

This fact sheet has been compiled to provide support and guidance when making decisions around milk buyers and your supply contract. While at times you will have limited options in selecting a contract or buyer, below are some aspects to think about regarding:

- obtaining the best possible milk price for your milk
- choosing a milk buyer that is right for you

Optimising your contract

How often do you assess your milk performance and compare it to your pricing schedule?

Maximising your milk price can help with improving income. However, optimising your contract is not just about chasing bonus payments. It is about achieving the best possible milk price in a manner that suits your business.

Constituents vs volumes

Boosting volumes may increase volume bonuses but could hamper the percentage of constituents in your milk. It is important to assess the relative importance your buyer places on volumes versus solids in determining your price before committing to the additional costs involved.

Along with feeding strategies, breeding plays an important part in long term milk quality. £PLI and £SCI allow you to select bulls for improvements important to your business, while Herd Genetic Reports enable you to target the right bull for each cow.

Cost benefits

Improving volumes or constituents can often lead to an improved milk price, but will it always lead to an improved margin? It is important to do the calculations beforehand.

Feeding+ Section 7 - Managing your feeding looks at feeding to achieve these changes, while Feeding+ Worksheet 4 - Farm feed costing looks at assigning a cost to these feeding changes.

Changing calving pattern/milk profile

One of the biggest decisions on farm, while also taking time. However, depending on contracts, changing your milk profile can provide rewards.

Using the Milk Forecasting Calculator in conjunction with the Milk Price Calculator can help you assess the impact on milk income of a change.

Changing calving pattern can take considerable time and during the transition there could be a period of reduced income from milk to account for, or an additional need for capital.

Changing collection days

Is your milk collected every day or every other day (EODC)? Speaking to your milk buyer could result in changing the day to suit both parties, and potentially lead to an increase in income.

Savings in water, chemicals and energy use can be made in EODC, along with less wear and tear from traffic movements. However, this may require the purchase of a larger bulk tank and associated equipment/building.

When assessing changes to the business, it can be useful to do a quick Partial Budget to assess the additional revenue versus any added costs (not including capital costs), a template for which is on the website.

Assessing a milk buyer

It is important when selling milk to understand the markets your buyer is involved in along with their future plans. This can affect the type of milk they are looking for (i.e. high volume vs high solids), the delivery profile they are looking for and whether they will need more (or less) milk in the future. By understanding their needs, you can find a buyer that best suits your business and production system.

Even when there is little choice of buyers available to you, having this understanding can help you to better align your business with your customer's needs for their products and markets, forming a more sustainable partnership.

Companies often have strategy documents on their websites. Their representatives and our team of Market Specialists can help with understanding your buyer's plans for the future.

Understanding the buyer

Current function

- What markets is the milk buyer involved in?
- How exposed is the buyer to short-term market volatility?

Performance

- What is their current market share?
- Is the business growing?
- How do their milk prices compare to others operating in the same or similar markets?
- Are they financially secure?

Future

- Do they have investment plans for the coming years?
- Do they have a long term strategy?
- What do they expect their product mix to look like in the future?

Offering to the farmer

Contract types

- Are there different options/types of contracts on offer? How do they set the milk price? Do they have A/B, formula, solids based, etc?

Notice periods

- How much notice will the processor give for milk price changes?
- How much notice do you need to give in order to leave the processor?

Business and technical support

- Does the milk buyer have tools available or strategies in place to help limit the impact of volatile prices and how does this help your business?
- Are there field staff available to offer technical or business management support?
- Are they represented in the Milk Price Calculator?
- What farm assurance scheme benefits and measures do they provide?

Relationship between buyer and seller

Room for expansion

- If you have plans for expansion in the coming years, will the processor have a home for that milk? Even if you don't have plans at present it is useful to find out how flexible they are at accommodating extra milk.

Milk buyer/farmer relations

- How often will the milk buyer be in contact and how?
- What sort of information will they share with you?
- How transparent are they regarding the reasons for changes to milk prices?
- How do you engage in negotiations with them?
- If there are farmer representatives, how are they selected and what is their role?