

PRESS RELEASE

08 July 2016

Manage the peaks to survive the troughs

OMSCo (Organic Milk Suppliers Cooperative) members have been discussing farm business sustainability with David Keiley, SAC's senior dairy specialist, at Torr Organic Farm near Castle Douglas. He has some strong advice for Scottish farmers planning to stay in dairying.

"Volatility is here to stay," says David. "And, to ensure a long-term profitable business, farmers must focus on the detail and fully understand their costs of production. Know your milk contract and maximise your income by producing milk specifically required by your milk buyer.

"There are many factors influencing the UK milk price: global supply and demand, particularly China; weather; the Russian trade embargo; exchange rates; and closer to home, the supermarket price wars," he explains. "Many of these issues are obviously out of the control of individual dairy farmers, so it's crucial you focus on what you are in control of, specifically costs.

"Peaks and troughs in milk price will be the norm, and it's vital farmers manage their businesses effectively in the peaks to survive the troughs.

"Farmers must be savvier about futures markets," he advises. "I believe this is the future and farmers will be in a marketplace that enables them to sell milk, and buy feed, on the futures market. Successful dairy farmers will utilise this resource effectively, and benefit from fixed price contracts.

"Despite the challenges, there are lots of positives for the dairy industry," says David. "New markets offer huge opportunities, and OMSCo are a prime example of a company being proactive in the global market having recently gained accreditation to export to China.

"Also, recent research has strongly supported dairy consumption and the industry should promote this.



Ross Paton



“And technological advancements offer tremendous opportunities for efficiencies and I’d encourage farmers to embrace new developments for their future success.”

Ross Paton who farms at Torr Organic Farm adds that he believes farmers also need to adopt a culture of cooperation. “We can learn a lot from each other, and I strongly believe farmers should support each other more, benchmark from each other and learn about the strengths and weaknesses of their business.

“It’s also important to always look for new opportunities,” says Ross. “Don’t be complacent when milk prices are high. In fact that is the critical time to plan carefully and invest in your business to ensure it’s robust for times when the milk price drops.

“Don’t take short cuts if want a successful business. It can be very tempting, but it weakens your business in the long term.”