

NFU Dairy
Export Strategy

The case for growing our dairy exports





FOREWORD – MICHAEL OAKES, NFU DAIRY BOARD CHAIR

Our British dairy industry has always been an ambitious one. Whether striving for efficiency gains and environmental and animal welfare enhancements or embracing new technology, innovation and the use of data.

It is, however, also an industry that has faced immense challenges. Market volatility, disease outbreaks and more recently, the Coronavirus pandemic and the country's exit from the European Union. Yet through all these challenges, the industry has found ways to continue to drive forward, exploring opportunities, innovating, and collaborating. We, as the NFU National Dairy Board believe that this flagship Dairy Export Strategy will set the framework for the industry to continue to grow and develop our dairy export markets, calling on policymakers, industry and dairy farmers, to challenge themselves. Challenge themselves to play a pivotal role in ensuring the British dairy sector of the future is a resilient, successful, sustainable one. One with strong networks across the globe, with diverse and greatly desired products, of the highest standards in every way, strengthening and enhancing our position as a profitable, progressive industry. We believe that the time is right to redouble and reinvigorate our efforts to work together, to learn from one another and to capitalise on new opportunities presented to us. Through an exciting and rapidly evolving time, it is crucial that we optimise the collective strength of our industry to perform on the global stage.



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Michael Oakes, NFU National
Dairy Board Chairman

KEY ASKS

Our ambition:

To double the value of British dairy exports over the next 10 years.

- For the entire British dairy sector to collaborate, with Government, to form a new taskforce which aims to grow dairy exports.
- To encourage Government investment, in partnership with the industry, to drive dairy exports through activities such as beneficial trade deals, agriculture counsellors, and market development work.
- To ensure that future trade deals do not allow our domestic standards of production to be undermined.
- To encourage investment in domestic processing capacity and innovation to take advantage of emerging markets.
- To provide a stable regulatory environment for dairy farmers to thrive.
- To develop an increased focus and build on existing work by AHDB & Red Tractor on dairy exports & market development.



British Dairy

The right place at the right time

The British landscape and climate are perfectly suited to dairy farming, and our grass-based systems, coupled with our extensive history of farms passed down through generations, provide for one of the most environmentally sustainable milk producing regions of the world.

The circa 8,000 British dairy farmers in the Great Britain combine their knowledge of the dairy industry and care for the

environment to deliver a unique offering. An industry heavily focused on productivity, efficiency and technology, but delivered by relatively small-scale family farms which aim to leave the countryside in a better state than they found it, and with care for their animals. The sector has been able to deliver year-round supply of dairy products to consumers with a carbon footprint¹ which is roughly 43% of the global average².

The Animal Protection Index, which ranks countries around the world for their commitments to improving animal welfare³, identified the UK as one of only four countries to receive the highest grade.

The carbon footprint of British milk is less than half the global average.

Why British Dairy: Our Standards

- **ENVIRONMENT:** British dairy farmers play a massive part in shaping the iconic British landscape of mixed farming practices which contributes to maintaining the surrounding environment. There is a wide range of systems which mix traditional methods with modern techniques to ensure an efficient system which is truly sustainable. Grazing is a significant conservation method as it keeps areas of grasslands open and sustains many habitats - some of which are homes to endangered species such as the Large Blue Butterfly⁴. Many British dairy farmers have soil and nutrient management plans in place with some farmers incorporating herbal leys into grasslands that cows are fed on to increase biodiversity and enhance soil health. New breeding techniques have been developed to help dairy farmers make environmentally conscious breeding decisions.⁵
- **WELFARE:** The British dairy sector is extremely proud to be a world leader in high standards of animal health and welfare - a healthy, happy animal is ultimately more productive, and dairy farmers do everything they can to ensure this⁶. We have reduced antibiotic sales in food producing animals by over 50% since 2014 and use medicines responsibly through methods such as selective dry cow therapy. 95% of all milk production in the UK is produced by Red Tractor-assured dairy farmers, ensuring traceability, food safety and high animal health and welfare standards⁸. Many dairy farmers make shed modifications such as adding cattle brushes and increasing ventilation, to improve welfare even further. The entire dairy supply chain is involved in a collaborative and world-leading commitment which ensures all dairy bred calves are reared with care and into viable supply chains, via the GB Dairy Calf Strategy⁹.
- **CLIMATE FRIENDLY FOOD:** British dairy farmers are committed to reaching Net Zero by 2040 and are engaged in major initiatives to reduce their carbon footprint, such as the Dairy Roadmap. Over 70% of dairy farmers currently take action to reduce Greenhouse Gas emissions on farm, with a 24% decline in GHG emissions from milk production between 1990 and 2015. An increasing amount of dairy farmers implement water efficiency methods, and use nutrient and manure management plans to minimise water pollution.¹⁰ British dairy farmers are involved in efforts to reduce ammonia emissions, for example covering slurry stores and using low emission spreading techniques.¹¹ Some British dairy farmers are also incorporating renewable energy systems onto farms via solar panels or anaerobic digesters, reducing their overall carbon footprint.

To ensure that future trade deals do not allow our domestic standards of production to be undermined.

**KEY
ASK**



Why we need to export

The role of a well-functioning export market can be crucial to any industry and can provide huge benefits to the wider community, locally and nationally. It helps drive growth, provides sustainable and highly skilled jobs as well as increasing the manufacturing capacity of the country. For the dairy sector, the export markets are crucial and an area which needs to be developed further.

We believe that exports hold the key to balancing the volatility of the domestic market. We have a large base of loyal dairy consumers in the UK, and that will always be our principal market. Exporting more

dairy will not detract from the domestic market, but rather compliment it, allowing for more innovation, investment, and new products to be developed. It also encourages a diversity of marketplace and resilience to market volatility which has been present for many years in the dairy sector. Many of our competitors in Western Europe have managed to achieve this successfully. For example, France has a very strong domestic market, but also a thriving export focus which accounts for around 40% of their milk production and is worth around €6.6billion.

We export the equivalent of 4bn litres of milk a year in the form of liquid milk, cheese, cream, yoghurt and many other dairy products. Exporting to more than 135 countries worldwide, our exports are worth around £1.6bn in total.

Levelling Up

The opportunities for the dairy sector to play its part in the levelling up agenda are clear. Investment in our rural areas and more remote locations are crucial. Many of the major milk producing areas are in parts of the country where the Government want to focus regeneration efforts. Dairy can provide year-round high skilled jobs, on farm, and in processing and manufacturing. The British dairy sector has a long history of providing sustainable nutrition to millions of people over the years and has a great platform upon which to build a global reputation.

For certain parts of the UK, there is also massive potential to grow export specific activity. Of all the milk processing capacity in Wales, 94% is for cheesemaking. Much of this is already destined for export, but also gives great scope to increase further and take advantage of new markets.¹²

The Scottish dairy sector has a growth strategy in place which places an emphasis on the need to increase exports with a potential to generate an extra £600m in new sales of Scottish dairy produce by 2030.¹³

THE UK IS THE 11TH LARGEST PRODUCER OF COW'S MILK GLOBALLY, PRODUCING NEARLY 15 BILLION LITRES PER YEAR

Global dairy demand

The demand for dairy worldwide continues to grow at a rapid pace. Developing nations recognise the importance of dairy in the diet from an early age to promote healthy development and provide essential nutrition.¹⁵

In 2018, global cow's milk production totalled approximately 663.3 billion litres. The largest individual cow's milk producer was the USA, followed by India and Brazil. The UK is the 11th largest producer of

cow's milk globally, producing nearly 15 billion litres.¹⁶

Per capita milk consumption is forecast to increase 16% and at the same time, global population will increase by 16% to 8.7 billion people, so 1.2 billion more consumers will demand dairy products. The British dairy industry therefore has a massive role to play in helping to meet this demand as well as becoming a global leader in sustainable milk production.¹⁷

It is forecast that global milk production and demand will increase in total by 35% by 2030. International Farm Comparison Network (IFCN)

To provide a stable regulatory environment for dairy farmers to thrive.

**KEY
ASK**



Consumption is changing

Changing consumption in the UK also brings opportunities to develop new markets. Historically, the UK has had a very strong focus on liquid milk, providing fresh milk for consumers at a very good value price. However, consumption habits are changing. There is a shift away from consuming liquid milk due to behavioural changes and shifts in the ways people are eating dairy products. Demand for products such as cheese and butter are seeing strong growth, with liquid milk seeing a decline. This shift means longer life products which are more suitable for exports are being developed and processing capacity is adapting to the changes which is driving investment.

The status quo

We export the equivalent of 4bn litres of milk a year in the form of liquid milk, cheese, cream, yoghurt and many other dairy products. In total, our exports are worth around £1.6bn, with around £1.2bn of this going to the EU.¹⁸

Over the past few years, trade has experienced disruptions from changes resulting from the UK's exit from the European Union as well as the Covid-19 pandemic which had massive impacts on

many dairy supply chains both domestically and abroad. It is always important to look at trade flows over the longer term to account for this volatility, rather than taking a single year snapshot. Trade agreements can take years to negotiate and implement and it is not sensible nor prudent to make long term policy decisions on short term market conditions.

UK Dairy Exports 2018–2020	Average Annual Volume (Tonnes)	Average Annual Value (£,000)
Overall total	1,381,726	1,665,437
Milk and Cream	845,157	321,054
Cream	26,090	67,494
Powders and concentrates	151,029	273,421
SMP	71,470	136,454
WMP	60,935	115,940
Fermented products (Yoghurts & buttermilk etc)	59,463	75,648
Whey products	64,791	76,511
Butter and other fats and oils derived from milk	64,352	239,761
Cheese	196,933	679,041

Dairy Exports and Trade Data, AHDB, 2021

The destination

The EU has been by far the biggest market for our dairy products for many years, as the flexibility afforded by membership of the EU single market allowed complex just-in-time (JIT) supply chains to develop. In volume terms, approximately 92% of our dairy exports go to the EU. However, this is focussed more on commodity products, such as cheese, cream and milk powders. This also includes the liquid milk trade between Northern Ireland and the Republic of Ireland where milk travels back and forth for processing, which accounts for a large amount of the total trade, especially by volume. If you exclude liquid milk from the data, the trade in commodities shows that roughly 20% of our dairy trade volumes go to non-EU countries.

The focus of value-added exports, particularly cheeses, tend more to be to non-EU countries. When looking at the different markets by value, the picture changes slightly, with 78% of export by value going to the EU. The main non-EU markets are dominated by China and the USA as large consumers of dairy, with Asia and the Middle East showing significant growth. The AHDB dairy export team are currently focussing on three main markets to push British Dairy – North America, The Middle East and the Greater China area.

We cannot underestimate the value of the EU market, and the UK dairy sector will certainly want to continue that trade. However, there are plenty of other opportunities for UK dairy produce all around the world which can be explored further, especially as new trading relationships develop.

The share of export volumes to non-EU destinations has risen between 2010-2020 (7.5% in 2010 to 9% in 2020), with cheese and whey products seeing the biggest change in share of exports destined to

To encourage Government investment, in partnership with the industry, to drive dairy exports through activities such as beneficial trade deals, agriculture counsellors, and market development work.

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non-EU markets. Our total dairy exports have increased over the past 10 years, however they have not kept pace with the opportunities in emerging markets. Unsurprisingly the uncertainty in our trading environment in the past few years has caused some disruption, which is why it is now important to consider how to accelerate this work now that some of that uncertainty has been reduced.

However, there are recent initiatives which are aiming to increase British exports in the new trading environment. The Open Doors campaign being run by the Department of International Trade in partnership with the industry, has helped setup a mentoring programme for those businesses who are new to exporting. The 'Food is Great' campaign run by Defra helped raise the profile of British food and drink all over the world and open up more opportunities for British exporters. This type of promotional and support work is key to creating new opportunities abroad.

The Scotland Food & Drink initiative is another good example of a successful Government backed, industry-led organisation which is making really good progress both domestically and internationally and helping to grow the food sector.

APPROXIMATELY
92%
OF OUR DAIRY
EXPORTS
GO TO THE EU
by volume

The table below shows our key non-EU export markets by volume and value for all dairy products.

Country	Volume (Tonnes) 2018-2020	Average export value (£) 2018-2020
China	18,149	73,144,320
USA	9,211	56,550,390
United Arab Emirates	4,631	18,515,986
Algeria	6,724	16,166,411
Hong Kong	4,663	15,885,426
Australia	4,125	15,544,100
Canada	1,950	13,555,658

Dairy Exports and Trade Data, AHDB, 2021



Domestic milk production



The British dairy industry has a strong production base, with dedicated, professional dairy farmers. Many are looking to expand their enterprises and we have also seen some new entrants to the industry in recent years, which is starting to turn the tide of a previously consolidating industry.

AHDB's three year milk forecast suggests Great Britain will have an extra 210 m litres of milk by 2023/24 compared with 2020/21, which creates potential opportunities to increase export volumes.

The composition of milk is also changing over time as farmers respond to different needs in the marketplace. The reduced focus on liquid milk and increased manufacturing of products such as cheese has meant a shift in the fat and protein content in recent years. Increased levels of fat and protein in the milk mean that more products can be manufactured from less volume of overall milk. These changes also mean that the milk we are now producing may be more suitable to be processed in to products with longer shelf life and which are more suited to export, such as cheese, butter and milk powders.

British processing capacity

**UK
CHEESEMAKERS
PRODUCE OVER
700 DIFFERENT
NAMED
CHEESES! ¹⁹**

The UK's dairy processing capacity is incredibly advanced and massively varied. Around half of the processing capacity is dedicated to fresh liquid milk for consumption within the UK. The other half is focussed on manufactured

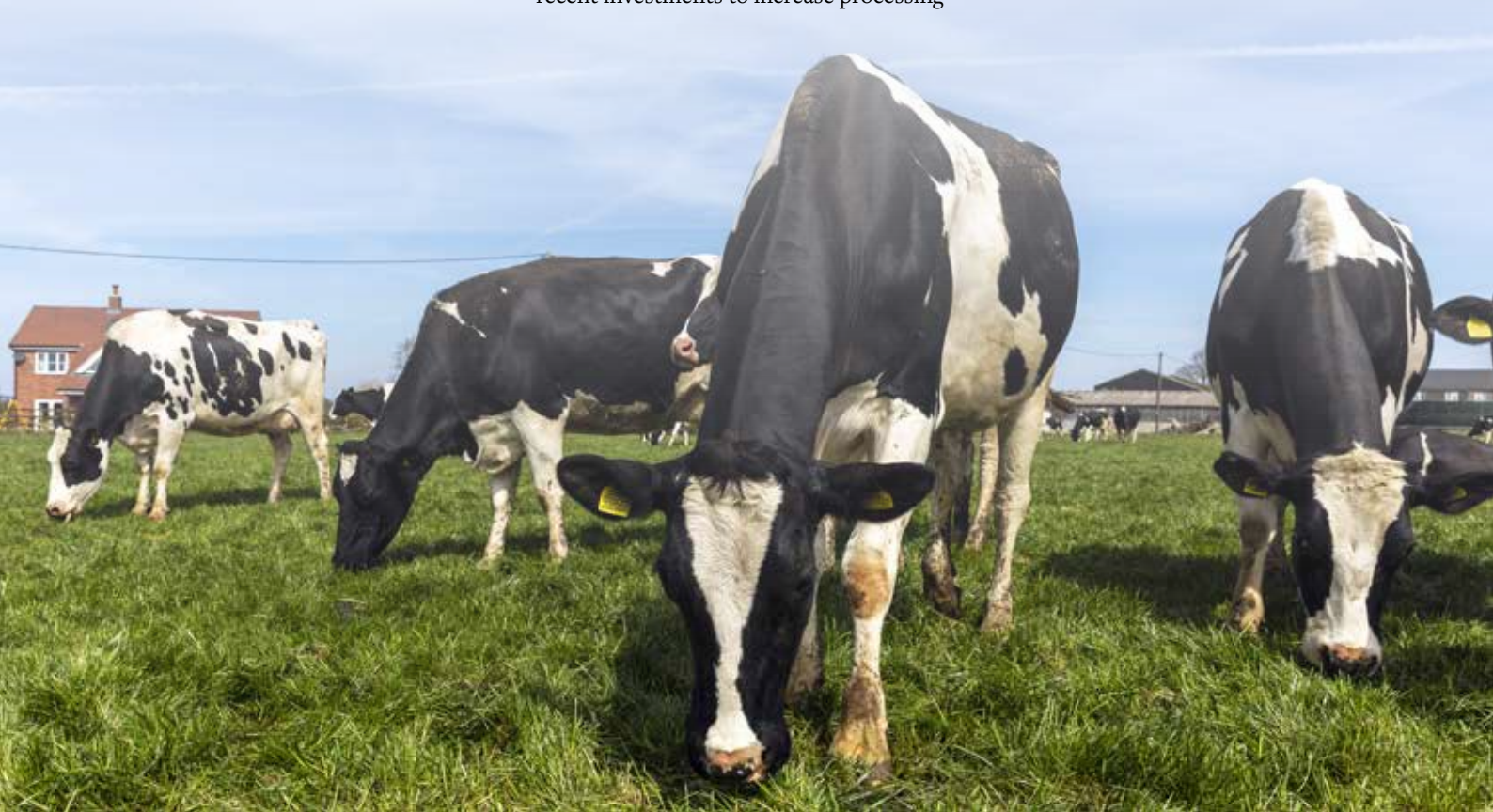
products such as cheese, milk powders and butter. The sector employs around 24,000 people in sites across the UK. There is an incredibly diverse range of businesses, from small farmhouse cheesemakers, to large global businesses.

Recent pressures have caused many structural changes to the processing sector over the past few years, which has caused severe challenges. The liquid milk sector has been particularly badly hit, with many processors having to close processing facilities, and some companies going bust.²⁰

For other dairy products however, there has been some major growth in the past few years. There have been many recent investments to increase processing

capacity. This is changing the way milk is utilised within the UK. In the past 10 years, the volume of milk going for liquid manufacture has dropped by 720 million litres, while the volume going into cheese has risen by 1.09 billion litres.²¹

Over 98% of UK households still buy milk²², and over 94% of UK households purchase cheese, with cheddar accounting for over half of all of nationwide sales.²³





**WE BELIEVE
THAT THE UK
DAIRY SECTOR
HAS A BRIGHT
FUTURE**

CASE STUDY

HOW UK DAIRY PRODUCTION IS CHANGING



PATTY CLAYTON, AHDB LEAD ANALYST FOR DAIRY

Fresh liquid milk has historically been the backbone of the UK dairy industry, but over time that has changed. As overall milk production has increased, and per capita consumption of fresh milk has slowly declined, the proportion turned into bottled milk has fallen. In 2010, around 54% of milk from farms went into bottled milk, falling to an estimated 44% in 2020. If these trends continue, by 2030 only around 38% of the milk available for processing is expected to end up in a bottle.

Cheese production, on the other hand, has risen over the last 10 years and further growth is expected. In 2020, around 21% of milk was turned into Cheddar, up from 17% 10 years earlier. With the UK still a net importer of Cheddar, by 2030, we would expect further growth in domestic production up to around 24%.

Yogurt is another area where production has increased, rising 83% between 2015 and 2020. Like Cheddar, as we are net importers of yogurt, further domestic production growth in this area is expected.

The future of the domestic dairy market

It is important that any strategy to improve our exports, does not lose focus on our domestic market or consumers. The British dairy sector is currently not self-sufficient in many different dairy products, and our dairy trade deficit currently runs at £1.16bn across all categories.

There are opportunities for us to displace imports and increase our dairy exports. It is up to individual dairy companies to decide whether they look to supply the domestic market or export. However increasing the number of possible outlets for dairy products no doubt improves the performance of the marketplace and resilience of the sector,

which historically has been over reliant on the domestic marketplace.

The need for the British dairy industry to engage with its consumers has never been more important and we must not lose sight of that. The entire dairy industry is in a state of change after the last few years which have presented some challenges. However, the sector has emerged stronger, and more resilient as a result. We must build on the lessons and successes of the past few years. We must focus on our standards of production, our environmental performance, animal welfare and how we engage with our consumers both at home and abroad.

To encourage investment in domestic processing capacity and innovation to take advantage of emerging markets.

**KEY
ASK**

CASE STUDY

WHO AM I? LUCY RANDOLPH



WHAT IS MY JOB? AHDB SENIOR EXPORTS MANAGER

HOW DOES MY JOB SUPPORT UK DAIRY FARMERS AND BUSINESSES?

The levy-payer funded AHDB Dairy Exports work supports English, Welsh and Scottish dairy farmers by enhancing the profitability and sustainability of the British dairy sector in export markets around the world. Comprising of market promotional work like international trade shows, promotional events, supermarket promotions, digital activity, conferences, presentations, tastings or market-specific education, this is designed to showcase Britain's high quality produce to key participants in international markets.

WHAT WORK IS UNDERWAY?

Using AHDB's market information, stakeholder relationships and our own export experience to determine activity and markets, the current focus is North America, The Middle East and Asia/China. Our flexible strategy allows us to respond to new market and promotional opportunities. An example is a country report and webinar on Vietnam followed by a Trade Mission in 2022/23, with introductions to buyers and distributors and on the ground support.

WHAT HAS RECENT WORK TAUGHT US?

We know from our work over the last few years that there is a massive interest in British dairy products, and our reputation on the international stage is growing. This gives us a great platform to push on with further activity over the next few years and continue growing our dairy exports.

The opportunities

The global demand for dairy is significant. With the ever-increasing global population and increasing wealth in developing nations it is driving the demand for dairy up significantly every year. Predictions are for global dairy demand to increase 35% by 2030.²⁴ We have a role to play in meeting demand for both volume and value, which creates multiple opportunities.

Britain's dairy production systems boast extremely high standards of:

- **FOOD SAFETY & HYGIENE**
- **ENVIRONMENTAL SUSTAINABILITY**
- **ANIMAL HEALTH & WELFARE**

With over 95% of dairy farmers assured by Red Tractor Standards, we can be confident in the commitment our industry

has to producing safe, traceable food that is farmed with care. Red Tractor can certainly provide an assurance platform for growth in the export market for British food, ensuring our high value exports have robust assurance supporting traceability claims.

We also have a history and reputation as one of the finest manufacturers of dairy products in the world. The UK is home of many world-famous cheeses such as Cheddar, Stilton, and Wensleydale.

Different markets demand different credentials, for example, many developing nations focus on food safety. For other markets the demand is for high environmental or animal welfare standards. We know that these credentials can demand a premium in many different markets, and brand Britain has a global following.

61% of Chinese consumers willing to pay a premium for British produce.²⁵



A new trading environment

The dairy sector has faced some serious challenges over the past few years, and there is no doubt that changes in the way we trade with our biggest export market in the EU, has had an impact. However, the development of new trading relationships also offers opportunities to deal with countries which previously we have not done much trade in dairy

products. EU countries have some of the highest per capita consumption of dairy in the world, but consumption is stable, and largely provided for by strong dairy producing regions of Western Europe. Other countries around the world have a lower per capita consumption of dairy, but this is growing at a rapid pace. Many of these countries cannot keep up with

demand through their own domestic production, so will fall in to a deficit of dairy. Central & South America, Africa and Asia, including China & India are all predicted to running large deficits of dairy products by 2027. As the UK develops more new trading relationships, this could present an opportunity for British dairy to supply these emerging markets.²⁶



THE UK DAIRY SECTOR HAS A MASSIVE ROLE TO PLAY IN MEETING THE NEEDS OF THE GLOBAL COMMUNITY.

Established markets versus new markets

As well as looking to open new markets, we also need to recognise where existing market access needs to be improved. Removal of trade barriers and de-escalation of trade disputes is crucial to the long-term success of the British dairy sector.

It is important that existing relationships are not overlooked in the pursuit of new deals or market access. Likewise the same principles apply when looking at commodity exports at the expense of more high profile or niche products.

To develop an increased focus and build on existing work by AHDB & Red Tractor on dairy exports & market development.

KEY ASK

Potential for growth

Our highest value export market currently is North America, which returns an average of £4,325 per tonne of exported product. This compares favourably to our exports to the EU, which return around £3,700 per tonne. We currently export more commodity products to the EU, and more value added products such as cheese and whey to North America, so it is not a like for like comparison, but it does demonstrate how premium products can add serious value to the export trade.

There are many opportunities to export premium products, but we must not overlook the importance of exporting more commodity products or those of lower value. These play a

really important part in balancing the overall market and seasonal production. Diversity of marketplace allows us to take advantage of different markets depending on demand and capture the best value for each product.

Over the last 10 years the total value of UK dairy exports has gone from around £925m to £1,564m in 2020. Over the same time, cheese exports specifically have nearly doubled in value from £340m to around £650m.

Given the opportunities potentially afforded by new trading relationships, and an increased focus on dairy exports, it is feasible that dairy exports could easily double again in the next 10 years, and UK dairy sector.

OUR AMBITION: To double the value of British dairy exports over the next 10 years.

CASE STUDY



KENDAMIL BY KENDAL NUTRICARE

Kendamil baby milk is the only baby formula made in Britain, using a full-cream recipe with no palm or fish oils and uniquely containing Human Milk Oligosaccharides (HMO's), as found in human breastmilk. The range, including organic and goat milk, boasts a Royal endorsement. The cow and goat milk used to produce Kendamil is sourced locally from farms across North West England, with factories operating on 100% renewable electricity. The brand is recognised globally and sells in 35 territories across South East Asia, Africa, Middle East and Central Europe, with extreme success in China, stocked across 8000+ stores. Kendamil maintains strong messaging across social media and is proud of its offer on natural goodness, value and nutrition whilst being environmentally-focused and sustainably-driven.

International trade accounts for 85% of Kendal Nutricare's £23million business and their team worked with the Department for International Trade (DIT) to expand and drive sales in new territories. Advisors from DIT introduced them to embassies across the world, supported at trade shows in China and Dubai and offer support in global market data access and grant funding. Kendamil continue to expand most recently into Jewish grocery stores in the US and Canada with a specialised Kosher product launched and the business continues to seek opportunities.





THE WELSH DAIRY SECTOR HAS A HUGE OPPORTUNITY TO GROW ON THE BACK OF EXPORTS. WITH OVER 90% OF OUR PROCESSING CAPACITY FOCUSED ON CHEESE, WE PRODUCE HIGH QUALITY PRODUCTS WITH MILK FROM OUR ICONIC GRAZING LANDSCAPES.

Abi Reader, NFU Cymru Dairy Board Chair

New products and innovation

An essential part of accessing and successfully trading with other countries is the desirability of the products that we sell. Whilst there is international demand for the traditional and world-renowned British dairy products, such as Cheddar and Stilton, there is also demand for new and innovative products which help us stand out from the competition. Many British dairy companies are now taking on the challenge of developing new products which engage consumers in different marketplaces and recognise local cultures. For this to happen it is vital that the UK dairy industry can access expertise on different markets and then gain access to consumers. The role of agriculture counsellors that many other exporting countries have placed in their key markets, help to bridge the gaps in culture and understanding of consumer demands to ensure that they meet the needs of their target market.

Adding value and unique products

There is huge diversity in dairy and there are numerous opportunities to add value, with high value products often finding a market in the food service and “out-of-home” sector, in the UK and abroad. Dairy has a fantastic pedigree in producing high quality products which can be some of the most desirable foods available. This means that they can find their way on to restaurant menus, or in deli counters across the world. New products have also come along to increase the diverse range of British dairy products, such as Kefir or Quark which has grown massively in recent years.

The British dairy industry is home to a range of farmhouse and traditional cheeses with “GI” (Geographical Indicator) or “PDO” (Product of Designated Origin) status. These accreditations essentially identify a good as originating from, or produced, processed and prepared from within a specific geographic place that is intrinsically associated with a given quality

or reputation. These include such cheeses as Stilton Blue cheese, which can only be produced in Derbyshire, Nottinghamshire and Leicestershire, and producers have to follow traditional recipes that have been around for generations.

The certification protects the high standards of production and associated brand of the product, and acts and an important selling point for our produce on a global scale. As those products cannot be replicated anywhere else in the world, it gives them an important USP which needs to be carefully safeguarded.

Whilst cow’s milk dairy products make up the bulk of UK dairy production, there is an ever-expanding market for caprine (sheep and goat) products. Whilst a smaller sector, these niche, specialist products are growing in demand at home and abroad, with changing palettes as well as dietary requirements. Goat’s milk for example, may be more favourable for those who struggle with cow’s milk

digestibility or have sensitivities or intolerances. The products also have a reputation for quality and taste, meaning that the foodservice sector can be a valuable outlet.

Prior to Covid-19, the Provision Trade Federation estimated growth of the goat dairy sector to be 70% over the next five years. The Department for International Trade have supported some UK based sheep dairy businesses in projects in a contract development for a UK powder spray drying plant specifically for sheep milk, to service the growing demand in the Chinese market for this product and other export markets including the Middle East. Alongside the small buffalo dairy sector, these markets currently span EU nations including the Netherlands, as well as Australia and New Zealand. There is increasing demand for powdered sheep milk in China and the Middle East and some buffalo milk is already moving into the Asian sweet manufacturing market.

CASE STUDY

BARBER’S CHEESE

Barber’s Farmhouse Cheesemakers are the world’s oldest surviving cheddar-makers and since 1833 have been grazing cows across Somerset and Dorset to produce PDO-accredited (Product of Designated Origin) cheddar. With attention to detail at the fore, Barber’s have combined longstanding techniques and expertise alongside new technology and innovation into their business, to become a global exporter, with a large market in the USA.

Barber’s success is greatly owed to this flair for innovation, with a dedicated NDP (New Product Development) team taking the time to understand tastes and preferences for the US palette. This has led to their creation of exciting

flavour combinations, including cocktail-themed cheeses, or cheese cut into season or holiday-specific shapes, such as cats or pumpkins for Halloween or celebrations cheeses for Mother’s Day, for example. The ever-evolving nature of the business, steeped in history and well-respected quality has ensured their relevance in domestic and export markets for a number of years and this momentum continues to grow.



Organic growth

The Organic market is another specialist sector which has seen growth and gained value across a number of domestic and foreign markets, becoming increasingly mainstream. With the global organic dairy market estimated at €16bn in 2017, it represents 20% of the total organic food and drink market and is expected to reach €25bn by 2023, with organic cheese as an example which is expected to perform particularly well. Evidence suggests that there is potential for British organic dairy export growth, with consumer trends driving growth, as interest in reduced application of pesticides or antibiotics such as in organic production, is increasingly favoured.²⁷

Mutual recognition of organic standard between the UK and US make the US market an attractive area for organic growth for UK producers. With no true global standard, this offers a less competitive position for British dairy to grow sales in a country with the highest global organic dairy product margins compared to non-organic equivalents, at 67% more expensive, with that figure standing at 39% in the UK.

There is great opportunity for growth across a range of dairy markets, but this further expansion of growth both in export and home markets will require innovation and marketing skills from within businesses and supported by

CASE STUDY

DELAMERE DAIRY

Cheshire based Delamere Dairy, sells a range of fresh and long-life speciality dairy products using cows, goats and sheep milk, for its milks, butters, yogurts and cheeses. The company turns over almost £30 million with multiple sales channels throughout the UK, as well as export customers in over 25 countries around the world. Alike other exporters, they have some hurdles in EU export, with some prohibitive costs and administration burdens limiting their growth in this region, but as an adaptable and agile business, they have found continued growth in Australian markets, in particular for their goat's butter.

Managing Director of Delamere Dairy, Ed Salt said *"We have found marketing our produce further afield more accessible and less challenging over the last few years, with innovative social media and engagement channels helping us to grow a following in countries such as Australia, as well as America, the UAE and the Caribbean. Export is going to be increasingly important to businesses like ours, and it is crucial that the sector adapts and embraces future challenges. I believe that investment into domestic processing capacity as well as exploring options to develop markets in processing abroad is key to risk-sharing and ensuring resilience and continued success of the dairy industry."*



The global organic dairy market is expected to reach €25 billion by 2023



government to create the relationships and networks needed to gain shelf space, across a wider range of export markets.

CASE STUDY

A FARMERS VIEW – WHY EXPORTS MATTER TO MY BUSINESS:

ADAM WESTAWAY MILKS 160 ORGANIC COWS IN DEVON, WITH MILK SUPPLIED TO OMSCO.

As well as supplying organic milk, he has been working with Omsco to produce a specialist milk for the US market, which is based on completely 'antibiotic free' production.

Adam said: *"Historically, the organic milk market in the UK was very focussed on the domestic market, and has seen times when supply was in excess of demand. The sector had to adapt and therefore looked towards export markets to help deal with surplus milk. One market which has developed well is the US. Omsco have exported organic cheeses and butter products to the US, and are also exporting more specialist dairy products."*

To meet the demands of a particular market in the US, Adam has worked to develop a system on his farm which meets the standards required by the consumers.

"The US organic market is very aware of antibiotic use, and as a really premium top end dairy product, they expect the milk to be produced without the use of any antibiotics. For us this means we must really focus on cow health and welfare.



It doesn't mean cows cannot be treated if they are sick, but they then have to be managed in a different herd. It is perhaps seen as a niche product, but for us it is important that we have a recognition of the needs of our consumers in different markets."

The time to act

We believe that the UK dairy sector has a bright future and can take advantage of exciting new opportunities. However, in a competitive global marketplace, and with domestic challenges, it is going to take a serious effort from all parts of the supply chain to achieve.

In pulling together this work, we have spoken to a range of British dairy businesses who are involved in exports, to understand the barriers to trade they face, and how they can be overcome. The challenges are slightly

different depending on the main areas of trade.

For those exporting to the EU, the uncertainty over trading relationships over the past few years has caused concern and currently, issues like capacity of veterinary professionals to process Export Health Certificates is causing delays.

For other businesses, tariff barriers and market development work are the crucial barriers.

We believe there is no single solution to grow our dairy exports, but that there is a need for the whole industry to work together collectively on a new comprehensive strategy which addresses multiple areas of focus. We have outlined the roles of the various stakeholders in the industry, as well as a call to action, to help kickstart this process.

We hope this document is just the start of the discussion, and our commitment is to contribute whatever we can to progress it further.

The role of Government

- To outline a fully funded Government backed dairy export strategy to increase British dairy's presence in new and existing export markets.
- Investment in trade diplomacy, including a significant increase in agriculture counsellors in our embassies focused on export promotion and market development.
- Invest to develop improved infrastructure for exports, for example increased veterinary capacity to process export health certificates.
- Match funding for collaborative industry investment in export promotion and market development overseas. For example, this could help businesses or organisations to attend international trade shows.
- To provide diplomatic assistance; hosting and funding foreign delegations to visit the UK to help open up new markets.
- Reduce the tariff and non-tariff barriers faced by British dairy products when negotiating new trade deals.
- Protect and promote dairy Geographical Indicators (GI's) in future trade negotiations.
- Do not allow imports to undermine our domestic standards of production.
- Support dairy processors and manufacturers to allow them to grow and innovate.
- Provide certainty for British dairy farmers on regulatory issues to encourage more investment for the future.
- Help join up support for the dairy sector at a local and national level, involving local councils.

The role of dairy companies & industry bodies

- Collaborate across the dairy industry to help open up new markets, working with Government and AHDB to increase focus on export development work.
- Review processing capacity and investment required to make the most of new opportunities.
- Invest in innovation and NPD to expand the offer to different markets.
- Work with farmer suppliers to improve relationships and cooperation on milk supply and standards.
- AHDB: Review how it can expand its existing work on dairy exports to meet the increasing demand for a presence in new markets.
- Red Tractor: Review its contribution towards British dairy exports and how it can stay relevant to emerging markets, as well as promote and grow the British dairy brand abroad to ensure the high traceability and standards add value for consumer and farmer.

The role of the farming industry

- Work with milk buyers and dairy processors to help them meet the needs of new markets.
- Focus on tackling the issues which could undermine the reputation of the British dairy sector, upholding standards and encouraging this culture across the sector.
- Engage with consumers, both domestically and internationally to gain an understanding of different markets.
- Promote the qualities of the British dairy sector at every opportunity.



A call to action

Progressing the Dairy Export Strategy

We believe the time has come for the entire dairy industry to come together and collaborate on a new approach to truly drive forward dairy exports. All other major dairy exporting countries have a structure which has a collective goal to increase exports. These structures are usually a collaboration between Government and industry and co-funded to undertake crucial export development work. Individual companies can then take advantage of the collective work by gaining access to new markets.

Without this kind of collaboration and a concerted effort, there is a risk that our dairy exports stagnate, and we create internal competition over the markets we currently have.

It is imperative that all parts of the supply chain come together to try and achieve this collective goal as soon as possible.

We are calling on the Government to work with the dairy industry to set up a new Dairy Export Taskforce, whose sole purpose is to grow dairy exports and take forward the recommendations outlined in this report. The industry must then commit to supporting this initiative in a true collaborative structure.

We know that similar structures exist in other big dairy exporting countries, such as the Republic of Ireland, and the United States (featured below). The time is right for the British dairy sector to truly expand its global reach, and work together to achieve this common goal.



CASE STUDY



A STRUCTURE FOR EXPORT GROWTH – The U.S. Dairy Exports Council

U.S. Dairy Exports from 2004 to 2014 quadrupled after a major Government and industry push to reduce the dairy trade deficit and shift focus away from what was previously a very domestically focused industry. The U.S. Dairy Exports Council has played a key role in this growth.²⁸

The U.S. Dairy Export Council (USDEC) is a non-profit, independent membership organization that represents the global trade interests of U.S. dairy farmer, processors and cooperatives, manufacturers and exports. The dairy checkoff program, which is a levy body equivalent to the AHDB.

Whilst the US Government have awarded the USDEC some grant funding, the organisation remains completely independent and run by the industry.

The Government, through the USDA's Foreign Agricultural Service also provides export activity support. Their work is done through a team of 250 agricultural trade specialists, a number of global offices and marketing. They work closely with the USDEC to achieve common goals.

The role of the USDEC covers everything from pre-competitive marketing of U.S. dairy in international markets to market access, trade policy and regulatory work to market strategy and insights as well as in-market assistance/expertise.

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