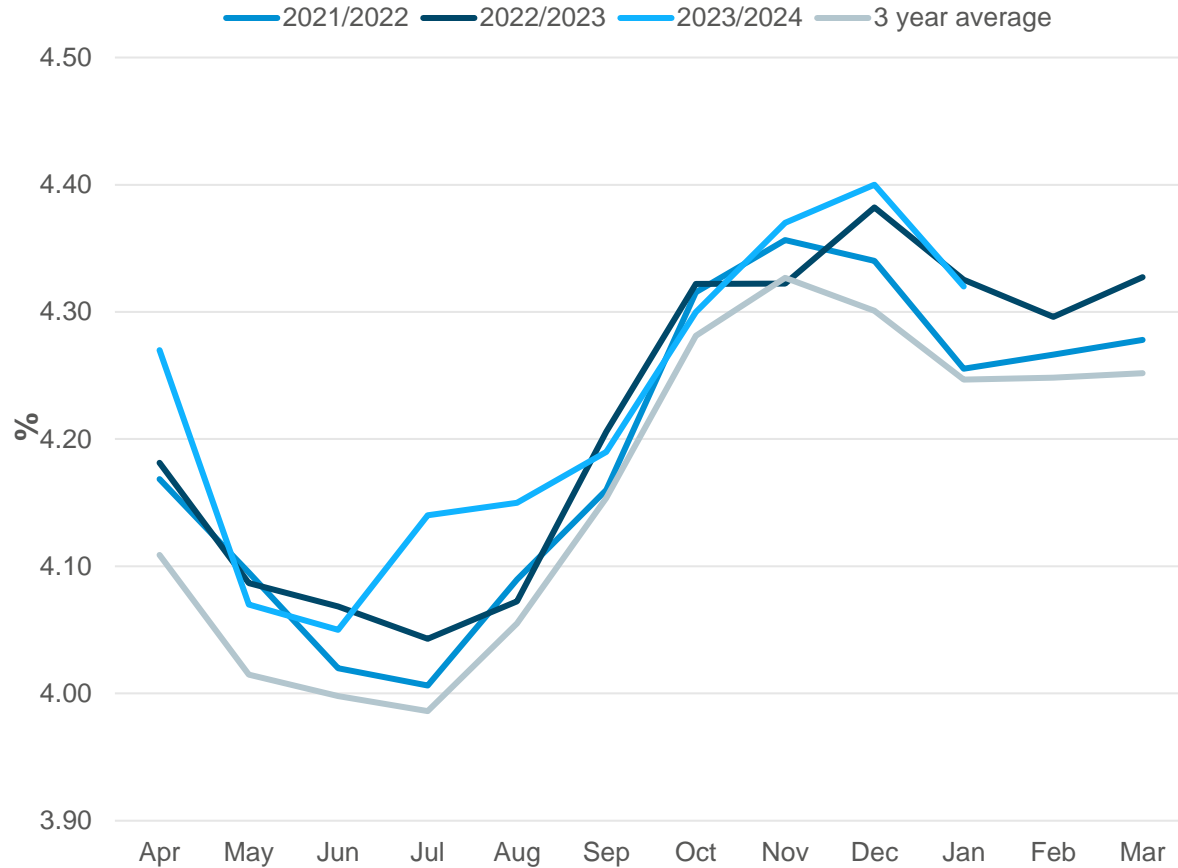
Source: AHDB

- Milk year to date loss of 52.7mn litres organic milk
- Production back by 14.3% year-on-year
- Accounts for majority of loss in milk volumes last year

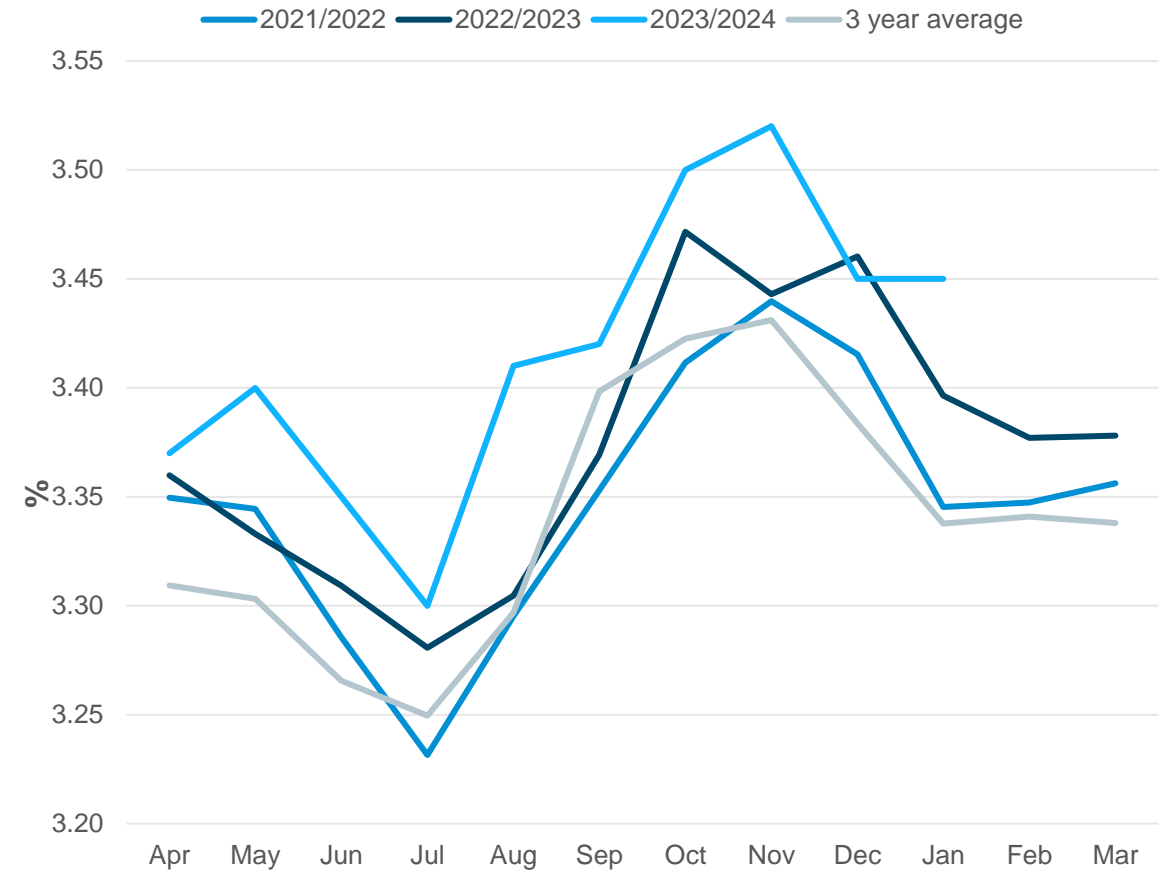
Milk composition: both fat and protein running well ahead of 3 year average



Average UK butterfat content



Average UK protein content



Source: Defra

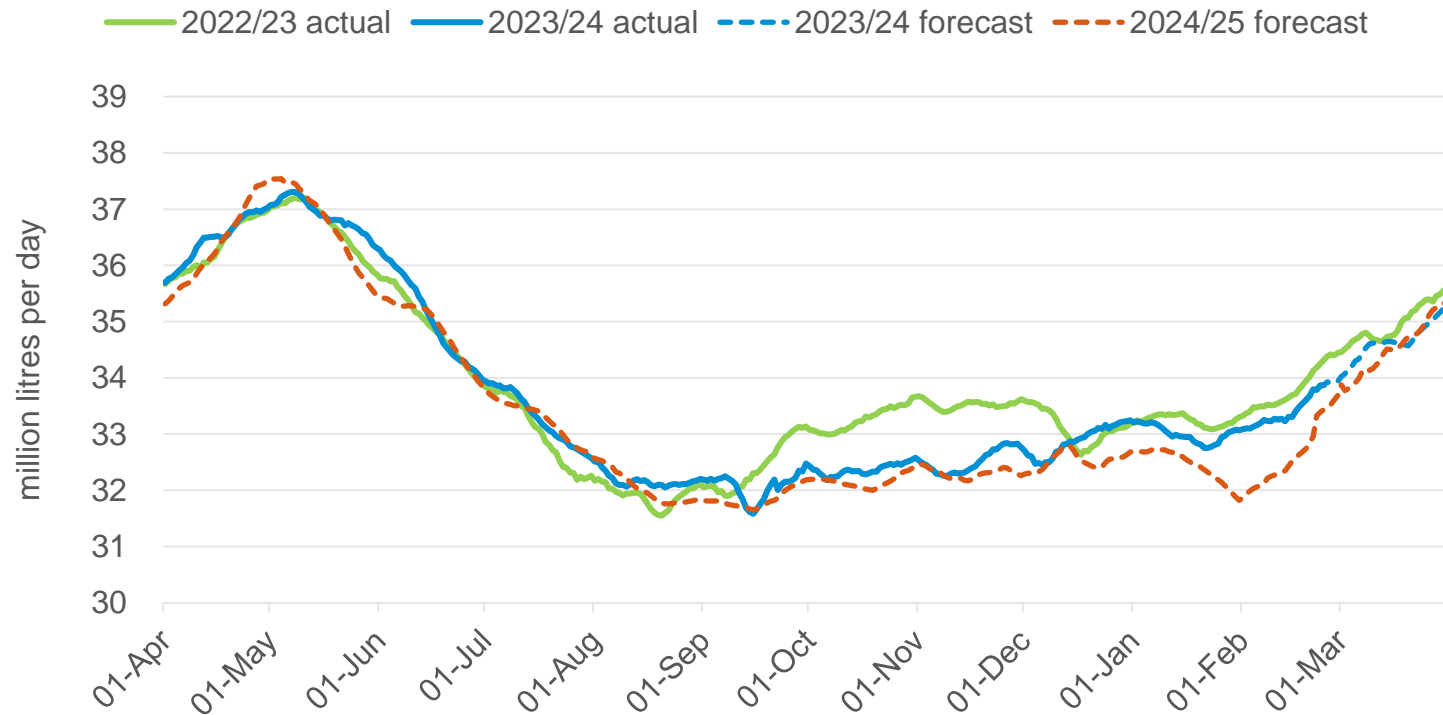
Costs & yields discussion

- How much are input costs continuing to impact on production decisions? Interest rates?
- How quickly will demand return and support prices?
- What impact will this have on yields in the second half of the year?
- Milk solids vs. volume?
- What are future prospects for organic production?

Latest milk forecast

GB milk production – March forecast 2023/24

GB milk production (Mar-24 prelim forecast)



- 2023/24 estimate **12,315m litres**, down -0.6% on 22/23
- 2024/25 forecast **12,215m litres**, down -0.8% on 23/24
- Yields likely to increase in the first half and gradually decline in the second half.
- Yield growth to pace up slightly ahead of the flush.

Contributors' forecasts

All contributors

year on year change	Q2 2024	Q3 2024	Q4 2024	Q1 2025
up more than 4%				
up 3-4%				
up 2-3%				
up 1-2%	1		1	
up 0-1%	1	2	1	3
unchanged	4	6	5	6
down 0-1%	4	2	2	
down 1-2%			1	1
down 2-3%				
AHDB forecast	-0.4%	-0.6%	-0.8%	-1.1%

Processor contributors

year on year change	Q2 2024	Q3 2024	Q4 2024	Q1 2025
up more than 4%				
up 3-4%				
up 2-3%				
up 1-2%	1		1	
up 0-1%	1	1		2
unchanged	2	2	2	2
down 0-1%		1	1	
down 1-2%				
down 2-3%				
AHDB forecast	-0.4%	-0.6%	-0.8%	-1.1%

Preliminary March 2024 forecast

GB milk production forecast - March 2024

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%	1,135	-0.5%
Jun	1,041	1,045		0.4%	1,040	-0.5%
Jul	1,019	1,028		0.8%	1,025	-0.3%
Aug	989	996		0.7%	990	-0.6%
Sep	976	963		-1.3%	955	-0.8%
Oct	1,033	1,004		-2.8%	1,000	-0.4%
Nov	1,006	976		-2.9%	970	-0.6%
Dec	1,025	1,021		-0.4%	1,010	-1.1%
Jan	1,031	1,023		-0.8%	1,005	-1.8%
Feb	950	940		-1.0%	920	-2.1%
Mar	1,088		1,080	-0.7%	1,070	-0.9%
Year	12,386		12,315	-0.6%	12,215	-0.8%

Source: AHDB

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

- Preliminary forecast update puts production at **12.22bn** litres for 2023/24, **-0.8%** down on 2022/23
- Higher than December forecast - 63m litres) due to higher than expected yields
- Decline accelerates towards end of the year due to decline in herd size and falling yields
- Official forecast to be published later this month

Milk forecast discussion

- General thoughts on the provisional forecast
- How will farmers react to market uncertainty? Higher input costs and stable milk prices?
- 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

Where to find AHDB market information

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The [Dairy markets homepage](#) will signpost you to the industry data, analysis and insights from the dairy sector to help inform your business decisions. Our industry experts will guide you through the [market movements](#) and provide a clear, impartial view on what it all means.



The [latest pig prices](#), and industry essential [trade data](#), are the cornerstones of the Pork market website pages. There is also the [latest analysis and insight](#) to provide you with a clear and impartial view.



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.

A vibrant landscape of a green field at sunset. The sun is low on the horizon, casting a warm glow over the scene. The sky is filled with soft, colorful clouds in shades of orange, yellow, and blue. A path of tall green grass leads from the foreground towards the horizon. In the distance, there are rolling hills and a few buildings. The overall mood is peaceful and inspiring.

**‘Inspiring our farmers, growers
and industry to succeed in a
rapidly changing world’**