



SUFISA: Sustainable finance for  
sustainable agriculture and fisheries  
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# **SUFISA**

## **Sustainable finance for sustainable agriculture and fisheries**

# **Dairy Farming in Somerset & Devon**

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# **The starting point: a sector in crisis.**

- UK dairy farmer protests over poor milk prices in 2015; major restructuring at farm-level



- Not just the UK and not the first time e.g.  
80,000 European farmers joined a milk boycott  
in Sept 2009

# **Selling milk: key strategies**

- **Reducing production costs (farm-level)**
- **Contractualisation and pricing instruments**
- **DPO and Co-op models (collective action)**
- **Market data and futures**
- **Future strategies**



# **Institutional arrangements for milk**

*“There are lots of different arrangements ... and none of them wrong. They’re just different” (DPO rep.)*

## **1. Collective organisational sales:**

- Co-operatives (Arla, First Milk, OMSCO)
- DPO (Dairy Crest Direct)

## **2. Individual sales:**

- Supermarket-aligned contracts (e.g. TSDG)
- Direct to processor/milk buyer (Muller [non-aligned], Credition, Barber’s, Wykes...)
- Informal arrangements (e.g. direct to consumer)

# Collective & Individual Sales

Sales to collective organizations			Sales to individual businesses		
	N.	%		N.	%
Cooperative	69	81.2%	Local markets or final consumers	0	0%
Producer organization (PO)	13	15.3%	Independent small shops or restaurants	0	0%
Inter-branch organization (IBOs)	0	0%	Processors/agri-food industry	108	93.9%
Farmers' union and association	0	0%	Supermarkets/retailers chains	2	1.7%
Other collective	0	0%	Traders/Wholesalers	2	1.7%
Mix of the above	3	3.5%	Exporters	1	0.9%
			Mix of the above	2	1.7%
Total collective sales	85	42.5%	Total individual sales	115	57.5%

# **Contractualisation and pricing instruments**

## Unlimited contracts and A & B pricing:

*“...as the government restrictions have been taken away, so processors have needed to step into that gap, which is entirely appropriate [...] quotas were a very blunt instrument for restricting production, much better that production is regulated at the processor level” (Dairy Processor)*

*“...A&B price mechanisms, as I understand it, they’re kind of instruments that are kind of designed to get farmers to think a bit more sensitively to the market... My concern with them is a lot of the processors use them as a smoke and mirrors tool to reduce the price they pay to farmers because they make them hideously complicated and the framers, you just can’t see through them” (Farmer co-op)*

# Market data and futures

- Newsletters: AMPE and futures data

*“I’m starting to quote these future prices [...] there’s huge mileage in that [...] I believe it’s all part of the farmer’s armour that they need to have [...] rather than just blaming what the markets are doing, look at what the markets are doing, use the data, manage your own business”*

- Lack of farmer engagement; why?
- Means to provide longer-term fixed price (hedging; i.e. risk management tool)

# 5 year outlook: strategies

	COLLECTIVE				INDIVIDUAL			
	Maintain	Expand	Downscale	Total	Maintain	Expand	Downscale	Total
Production changes								
Investements	13.9%	34.7%	1.4%	50.0%	19.6%	21.5%	0.0%	41.1%
Externalize	9.7%	15.3%	1.4%	26.4%	11.2%	7.5%	0.9%	19.6%
Specialize	6.9%	19.4%	4.2%	30.6%	9.3%	14.0%	1.9%	25.2%
Crop/livestock insurance	4.2%	12.5%	1.4%	18.1%	11.2%	11.2%	0.0%	22.4%
No plans	1.4%	4.2%	0.0%	5.6%	5.6%	0.9%	1.9%	8.4%
Other	0.0%	5.6%	1.4%	6.9%	5.6%	3.7%	2.8%	12.1%
Market changes								
Diversification	1.4%	5.6%	2.8%	9.7%	4.7%	3.7%	1.9%	10.3%
Income insurance	1.4%	4.2%	0.0%	5.6%	10.3%	7.5%	0.9%	18.7%
New partnership	5.6%	9.7%	2.8%	18.1%	3.7%	5.6%	1.9%	11.2%
New sale channels	6.9%	5.6%	4.2%	16.7%	4.7%	5.6%	0.9%	11.2%
Add value	6.9%	11.1%	1.4%	19.4%	5.6%	5.6%	1.9%	13.1%
No plans	4.2%	0.0%	0.0%	4.2%	2.8%	0.9%	0.0%	3.7%
Other	2.8%	0.0%	0.0%	2.8%	0.9%	0.0%	0.0%	0.9%

- Additional investments and specialization are the most frequent strategies for both groups of farmers, but...
- Market strategies are quite different for the two groups



# Discussion / Feedback / Comments

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