

Name:	SW Regional Dairy Board	Meeting Date:	13 th March 2019
Location:	NFU Regional Office, Exeter EX2 5ST	Time:	11am
		Chairman:	Andrew Branton
		Secretary:	Alex Stevens

Minutes of the Meeting

In Attendance: Mark Weekes, Mark Harvey, Andrew Branton, Adam Westaway, Ian Harvey, David Gillbard, Stephen Dark, Liz Godsell, Ian Bevin, Brian Tapp, Matt Uren, Alex Stevens

By Invitation: Chris Gooderham, Bryan Nicholson (both AHDB), Will Sanderson, Stephen Jones, Verity Richards, Tom Keen (by vc)

Apologies: Paul Candy, Keith Davis, Neville Loder, Jon Perkin, Phil Dymond, Denise Plummer

1. Chairman's Welcome

AB welcomed all to the meeting and gave a brief summary of latest news as well as a rundown of meetings attended – update included:

Sale of Dairy Crest to Saputo

Some processors are looking to recruit while others are reducing

George Eustice gone

James Osman has taken up the role of NFU Chief Dairy Adviser

NFU Conference went well – with an excellent dairy session – particularly from AHDB and Nina Winter.

2. Minutes and Matters Arising

None

3. Stephen Jones, co-founder and Managing Director of Somerdale International; the practicalities of exporting (presentation circulated)

SJ outlined the history of Somerdale – further details can be found here:

<https://somerdale.com/about-somerdale-international/> Somerdale was born in 1990 out of a desire to look for export markets as a response to subsidy leading to butter mountains, beef mountains etc. Somerdale now exports 350 cheeses.

With a 1,000 pallet warehouse in Wellington Somerdale can handle product from multiple sources – the seller is paid as a UK customer and then Somerdale sell on as export.

Westminster is their private label – pre-packed or in a deli wheel.

Blended cheese is extremely popular and easy to sell. We have sales people in the USA, Australia and Shanghai – where we are seeing growing demand for convenience packs such as cheese slices and special editions.

We look after 30-40% of British speciality export. We try to be loyal to a few suppliers. We have a £38m turnover but margins are tight. For us, safety and traceability are very important.

Logistics: Product is obviously refrigerated and must be shipped that way. We use 40ft containers which costs around 25-30ppkg if filled. It's a sophisticated process and we do share with others if needed. We ship every week to the USA – shipping to New York and then trucked across the country.

Legislation is mainly government to government with a standard health certificate. There can be a few snagging points though – labelling for the American date system, dual labelling for the Middle East etc. For China labels need to be extremely precise.

The company owns some EU quota for selling for the US and Canada.

In the event of leaving the EU with no deal, moving cheese to France and vice-versa could be restricted in the short term. It's also worth noting that the Irish produce 10x their need – with 80,000 tonnes going to the UK. But – the relatively weak pound has made us competitive.

Our standards and our products help to give opportunities. For us, in an export market, cheap manufacturing doesn't stack up that well. But – there is not enough government support for export.

AB: What about the market in India?

SJ: There is huge consumption, mainly of milk and soft cheese, and it is a young population – so all good indicators. But the logistics of distribution and movement to city regions is very hard.

For cheddar sales, the PDO is quite helpful. The “Great” campaign helps but it is too generic and not pushy enough.

LG: What percentage of UK cheese is exported?

WS: about 10% of product and quite a lot of curds. I work a little with Irish export groups and they have huge government support. There is also global recognition of origin green. Ireland are constantly working to open up new markets. Kerry Gold is the number one butter in Germany and number three in the USA.

LG: Have you looked at mozzarella export?

SJ: We can't really afford to be in that market as a business – we have judged that the margin is too tight. – You need big businesses with big volumes.

AB: Will your quotas and certificates stand on for next year post Brexit?

SJ: A transition period is likely to mean yes in the short term. We're hopeful that because it was manufactured in an EU country prior to leaving that should be ok – the unknown comes when we're manufacturing in a post Brexit UK.

VR: Can you insure against any post Brexit complications?

SJ: Not really. Because we don't know what we're insuring against.

DG: How valuable is the Union Jack as a marketing tool?

SJ: It's very well recognised. But it lacks government support to really push it hard.

AB: Would you rather have a deal or no deal?

WS: Honestly, remain for the status quo.

SJ: A no deal is catastrophic.

4. Tom Keen – the view from Brussels

The reaction to Brexit and the negotiations from within Brussels has basically been – so, House of Commons, tell us what you DO want???

They seem clear that the withdrawal agreement is sufficient to allow UK to leave in an orderly fashion. They feel that the onus is on the UK to do that. They see the backstop as essential to avoid a hard border... J-C Juncker said, “you get a second chance, but not a third”.

If the UK sought something else, the deal could change. E.g. being part of a customs union with immediate effect. UK could probably work with that.

There will be EU elections in May – followed by sorting out the Presidency, budget setting... they don't want to be worrying about the UK while all of that is going on.

An extension is in everyone's interest as it makes a no-deal less likely.

In the event of a no-deal, EU farmers may get extra support – like market intervention and direct aid. Money will also be provided for adapting to new market conditions – a sum of €15k could be given to all holdings over the course of a few years – current mechanisms allow it. On the proposed UK tariff regime – EU see it as UK mess to sort out.

DG: What is the NFU view on tariff free movements to the UK from Ireland?

TK: This refers to the land border and could become a 'smugglers charter'. Having a different set of tariffs for one part of a trading bloc is potentially against WTO rules anyway. We don't think the proposed tariff protection for the UK goes far enough.

WS: What is the Dublin reaction?

TK: They're worried – according to the IFA press release that came out a few minutes ago. Particularly, they're worried about the beef sector. Ireland know that they'll enforce the full custom tariff on the UK – the threat of hurting us might make it easier to strike a balance. It is felt though that the EU will look after them.

MU: What about BPS?

TK: Likely to roll over – and direct payments are largely protected in the EU. Greening will become more like cross compliance, and 'active farmer' will morph into a form of 'genuine farmer'.

WS: Will PGIs and PDOs continue to be recognised?

TK: It looks likely that they will yes.

AS: In time, existing UK based protected food names may need to reapply for approval so we hope that this shouldn't cause any problems as the rationale for them has already been approved once. We need Defra to support and speed up this process.

TK Recognition of organic food products in the event of a no-deal is important – Defra are pushing hard but EU are being inflexible. If a no-deal looked certain they may bend. Pressure from the market within the EU may help too – if they want our products.

AB: Has there been any work looking at the average impact of no-deal on a shopping basket?

TK: the BRC looked at this for a range of products – if anything they were probably a little pessimistic. They estimate £1500 to go on a small hatchback car for example. TRQs basically mean no duty.

IH: Import tariff on cheddar £20/100kg – 7p on a small block of cheese. 47% of the public have said that they would tolerate a price rise to support farmers, 32% said no and the rest weren't sure.

DG: Government interaction on social policy – can tariffs be used to help people with less disposable income.

TK: You can't do it specifically on those terms, but with the right trade deals you may not need to anyway.

TK: Our ongoing engagement in Brussels has been good. We intend to retain an office in Brussels whichever way this goes.

5. [Chris Gooderham – AHDB Market update \(presentation circulated\)](#)

We currently have high levels of production – up 7% year on year. But we need to remember that the Beast from the East had an impact so maybe in real terms it's actually more like a 2-3% increase.

We have some concerns that many of the farmers that we thought were ceasing production have ceased and that the data is only just catching up – in essence, we may have been over-estimating dairy farmer numbers. But, markets worry about production, not producer numbers.

EU production is about 0.8% down – though the Irish industry is changing rapidly. They are producing more for more of the year. Their increase in production has also gone hand in hand with increased processing capacity and trade development.

AW: So would Ireland have to increase price to fund seasonality payments... unsure.

Price predicting – up in April.

WS: I don't share your optimism.

DG: We carry the can for the lack of processing capacity.

CG: Our cheddar import is approx.. 170m litres of milk – and we know that DC and Wyke are investing. The impact of Brexit remains to be seen.

- Lower Chinese production and stocks in store
- Higher NZ production
- Constrained EU, US, Aus production

About half of the chees we eat has been imported – though if you isolate cheddar that figure is much less. So, cashflow on chees in maturation is an issue.

Saputo – They have a huge range of products and are keen to add well known brands to their portfolio.

AW: Are they looking for more UK cheddar?

CG: Probably.

6. Verity Richards – NFU Update (presentation circulated)

James Osman is now in post as Chief Dairy Adviser and is looking forward to meeting you all.

- Lots of effort going in to fighting negativity and attacks on the industry – but despite how it feels, it's not that bad! Dairy products will be found in 98% of households.
- The clean air strategy continues to rumble on – as does our commitment to Net Zero
- The migration advisory committee is still consulting on labour requirements – please respond
- Red Tractor – risk based auditing

7. Any other business

BN: Various AHDB meetings coming up around the region – see website for details