

# LKL Newsletter

## February 2012



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### MÜLLER BUY WISEMAN FOR £280 MILLION

The boards of Müller of Germany and Robert Wiseman Dairies announced they had reached agreement of a cash offer made by Müller for the entire issued share capital of Wiseman at a price of 390p, a total consideration of £279.5m. This offer represents a 60% premium over the closing market price January 12.

#### WISEMAN

RWD employs 4,750 staff and has six major processing dairies in Aberdeen, East Kilbride, Glasgow, Manchester, Droitwich Spa and Bridgwater. Profits were £11.81m on a turnover of almost £458m. A 42% drop compared with the previous year's results. The Müller Group was started in Bavaria, Germany in 1896 and has sales of £2.2bn euro. The Wiseman purchase is a strategic move by Müller to enter a new market segment in the UK.

#### MÜLLER WISEMAN - A STRATEGIC FIT?

Commentators have been surprised by the move from Müller and have questioned what the synergies are between Müller's UK branded yogurt business and the former Wiseman liquid milk operation. A rationalisation in the UK liquid market had been expected after the bloodbath that Arla, Wiseman and Dairy Crest have been involved in and the shrinking processor margins for all concerned. This move from Müller leaves three big players remaining and has not rationalised this sector. Many expect further changes in an attempt to restore processor margins.

### SCHMALLEMBERG VIRUS ARRIVES IN UK

Farmers have been warned to be vigilant for a new disease, the Schmallenberg virus (SBV) named after the German town where it first appeared in August 2011. Tests confirmed that the viral disease, which affects sheep, cattle and goats, was found on two farms in Norfolk, one in Suffolk and another in East



S u s s e x . S y m p t o m s include fever, reduced milk yield, loss of appetite and body condition, and in some cases diarrhoea, with symptoms disappearing after a few days. This disease has been linked to miscarriages, stillbirths and birth defects in sheep, goats and cattle. The Animal Health and Veterinary Laboratories Agency believes the virus was carried over to eastern England via midges from northern Europe arriving in September. More than 160 farms in the Netherlands, 22 farms in Belgium and six cattle farms in Germany have been affected. More recently abortions and congenital deformities have also been reported following recovery of infected animals. Brain damage caused by this virus is severe and results in blindness and lack of brain function such that calves and lambs appear like 'dummies'. Schmallenberg virus is not a notifiable disease. One farm in Norfolk had 25% of lambs affected. The full extent of infection will not be revealed until lambing and calving of animals that midges may have infected last Autumn.

### SAINSBURYS MAY MOVE TO A COST OF PRODUCTION MILK PRICE

Sainsburys are canvassing suppliers about introducing a costings survey to establish milk prices, copying the Tesco model if suppliers agree to go ahead in April. Their 330 milk suppliers send 500m litres of milk via Wiseman and Dairy Crest. It is proposed that the costings would be conducted by Kite Consulting. If agreed, the milk price will be set on a formula looking at projections from costings which take into account expected changes in input costs.



### TB PEDIGREE PAYOUTS HALVE SINCE 2006

Average TB compensation for pedigree dairy cows has fallen from £5,000 in 2006 to £2,500 in June 2011, non pedigree stock compensation has fallen from £2,000 to £1,500.



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### NEWS

#### LIQUID MILK CHAIN MARGINS

The squeeze on milk processors from their retail customers has increased according to an updated analysis of dairy supply chain margins by DairyCo. In the first half of 2010/11, average processor gross margins were at 40%. In the first six months of 2011/12 they had fallen to 27% under the dual impact of higher farmgate milk prices and reduced prices at which the processors were able to sell milk on to supermarkets. The general picture is that average retail prices for liquid milk remain low by comparison with prices over the last four years. Average processor selling prices fell over the last six months to 37.1ppl for the first half of 2011/12. Average processor selling prices have fallen steadily since peaking at 47.0ppl in the second half of 2008/09.

	H1 2010/11		H2 2010/11		H1 2011/12	
	ppl	margin	ppl	margin	ppl	margin
Farmgate milk price <sup>2</sup>	24.2		26.1		27.0	
Processor gross margin	16.1	40%	11.2	30%	10	27%
Processor selling price	40.3		37.3		37.0	
Retail gross margin	21.4	35%	18.7	33%	19.6	35%
Retail price	61.7		56		56.6	

#### GRASS SEED PRICE HIKE DANGER

As a consequence of short supply and increased demand in Europe grass seed prices are forecast to rise by up to 50%.

#### SURGE IN STUDENTS CHOOSING AG

The number of students choosing to study agriculture has shown a marked increase over the past two years. Figures released by the Higher Education Statistics Agency (HESA) show that agriculture courses have seen the biggest increase in UK university enrolments. Agriculture and related subjects saw an 11% increase in undergraduate students and a 2% rise in postgraduate students between 2009/10 and 2010/11. Subjects including education, languages and architecture saw declines in numbers of up to 6%. A spokeswoman for Harper Adams University College, said its intake for October 2011 reached its highest ever level. "A total of 176 students started courses at the college in 2011. That is an increase of 21% on the previous year and 60% higher than the intake five years ago, in 2006," she said.



#### ORBESEAL SHORTAGE

Pfizer has announced a global batch failure of Orbesal, which will cause shortages of the product. 60% of new mastitis infections occur in the crucial dry period with particular risk in the final two weeks when dry cow tubes offer little protection. To help protect against mastitis ensure the environment for dry cows is excellent. Good, dry straw and adequate ventilation is crucial. Some vets also suggest ensuring diets and yields tail off ahead of drying off to reduce mastitis risk.

#### COUNCILS SELL OFF FARMS

Cheshire Council is to sell its £31m portfolio of 47 farms, covering about 1,680 hectares (4,600 acres). It said the estate offered just one or two opportunities for new entrants each year and produced a low annual return of £250,000 (0.8%) compared to 5-8% from other assets. The Farmers' Union of Wales warned some of its councils were also looking to dispose of farms once tenancies had run out. Wales has 400 tenanted council farms covering more than 10,000ha (25,000 acres). Warwickshire County Council invested £1m into renovating one of its dairy farms. It owns 46 which generate a total of £600,000 a year for the council.



#### DAIRYCO REPORT

According to report findings it is possible to produce milk efficiently at almost any scale and any level of output. It is not milk price which matters most in driving profit, but total cost of production. These are some of the key findings from the first of an annual series of Milkbench+ reports from DairyCo. The report is based on the analysis of data from 330 farms across Great Britain. The report concludes milk can be produced efficiently from any of the major systems currently practised. When it comes to milk price, the relationship between price and margin is not that strong. Cost of production on the other hand, says the report, is very clearly related to margin.

*Analysis:-*

*Cows at grass*

◇ *Key driver - high average yield per hectare.*

*Composite system*

◇ *Key driver - right balance between input use and milk output achieved.*

*High-output cows*

◇ *Key driver - feed conversion efficiency.*

### DID YOU KNOW?

#### SCABBLING CONCRETE FOR FOOT HEALTH

Concrete surfaces that are too smooth are creating a massive problem to the feet of dairy cows. The simple solution of "scabbling" the concrete is only being undertaken on a handful of UK farms, something leading vet Nick Bell from the Royal Veterinary College finds very difficult to explain. With widespread on-farm problems caused by slippery concrete, Dr Bell is urging more dairy producers to use contractors to achieve a scabbled surface on concrete that has become



over-smoothed by excessive wear. There's no reason why farmers need to put cows at risk by failing to address slippery surfaces when scabbling is an easy solution. Scabbling, rather than the more widely used grooving, needs to become the priority approach. In countries like New Zealand it's the only way of re-surfacing worn out concrete on dairy farms. Grooving using concrete cutting saws only lasts for about six months. As the sharp edge rounds off the cows slip again. Scabbling done correctly can last for more than 10 years. Dr Bell says far too many cows are culled in the UK because of "doing the splits" caused by having to move around on slippery surfaces. There are many hidden issues such as poor cow flow because animals move slowly and cautiously, not to mention lost bulling activity when cows are unhappy to ride during oestrus.

#### SILAGE WASTE - SIMON BEST, FARM CONSULTANCY NETWORK

The industry average for silage waste at feed out is 20%. Many fail to forget that waste extends much further than the clamp and there are simple ways to help reduce this 20% waste figure. Consistently troughs are over filled, allowing cows to constantly pull feed out over the top of the trough. With over filling, cows then fail to clear up their feed prior to the next feed. This small amount of waste in the bottom of the trough then increases day upon day, heating up and consequently lowering the palatability of the fresh silage placed on top. Dry matter intakes lower and further increase the quantity of silage wasted. Mouldy/contaminated silage cut from the clamp and mixed with higher quality forages compounds the problem. Simple tips include:

- ◆ If troughs are small, seek to find ways of increasing trough space to avoid over filling.
- ◆ Clean troughs out on a regular basis to avoid any waste heating up in the bottom.
- ◆ Do not mix in second rate, mouldy silage with other ingredients in the ration - this will lower intakes and increase the quantities of waste.
- ◆ Aim to cut out and dispose of all waste silage from the clamp face.

#### 1,000 COW UNIT IN WALES

Young farmer Fraser Jones (31 years old), wants to build a 1,000 cow dairy unit in Leighton, near Welshpool. In November, Powys Council planning



committee said it was minded to approve the application. However, the Welsh environment minister has "called in" the planning application in response to concerns about the plans, including the risk of pollution from slurry spreading, and the planned dairy's visual impact on nearby Powys Castle. Rob Newbery, NFU chief dairy adviser, said: "It's sad that at a time when we really need farmers to be encouraged to invest in their own businesses, potentially planning policy is going to trip that up".

#### PARLOUR MATTING SPEEDS UP MILKING

A new dairy parlour matting has been launched by EasyFix. The rubber matting comprises a series of interlocking mats, each 6ft (182cm) by 3.9ft (118cm) by 1.1in (28mm) and weighing 50kg. The matting system can be easily self assembled and has a 'Pennygrip' surface to provide excellent foothold. EasyFix says the matting provides a high level of comfort for the cows and, because it is made from rubber, stray voltage-related problems are reduced. Trials have shown the matting system is easily washed and speeds up milking times. Details on 08450 896040.

## HAPPY BIRTHDAY TO:

Trevor Jolley, James Peach, Brett Burchell, Ian Telfer, Nicola Cardrick, Kazimierz Majdecki, Wendy Bowsher, Peter Daw, Alan Robinson, Stanislaw Szwedek, William Warner, Miroslava Demeova, Andrew Ammon, Anthony Kirkpatrick, Mickey Hammond, Robert Oleksy, Artur Ciesielczyk, David Wild, Shaun Millen, John Hutchinson, Margaret Gray, Chris Bysouth



## WELCOME TO:

### FARMERS

H & A Stephenson, R B Bowditch & Son



### HERDSMEN

Alan Gallacher, Colin Anderson, Peter Wright, Matthew Humphry, Christopher Reed, Barry Connolley, Joseph Rushforth, Daniel Bradbury, Robert Burrow, Robert Tod, John Ruffe-Williams, Bryn Moore, Tony Kitson, Mariano Velancsics, Peter Bihacsi, Mark Yates, Krzysztof Wawrzyniak



## LKL'S CURRENT VACANCIES

Relief Herdperson's Nationwide, **ILweb96** Herd Managers of the future, **ILweb183** Milking Shift Leader Cumbria, **ILweb208** Assistant Herdperson Lancs, **ILweb209** Herd Manager North Yorkshire, **ILweb221** Herdperson/GFW Shropshire, **ILweb225** Herdperson Yorkshire, **ILweb234** Assistant Herdperson Penrith, **RSweb236** Herdperson Shropshire, **RSweb244** Assistant Herdperson/Herdsman Nottinghamshire, **ILweb247** Arable Tractor Driver with Stock Skills Lancs, **JPweb249** Assistant Herdperson/College Leaver Chichester, **HHweb250** Herdperson West Wales, **RSweb253** Assistant Herdperson Lincs, **RSweb258** Assistant Herdperson/Stockperson Leics, **RSweb259** Assistant Herdperson Cheshire, **AGweb260** Herdperson Buckinghamshire, **JPweb261** Ambitious Herdperson Surrey, **ILweb264** Stockperson/GFW Lancs, **ILweb265** Assistant Herdperson S W Scotland, **HHweb267** Herdperson East Devon, **RSweb268** Assistant Herdperson Shropshire, **RSweb269** Herdperson South Leicestershire, **RSweb270** Herdperson South Leicestershire, **HHweb271** Assistant Herdperson/Tractor Driver Dorset, **ILweb272** Herdperson Derbyshire, **ILweb273** Herdperson North Yorkshire, **RSweb274** Herdperson, Nottinghamshire

### Congratulations!

Jo and Percy Gainsford on the birth of their daughter Grace Isabella born on 26 December 2011.



A man goes into a pet shop and asks for a songbird.

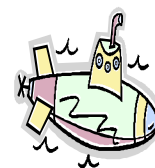
"Certainly sir," said the grumpy assistant. "Take a look at this yellow and green canary. It sings beautifully."



"But it's only got one leg," says the man.

"Hmmm..." says the assistant. "Are you looking for a singer or a tap-dancer?"

A new type of submarine for the Navy has been recently designed. It's made entirely out of recycled bubble wrap. Needless to say it didn't go down well.



I got fired from my job in the dairy factory. I kept getting in the whey!

Police jokes aren't funny, so give it arrest.



### Congratulations!

Emma and Stefan Hawkins on the safe arrival of their son Oliver, born on 2 January 2012.



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