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Living with price volatility: strategies of dairy farmers to manage milk price uncertainty

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Abstract

Dairy farming in the UK and elsewhere is undergoing a period of significant restructuring and transformation, characterised by the concentration of milk production in fewer but more intensive farms. Various interrelated factors are driving structural change in the sector, including social factors (succession, new entrants, etc.) and economic factors (notably low milk prices and costs of production). Industry and media sources typically refer to a 'milk crisis' and the discourse is dominated by discussions about the inadequate and unfair price that farmers receive for their milk. Dairy farmers are victims, powerless in value chains that are governed and dictated by supermarket competitiveness. That said, supermarkets buy some milk directly from farmers, although not all farmers are aligned to such contracts and sell their milk through other buying arrangements, some of them more exposed to price changes. The recent abolition of the milk quota and the Brexit vote in the UK adds further layers of turbulence and uncertainty. Analysis of the regulatory space governing the dairy sector has not been done since Banks and Marsden (1997). Given the above processes of restructuring and related market and policy ruptures new analysis of milk price regulation, market issues and farmer strategies and their adaptive capacity to respond to and manage price volatility is therefore very timely. To develop this analysis the paper draws on secondary data, media analysis, stakeholder interviews and a series of focus groups conducted with dairy farmers in Somerset, a county in the UK with a strong dairy farming tradition.

Keywords: Dairy farming; milk price volatility; milk quota abolition; agricultural resilience and adaptive capacity; Somerset, UK