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The annual Semex conference always strives to set an optimistic tone for the New Year. And delegates leaving this year's stated that they probably felt more bullish than ever. Despite warnings from industry guru Ian Potter that there could be a spring milk price correction caused by the flush, the long term outlook is extremely bright, with high demand for dairy products from China continuing to set a positive tone in the markets. But there were also warnings that things needed to change - particularly the voluntary code - and that we should not rest on our laurels as the industry's products are under attack from health care professionals for being too unhealthy. Chris Walkland reports.



Rt Hon Owen Paterson

Time to review voluntary code, as the world "moves on"

The Voluntary code of best practice and the vulnerability of the dairy industry to nutritional attack on its products from health organisations dominated political debate at the 2014 Semex conference.

Although Secretary of State Owen Paterson lauded the code for covering 90% of milk in the UK and said he was encouraged by its progress and the NFU's outgoing president Peter Kendall, supported those commending the code for "taking the industry to a different place" its usefulness was comprehensively demolished by William Neville, head of agriculture at legal firm Burges Salmon:

"When the code was launched I was one of the dissenting voices looking on at the birth and adoration of the code and its subsequent beautification. Some 15 months on its fair to say we haven't heard a lot about it, let alone the review, which should have been done by July," he said. Although the code had created some good "mood music" around the industry on contracts he said he is not a fan - for several reasons:

These were because it was immediately viewed as being compulsory; because those who didn't sign up we're accused of being dodgers; because he struggled with the "toothless" threat of legislation if it wasn't fully implemented; because price can't legally be incorporated into contracts (which the code tried to do); and, in his opinion, because it isn't good for small businesses or even for farmers.

For example a small dairy with 10 farmer suppliers risked losing all its suppliers even if it wanted to increase or reduce the price, as all of them could hand in their notice under the code's resignation terms. And farmers who were perhaps paid every two weeks would have to forgo that, as under the code payment has to be every four weeks or every month. There is also no allowance for volume bonuses built into the code. And farmers could also be given four months' notice by his milk supplier. The code was also anti competitive, he believes, as it favours large processors and discriminates against smaller ones.

"In the UK all or virtually all milk sales since 1994 have met the basic standards of milk contracts (as required by EU legalisation)," he said. *"And there was no threat of legislation with the code (as was suggested*



William Neville

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Ian Potter

by the organisations behind it). The threat is like being confronted by a bank robber armed with cream custards."

Ian Potter largely agreed with Mr Neville, and added that he believes the code is holding back consolidation in the industry. *"It has consumed a heap of man hours over 18 months. Some of those hours would have been better used in planning for 2015 and the abolition of quotas. Formula prices have also stuck two fingers up to the code."* Although he accepted the behaviour of some buyers has been different with the code in place he said he doesn't think farmers were particularly interested in it.

But Peter Kendall defended it. *"People are talking about the code having a different role. I believe it is worth fighting for. We are in a different place with the growth of Arla [its farmers are co-operative members and thus exempt from the three month notice period element of the code]. The world has changed, but let's not abandon the safeguards in it. Let's make sure it evolves over time and is fit for purpose. There may be a time when we need it again."*



Peter Kendall

Stand up for your industry so dairy makes a difference

The dairy industry has to stand up for itself like never before in the face of ill-informed nutritional attacks from health professionals who are striving to improve the health of the nation by reducing saturated fat levels. So said the new head of Dairy UK, Judith Bryans, at the conference.

"2014 will be a year during which it is vital the dairy industry stands up for itself and demonstrates dairy makes a difference", she said. "Dairy has so much to be proud of and there is a need for the contribution of dairy products and the industry itself to be recognised and valued more widely." However the government is currently targeting dairy products as being unhealthy due to the saturated fat levels contained in them. A new campaign, for example, from Public Health England, and called Change4life, is encouraging consumers to swap dairy products in their diet. The World Health Organisation and the EU are also saying *'don't eat dairy'*", she said. *"But they are not saying "don't eat pastry",*" she added.



Dr Judith Bryans

"The British public's love for dairy products and their significant nutritional benefits remain as strong as ever. But government and decision-makers at all levels are assailed by those pursuing an anti-dairy agenda. It is up to us to remind politicians, civil servants, health professionals and the public that dairy makes a difference in a very positive way.

"It is essential that the industry stands up for itself and works in a constructive and collaborative manner. It's never been more important to do that."

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As part of this Dairy UK will urge politicians, health professionals, industry partners and the public to support the industry, and will run a series of events and initiatives throughout the year.

"The promotion and defence of dairy is at the heart of our organisation's activities and we intend to work vigorously to extol the virtues of a great British industry which makes great British products."



Rt Hon Owen Paterson

Minister urges industry to export

Defra Secretary of State Owen Paterson paid a flying visit to his inaugural Semex conference and delivered an upbeat message for the industry, especially on the export potential for UK dairying. The sector is making progress and now is the time to build and drive forward, he said. *"There are great opportunities for exporting, and the government has recently set-up with UKTI and the industry the Dairy Exporters Group. This will focus on the massive opportunities in the sector. We're going to work with hundreds of dairy companies to take their produce to trade fairs globally, getting it into supermarkets and on plates from Glasgow to Guangzhou,"* he promised.

Some 20% of the food we import could be produced here, he pointed out, which would have made a significant impact in the £1.2 billion dairy trade deficit.

On TB he emphasised it would cost the UK £1 billion over the next decade if the government did not take action. According to Mr Paterson, some 305,000 animals - otherwise healthy cattle - had been destroyed in the last 10 years, he cited, with 24,600 killed last year alone. *"We are using every tool we have - movement restrictions, bio-security' vaccination, wildlife controls. Our goal is to have TB freedom in 25 years."*

And he paid tribute to the farmers, the NFU and contractors in the pilot cull areas. *"The pilots were a difficult undertaking. I pay tribute to the NFU nationally and locally and the farmers and landowners who undertook the cull, often in the face of intimidation by a small minority who are determined to stop this disease control policy. The experience from the pilot culls shows that when government and industry work together we can begin to tackle this terrible disease. Contrary to many reports, significant numbers of diseased badgers have been removed. And farmers in those areas are confident they will see a reduction in the disease in their cattle."*

He was, he said, determined to help the industry to make itself as robust as possible.

"My philosophy is simple: where there are opportunities we must grasp them, where there are difficulties, we must overcome them and where there are barriers, we must work together to break them down. There are enormous opportunities available for the industry to grow. The world's population is rising, diets and tastes are changing. That means that our

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export opportunities are growing. And at home there's a lot we can all do to encourage UK consumers to buy our excellent local produce. I am determined to do everything I can to support you to make the most of these opportunities. We're opening new markets. We're cutting red tape. We're tackling animal disease. I look forward to working with you to make the UK dairy industry as successful and robust as possible."



Gordon Miller

Semex to add new genetics packages in 2014 as sales soar

Five years ago Semex was just a genetics company. Now, though, it is a genetic solution company, offering a range of products and services for farmers to help maximise the genetic potential of their herd. So said the firm's managing director Gordon Miller at the conference.

In addition to the 12 million doses of cattle semen it sold in 2013 this year will see it launch an upgrade of its successful AI 24 heat detection system, and it will also be launching a new 'Semex Works' mating tool to help farmers achieve the maximum genetic improvement in their herds.

He also outlined its research commitment, with \$3m earmarked for work into improving dairy fertility, sexed semen, frozen IVF embryos, and its unique and revolutionary Immunity+ range of sires that have higher natural levels of immunity. *"These sires have significantly less disease than non Immunity+ sires, and they are the natural solution to TB reduction,"* he said.

The company also opened new production sites, and now has six on four continents including Canada, the US, Brazil, China and Hungary. *"Some 50% of the sires we tested last year came from outside of Canada,"* he added.

In 2009 Semex sold 8.5 million doses of semen. By 2013 this had risen to 12 million and by 2015 the target is for the company to sell 15 million doses. *"We are working to meet the demands of the growing population,"* he concluded.



Greg Bethard

Work out the barriers to low cost milk production

What is the barrier to selling more milk on your dairy? That was the question posed by US independent dairy nutritionist Greg Bethard. Was it more cows, or parlour throughput, or land or housing? Perhaps it was forage quality, or the ration, he questioned. And he urged producers to look at the dairy business with new eyes, by maximising the amount of milk a parlour could harvest every day, and by maximising the Income Over Feed Costs. This was more important than looking at ratios such as the milk price:feed price ratio as *"that is the stupidest ratio we have"* he said. *"It doesn't work. It is margins that matter, not ratios. The goal in feeding is not to have a good milk price:feed price ratio, the goal is to have a high IOFC,"* he insisted. His top tips for making

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money and to achieve that high IOFC are to:

1. Procure high quality forages
2. Generate pregnancies
3. Cut costs intelligently
4. Control labour costs per litre
5. Minimise the shrinkage of the dairy

He also advised producers not to look at cull rate when assessing the performance of the dairy, but instead to look at the cost of replacements. This was the third highest cost on a dairy business. *“Think: what is the cost of keeping cows in a stall every day?”* He advises using a simple cash equation to determine the replacement cost rather than using any complicated accountancy methods. This was simply to take the cost of replacement, deduct the cost of the cull and divide it by the amount of milk sold.

And he also recommended culling to minimise that figure rather than to maximise the number of lactations in a herd, or to reduce the culling rate too much. *“Culling rate is a stupid way to judge a dairy. It doesn’t matter. What does is the cost of replacement, and we need to move cows in and out of a dairy to get the lowest figure.”*

In advice that seemingly goes against perceived wisdom in the UK he stated that there is not a lot of economic benefit in keeping a cow in the herd when she is past the second lactation. *“Certainly do not keep them so long that they die. View them like a car, and sell them before they get too old, before the engine blows.”* But he also advised farmers not to over-do culling. *“Any more than 40% of first calvers in a herd and productivity will decline.”*



Dr Rob Smith

Tesco farm trials help boost dairy’s image

Liverpool University vet and Tesco Dairy Centre of Excellence boss Rob Smith also echoed the view that the industry needs to communicate better with consumers and to put itself in a position to defend itself. It has to prove to consumers that cows are ok, he insisted. The TDCE farm carried out a lot of trial work to help, he said. This covered many aspects of animal health and fertility, ranging from assessing the performance of heat detection aids, to calf nutrition, to cow mattresses to the impact of liver fluke infection and what effect early foot trimming had on future lameness incidences.

“There is an anti dairy feeling out there but monitoring cows through trial work does help get stories out to the media and the public, and that can be good,” he said.

One of the earliest trials the farm carried out was to compare the effectiveness of the Heatime heat detection system with

pedometers, kamars and visual detection by the farm staff. When all of the different systems were looked at in isolation of each other the trial showed that all were similarly effective, picking-up around 60% of heats - but still missing 40% of them. However when a combination of two systems were used the success rate improved significantly, with Heatime and staff observations detecting 75% of heats with a 92% success rate. The trial also showed that lameness had a significant effect on the efficiency of the systems. *"The cows have to be in the right physiological status for the cows to show heats,"* he said. *"Diseases interact with fertility in a significant way."*

Mr Smith also warned of the risk to the farming industry of excess or irresponsible antibiotic use. "Due to existing resistance to other treatments some antibiotics are critically important for treatment of human disease and antibiotic use on farms could lead to resistance that may transfer to bacteria that cause foodborne infections in people," he said. *"We need to reflect on, and reduce current antibiotic use to safeguard their continued use in animals."* The UK's recently released five year antibiotic strategy 2013-2018 specifically states that antibiotics should be reduced by vets in agriculture, he added. *"But vets aren't seeing resistance on farm,"* he concluded.



Kate Allum

Allum shows dairy nutrition path for First Milk and the industry

Talking at the Semex conference in Glasgow on Monday 13 January 2014, First Milk chief executive Kate Allum highlighted the importance for the whole industry of promoting dairy nutrition.

"We need to get on the front foot, and actively promote the nutritional benefits of dairy and recognise that we all have a stake in this battle for consumers' attention and therefore, we all have a role to play."

"As an industry, we don't tell the wonder food story well enough, we don't tell it clearly enough."

"For a category with fantastic nutritional attributes, dairy has spent most of the last couple of decades on the defensive."

"It is self-evident that without a robust platform highlighting the benefits of dairy, we will always remain open to attack from other categories, and even from campaigns run by our own Government."

Allum gave an example how this dairy nutrition focus was operating in First Milk.

"All new foods that we develop, must pass through a gateway - Good and Good for you, or we do not progress with them."

"Good is about naturally tasty and high quality food that meet consumer preferences."

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"Good for you is about natural food, with positive nutritional dairy benefits.

As part of this drive, Lake District Dairy Co. Quark, a soft cheese which is naturally fat free, high in protein and low in salt and sugars was launched by First Milk in May. Two new fresh milk-based drinks, Frumoo and Caffè Latte, were also introduced under the Lake District Dairy Co brand late last year. Further launches are planned for 2014.

She concluded by citing her confidence that the dairy has a bright future if we can grasp the opportunities in front of us.

"I am very conscious that the challenges we face as a dairy industry are tough. However, if we break them down, the answers lie within our reach.

"They exist in our food development kitchens; on our farms, and in our factories. The answers exist in the inspiration we get from farmers who combine knowledge, curiosity, and ingenuity, to find a solution.

"We need strong brands. We need partnerships. But perhaps most importantly, we ALL need to promote the nutritional benefits of dairy.

"As population growth continues, with it will come a growing demand for more protein and more nutritious calorie dense food.

"We are better placed than every other category to meet this demand. We have nature's perfect food in our locker, a product that our competitors in other food and drink categories can only dream about.

"Let's grasp this opportunity and take responsibility for delivering the kind of future we want."

