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Dairy farmers are not sentimental creatures. But when Rosalind Gott says goodbye to Snowy, a pure white cow born the first Christmas Day she spent with her husband on their farm, she admits she might shed a tear.

"It is a tragedy," she says. "We have only ever wanted to be dairy farmers and this is all my children have ever known, but when you can't make a living any more, you can't go on."

After two generations in the business, Rosalind and her husband, Chris, are having to sell their 400 cattle as it becomes impossible to make ends meet. The cost to farmers of producing a litre of milk is now 30p – perhaps more this summer because it is so expensive to keep cattle sheltered from the cold and rain. But the price paid at the farm gate is 25p, if farmers are lucky.

The Gotts, who farm in Corse Lawn, Gloucestershire, stand to lose £70,000 a year and have decided to pull out rather than cut the quality of care for their animals. After watching her husband get up at 4.30am every day to go milking, Rosalind says she wants a better future for her son and daughter, aged four and two.

"If you are working long hours in all weathers, you want to be properly rewarded, but with the latest price cuts, that is just not the case. You generally want your children to have an easier life than you did."

The scene at Corse Lawn is being enacted all over Britain. Three dairy farmers go out of business every week, which means not only that livelihoods are destroyed but that buildings fall into ruin and green pastures are sold for development. And as the small producers disappear, the trend will be towards US-style "mega dairy farms", where up to 8,000 cattle are kept indoors, as the only business models able to produce milk for such low prices.

Milk prices have been falling since the 1990s, when the Milk Marketing Board, which set prices for farmers, was scrapped in favour of a free market. In June, the main buyers –

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Arla, Müller Robert Wiseman and Dairy Crest – cut prices by around 2p per litre, and they plan to introduce a further 2p cut in August, to around 25p.

These processors supply milk to all the major retailers, who have continued to cut prices for milk and now sell it for as little as 55.5p a litre. Loss leaders offer four pints for 99p – less than the price of a bottle of mineral water. But while prices for the consumer have gone down, the margin awarded to the supermarkets has gone steadily up, from 2p per litre of milk in 1996 to 15p today.

The number of dairy farmers in the UK has gone down from 34,570 in 1996 to 14,500 today and if the latest price cuts go ahead, many more will sell up like the Gotts. Farmers are furious – and desperate – and plan to blockade processors and retailers unless the 4p cut is reversed.

David Handley, a dairy farmer from Monmouthshire who leads Farmers For Action, a pressure group, warns that farmers will refuse to sell milk for such a derisory sum. "Ultimately, there will be no fresh milk, because if we do not get our cost of production, we will throw it down the drain. Let's see how the retailers explain that to their customers, when there is no milk on the shelves."

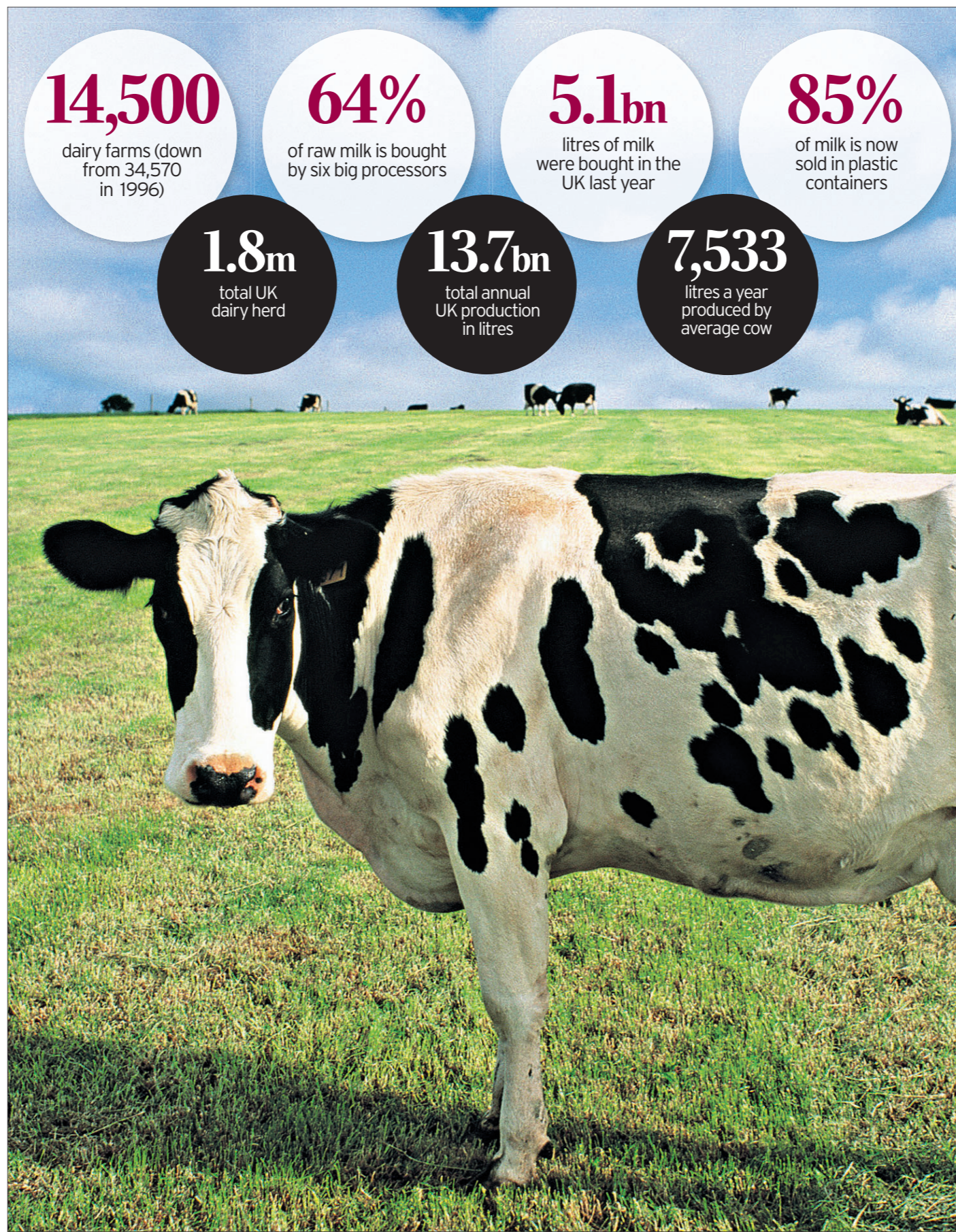
The retailers are the key to the picture since they sparked the "milk wars" by playing the processors off against one another and bringing down prices. Some are better than others, though: Marks & Spencer, Sainsbury, Waitrose and Tesco all offer more than 29p a litre. But even after price increases this week, Morrisons, the Co-operative and Asda are still well under the cost of production at around 27p and other supermarkets are paying barely above 25p.

For Peter Kendall, president of the National Farmers Union (NFU), it is quite clear who the villains are. "Supermarkets are making

SKIMMED ALIVE

Dairy farmers, struggling to sell milk for more than it costs to produce it, are in turmoil as supermarkets slash prices to stimulate profits.

Louise Gray reports on an industry in crisis



Spilt milk: the number of dairy farmers has shrunk from nearly 35,000 in 1996 to 14,500 today. Many more are poised to sell up and quit

healthy profits, my dairy farmers are haemorrhaging," he says.

For their part, processors claim that they are being squeezed between the retailers and the global markets. Because so much milk today is skimmed or semi-skimmed, dairies rely on sales of cream skimmed off the top. But bulk cream prices have fallen almost two-thirds, to £1 per kg, while butter has dropped 70 per cent to £2.20 per kg this year. The fall was caused by a boom in dairy farming in the East, as supply catches up with demand from the growing middle class in China and India.

Dairy Crest has agreed to loosen the terms of its contracts so that farmers can back out after three months' notice if the processor cuts its offered prices. But with nowhere else to go, this is unlikely to help many farmers. Müller Robert Wiseman says it is not in a position to "fund a milk price at the level it was prior to the global cream collapse", and Arla says the "market returns are not in place for us to pay a higher price at the moment".

This leaves the supermarkets as the only group able to take action before more farmers go bust. Mr Kendall says all supermarkets should offer a price to cover the cost of production, enabling processors to pay farmers a fairer price. "Either retailers have to reduce their margins or consumers have to pay more," he says.

Retailers claim they are doing everything they can in the current climate, with customer spending down in the recession and cheap new outlets such as Aldi and Lidl, which offer cheap milk, growing every day. But the campaigners believe this is no excuse and consumer pressure is growing, with #sodairy trending on Twitter.

The Women's Institute has issued a "Fair Deal for Dairy Farmers" poster and is calling on its members to boycott supermarkets that don't pay a fair price for milk. One of the most obvious ways to help farmers, it suggests, is to drink more milk. Despite the publicity about dairy allergies and marketing of diet products, milk remains a low-fat and nutritious food

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Some retailers need to know that if they go on like that, there will be no milk

that is not only good for health but helps sustain the British countryside. Cooks Hugh Fearnley Whittingstall and Jamie Oliver have also waded into the fray to save dairy farmers and the "centuries-old landscape that supports them".

The Environment Food and Rural Affairs Committee held an emergency meeting this week to try to get retailers and processors to work together to offer a fairer price for farmers. Jim Paice, the Farming Minister, will meet supermarket leaders next week to discuss a more "sustainable" way of managing fresh milk sales in the UK, so that farmers are offered a fair price through boom and bust cycles of the cream market.

Mr Paice favours a "voluntary code" that would encourage supermarkets, processors and farmers to agree a fair price among themselves rather than the Government setting a price – as suggested by some in Europe. But he is clear about where ultimate responsibility lies.

"The big problem that we face is what I view as the absurd level of price-cutting by some retailers, particularly those in what is known as the middle ground," he says. "One retailer is openly selling milk at 99p for four pints. The reality is that such a price is completely unsustainable."

"Such retailers need to understand that if they go on like that, there will be no milk. There is a limit to cost-cutting. Maybe some producers can cut their costs, but not to that level. It is completely impossible."

But if the prices paid to farmers go up, will it really be the supermarkets or the consumers who pay more? A survey by the NFU found that 62 per cent of consumers would be willing to pay 5p more for a pint of milk if it meant that dairy farmers got a fair price. For the good of our farmers and the countryside, we fickle consumers may have to match our words with actions.

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