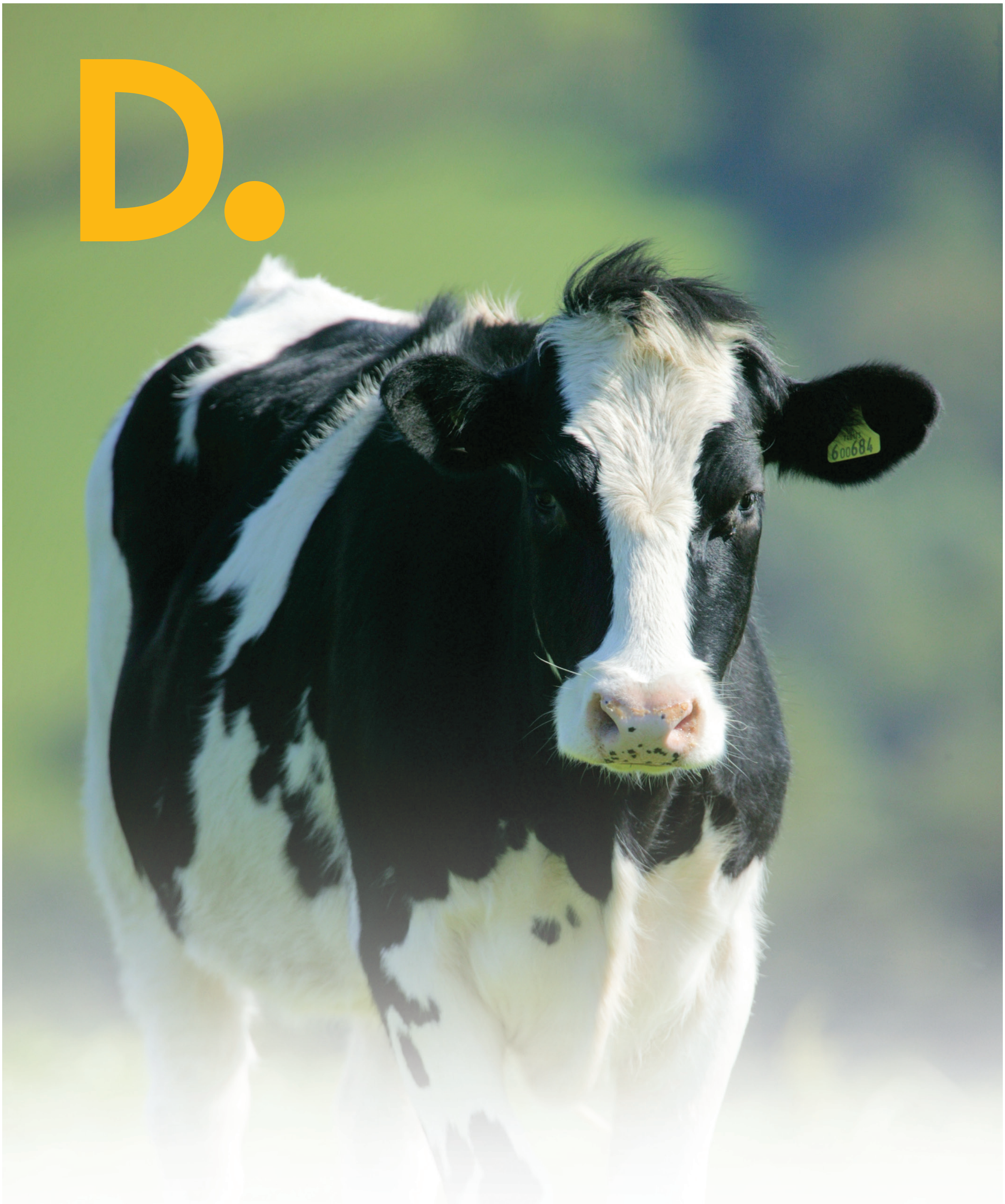


Farmer Intentions Survey

June 2009

DairyCo

Contents

Executive Summary

The 2009 DairyCo Farmer Intentions Survey highlights a fall in farmer confidence from last year with the lowest level of dairy farmers intending to increase milk production seen since the survey began in 2004.

Only 18% of UK dairy farmers are planning to increase milk production in the next two years (a fall from 35% in last year's survey). The planned increase in milk production is insufficient to cover the loss of production from the 13% of farmers intending to leave the industry and, as a result, UK milk production is predicted to fall 5.2% (670 million litres) by 2010/11 to just 12.2 billion litres. A similar picture is highlighted in Great Britain, with milk production expected to fall 4.9% by 2010/11 from its current level of 11.0 billion litres to 10.5 billion litres.

With the level of farmer confidence falling, the level of planned investment for the next five years has also declined. This year's survey identifies that 57% of British dairy farmers intend to invest less than £25,000 in their dairy unit in the next five years, up from 50% seen in last year's survey. On the back of this, the survey highlights a significant link between past and planned investment levels and the long-term survival of dairy units, with units that intend to invest over £100,000 in the next five years more than seven times as likely to still be running in ten years time compared to those investing less than £25,000.

There are also 23% of British dairy farmers planning a more significant investment of £50,000 or more over the next five years. Farms intending to invest the largest amounts tend to already be some of the largest units in Britain. Over half of dairy farms producing more than 2 million litres per annum are planning investments in excess of £50,000 over the next five years

The survey also highlights the capacity for British dairy farmers to increase milk production, with almost a quarter of British dairy farmers increasing milk production in 2008, encouraged by the increase in farmgate milk price. The survey also highlights that 44% of British dairy farmers have space available for extra cows and that if all the additional cow spaces were full, British milk production could increase by 5.4% - almost 600 million litres - to 11.6 billion litres per annum based on current levels.

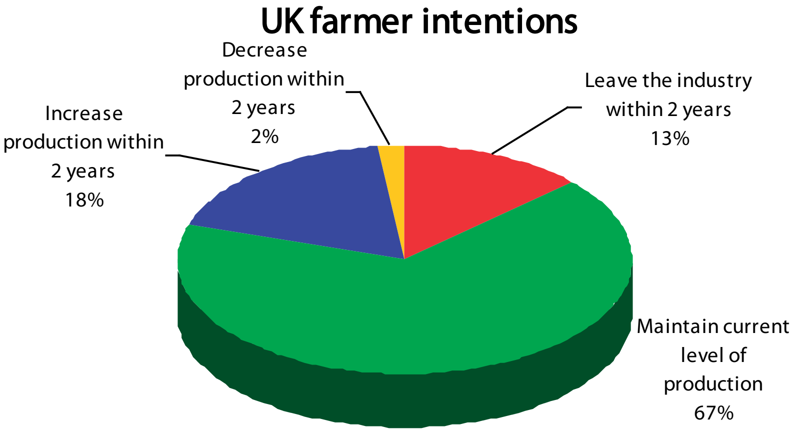
The survey suggests that although farmer confidence is currently low, especially regarding the short term future, in the longer term the signs are more positive with almost 80% of those dairy farmers intending to remain in the industry for the next two years confident that their businesses will still be running in ten years time. This suggests there may be a considerable slow down in the rate of farmers exiting the industry, providing confidence and profitability are sufficient.

The dairy farmers of the future will generally be farmers who are already producing a relatively large amount of milk who are likely to have both invested significantly in the past and plan to continue investing in the future. As a result, the structure of the British dairy industry will continue to evolve with fewer, larger dairy farms providing an increasing proportion of the nations milk supply.

Section 1: UK farmer intentions

Question: *"Thinking about your dairy business, what are your intentions for the next two years?"*

Result: Only 18% of dairy farmers intend to increase milk production within the next two years; this is the lowest percentage since the survey began in 2004.



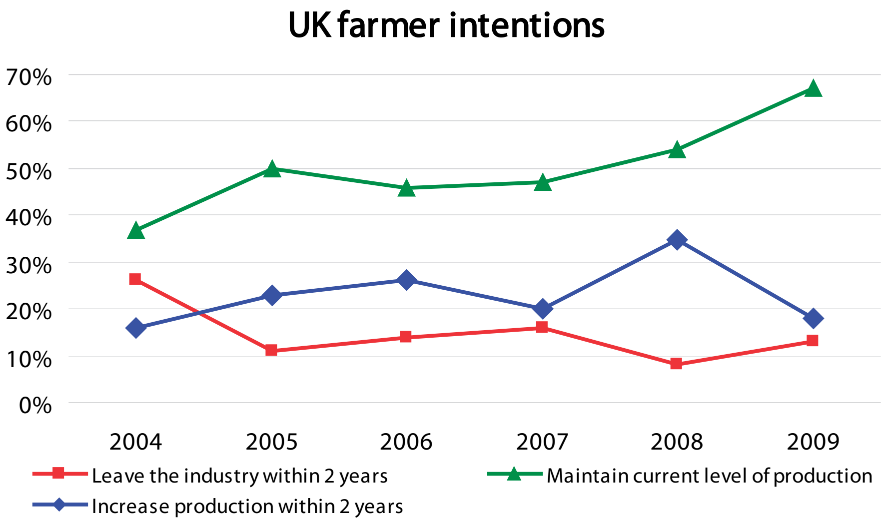
Weighted to be representative of all UK dairy farmers

Intention[1]	Weighted percentage [2]	Equivalent number of dairy farmers[3]
Leave the industry within two years	13%	2,218
Maintain current level of production	67%	11,430
Increase production within two years	18%	3,071
Decrease production within two years	2%	341

How does this compare with previous years?

Only 18% of dairy farmers intend to increase milk production within the next two years; this is the lowest percentage seen since the survey began in 2004. This is very different from last year's survey which highlighted that 35% of dairy farmers were intending to increase milk production within two years.

This year on year fall means that a higher percentage of dairy farmers are intending to exit the industry (up from 8% to 13%) or maintain their current level of milk production (up from 54% to 67%).



Weighted to be representative of all UK dairy farmers

Intention [1 2 4]	2004	2005	2006	2007	2008	2009
Leave the industry within two years	26%	11%	14%	16%	8%	**13%**
Maintain current level of production	37%	50%	46%	47%	54%	**67%**
Increase production within two years	16%	23%	26%	20%	35%	**18%**

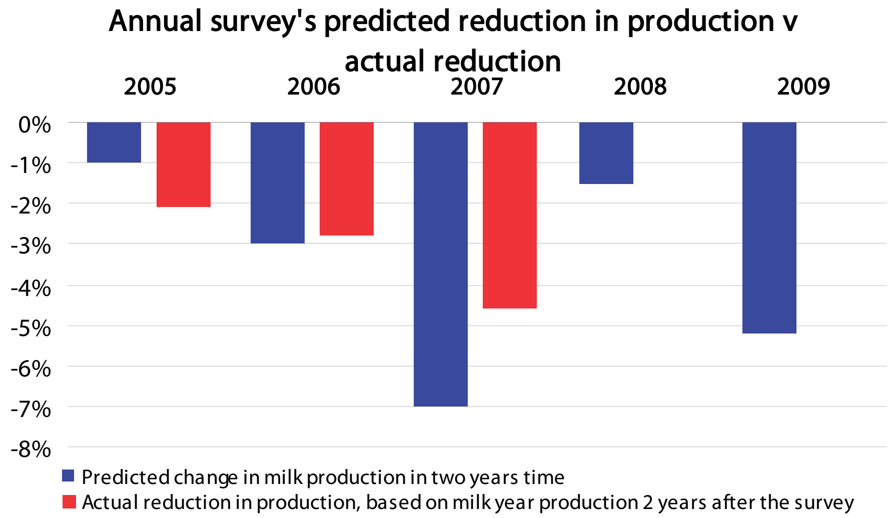
Results from this year's survey show a fall in farmer confidence from 2008. At the time of the 2008 survey, although dairy commodity prices on world and European markets had begun to decline from their peaks, UK farmgate milk prices were on an upward trend. The average farmgate milk price paid in January 2008, when the survey was conducted, was 25.81ppl - the highest recorded price for January milk since Defra records began in 1970.

The 2009 survey identifies an increase in the number of farmers intending to leave the industry compared to last year's survey, while the number intending to increase milk production has almost halved. This illustrates the fall in farmer confidence regarding their dairy businesses and is likely to be linked to announcements of milk price cuts around the time of this year's survey.

This year's survey was conducted at the end of February and the beginning of March 2009 when farmers would have recently received January pay cheques. The Defra average farmgate price for January 2009 stood at 25.56ppl - slightly below the 25.81ppl seen in January 2008. However, at this time many milk buyers were announcing milk price cuts for the coming months.

An interesting trend is appearing regarding the proportion of producers intending to maintain their current level of production which after a period of relative stability representing the intentions of around half of UK dairy farmers, now represents the intentions of two thirds of dairy farmers in the UK.

Production over the next two years is predicted to fall by 5.2% in the UK.



Analysis of the 2009 results suggests a continued decline in milk production over the next two years. Based on the figure for milk production in 2008/09 milk year of 12.9 billion litres, a fall of 5.2% equates to a predicted fall of around 670 million litres. If dairy farmers were therefore to carry out these intentions, predicted milk production for the 2010/11 milk year would stand at around 12.2 billion litres.

Assuming that UK liquid milk demand continues to remain at around 6.7 billion litres a year, this would cause the volume of UK milk available for products such as cheese, yogurt, butter and powders to fall to around 5.5 billion litres.

As highlighted in the graph above, the Farmer Intentions Survey has been fairly accurate at predicting changes in UK milk production over the last few years. The greatest disparity between the survey prediction and what actually happened was seen in the survey conducted in spring 2007. Results from this survey predicted that by the 2008/09 milk year production would have declined by 7%. However, in reality a fall of 4.6% was experienced. This disparity is explained by the rapid increase in commodity market prices during 2007 which caused large increases in farmgate milk prices in the latter part of 2007 and 2008. It is likely that the increased milk prices not only encouraged some dairy farmers to increase milk production (this is explained in more detail later in the report) but also may have led to some farmers re-evaluating or delaying their decision to exit the industry.

Looking at the net effect of farmers stated intentions on milk production shows that the proportion of milk from farms producing up to 500,000 litres per annum is predicted to fall 15.1% within two years. The only category to see a net increase in production would be those producing over 2 million litres per annum.

Net effect on milk production by annual production	>500,000	500,001 - 1,000,000	1,000,001 - 1,500,000	1,500,001 - 2,000,000	2,000,001+
	-15.1%	-6.5%	-0.7%	-2.6%	+2.3%

How could this affect UK milk production?

Due to the small percentage of farmers intending to increase milk production and the majority intending to maintain their business at current output levels, milk production for 2010/11 is predicted to fall by over 5% to 12.2 billion litres. The litres lost through those leaving the industry, combined with the minority intending to decrease production, will far outstrip the extra litres produced by those increasing milk production. This could see milk available for manufacture of dairy products fall to a record low.

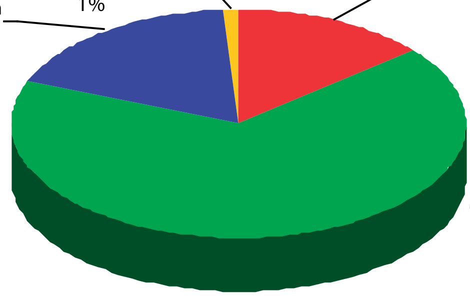
A continued fall in milk supply may see processors reluctant to invest in what they feel is a contracting industry. This lack of investment from our domestic processors, or an unwillingness by the major global players to invest in the UK, with all of their advantages of scale and established R&D and innovation programmes, would inevitably disadvantage our supply chain in the longer term. A lack of the economies of scale or innovation necessary to compete in the increasingly globalised market would make the UK more vulnerable to imports, even in the markets that are currently somewhat isolated, such as liquid milk and added value Cheddars. Furthermore, falling milk supply could also lead to reduced consumer choice.

The rest of this document will focus on British dairy farmers and their intentions for the future and how this could impact on the British dairy industry.

Section 2: GB farmer intentions

Question: *"Thinking about your dairy business, what are your intentions for the next two years?"*

Result: 67% of British dairy farmers plan on maintaining milk production at current levels, with only 18% planning to increase production and a further 14% intending to leave the industry altogether. This could result in GB milk production falling by a further 4.9% in the next two years.

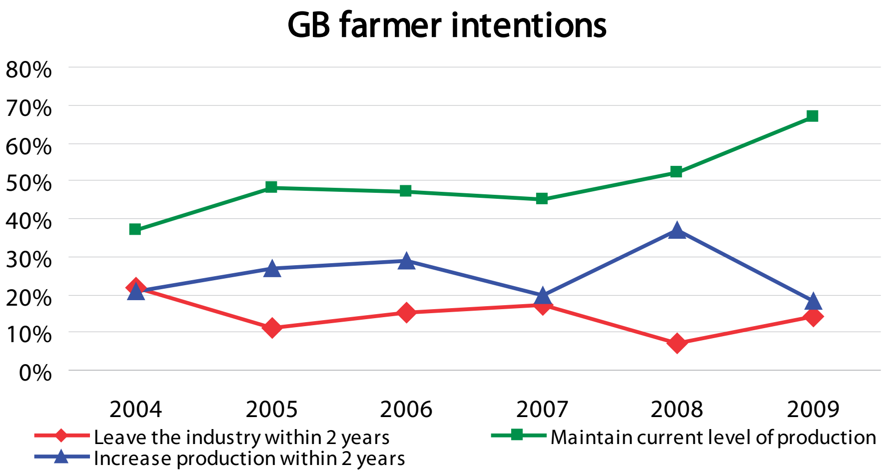


Weighted to be representative of all GB dairy farmers

Intention [1]	Weighted percentage	Equivalent number of dairy farmers
Leave the industry within two years	14%	1,904
Maintain current level of production	67%	9,114
Increase production within two years	18%	2,449
Decrease production within two years	1%	136

How does this compare with previous years?

Results from the 2009 survey reveal the lowest level of farmers in the six years the survey has been running intending to increase milk production. It also highlights that two thirds of British dairy farmers intend to maintain their current level of milk production over the next two years. This compares to 52% in 2008.



Weighted to be representative of all GB dairy farmers

Intention [1 4 5]	2004	2005	2006	2007	2008	2009
Leave the industry within two years	22%	11%	15%	17%	7%	**14%**
Maintain current level of production	37%	48%	47%	45%	52%	**67%**
Increase production within two years	21%	27%	29%	20%	37%	**18%**

Very similar to the results for the UK as a whole, British dairy farmers' intentions have also changed significantly from those seen in 2008 when commodity prices were at their peak and farmgate prices were rising. Despite farmgate prices in recent months being relatively high, cost of production also remains high. The latest figures from the Promar Cost Tracker predict the cost of producing a litre of milk is currently around 26.93ppl. However, at the time of this survey most GB processors had announced price cuts, meaning that many British dairy farmers were expecting to experience pressure on margins which, for some dairy farmers, could mean milk prices failing to cover costs of production. This has understandably knocked confidence and ultimately shaped farmer intentions for the next two years.

The percentage of farmers intending to increase milk production has fallen from 37% in 2008 – the highest percentage seen in the history of the survey – to 18%, the lowest level seen in the six years the survey has been running. This illustrates how confidence within the industry has declined over the past 12 months. Again, similar to the results for the UK as a whole, the percentage of dairy farmers intending to maintain their current level of production appears to be on an upward trend. If this trend continues in years to come, it may lead to a halt in the decline in national milk production. However, this will also be dependent on other factors such as weather and diseases such as TB.

Based on provisional milk production figures for GB for 2008/09 of 11.0 billion litres, a fall of 4.9% would equate to the British milk supply falling 539 million litres. This could see GB milk production in 2010/11 fall to 10.5 billion litres, if farmers follow their intentions.

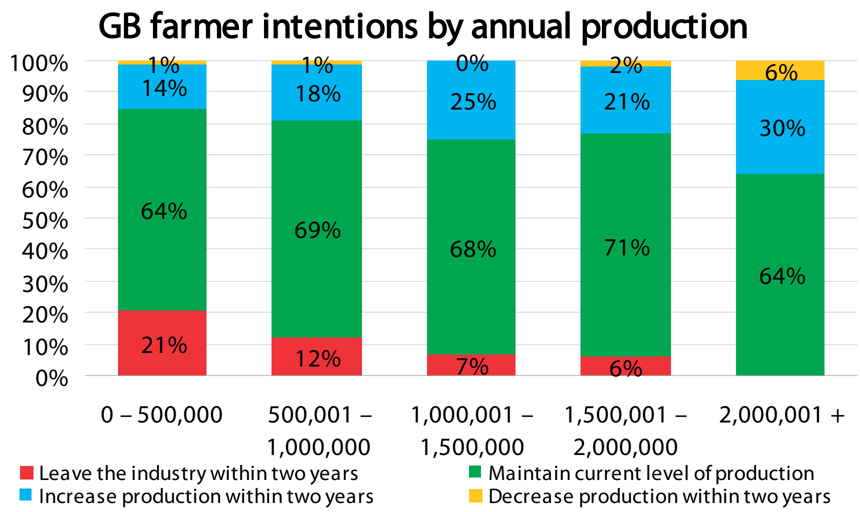
How could this affect British milk production?

This year's survey reveals the lowest level of farmers intending to increase milk production in the next two years – at 18% – since the survey began. Alongside this, the majority (67%) of British dairy farmers are intending to maintain their current level of production and 14% intend to leave the industry within the next two years. Overall this could result in milk production falling 4.9% by the 2010/11 milk year to 10.5 billion litres, a fall of more than 500 million litres. This is a result of the intended expansion of those farmers remaining within the industry being insufficient to compensate for the litres lost by those intending to leave the industry.

Section 3: Future producers

Question: *"What will British producers of the future look like?"*

Result: Dairy farms already producing over 2 million litres per annum are most likely to increase milk production, while those producing up to 500,000 litres per annum are most likely to leave the industry.

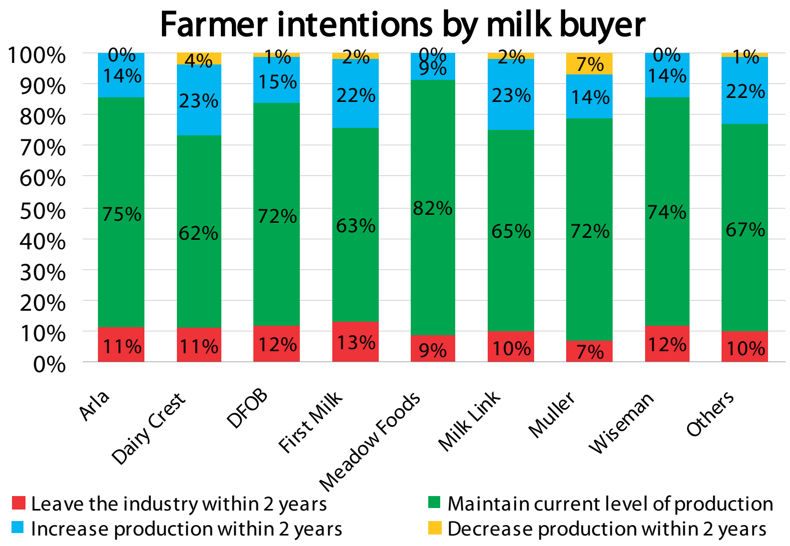


This has a significant impact on where milk will come from, with the amount of British milk produced by farms producing up to 500,000 litres per year expected to fall by 16.7% and the amount produced by farms with an annual production of over 2 million litres per annum to increase by around 3.5%.

This would suggest that in two years time we could see 22% of GB milk produced by those with annual production over 2 million litres compared to the current 20%. Moreover, the percentage of milk from those producing up to 500,000 litres could fall from 15% currently to 13% in two years time. This suggests the continuing trend of fewer, larger farms fulfilling a bigger share of the GB milk market. If this trend continues it may eventually lead to farmers having greater influence within the supply chain.

Larger farms being more likely to expand may, in part, be linked to milk pricing and contracts with many milk producers offering increased premiums to larger producers. This is highlighted by this year's survey results which show that 65% of farmers producing over 2 million litres a year are happy with their contracts compared to just 46% of farmers who produce up to 500,000 litres per annum.

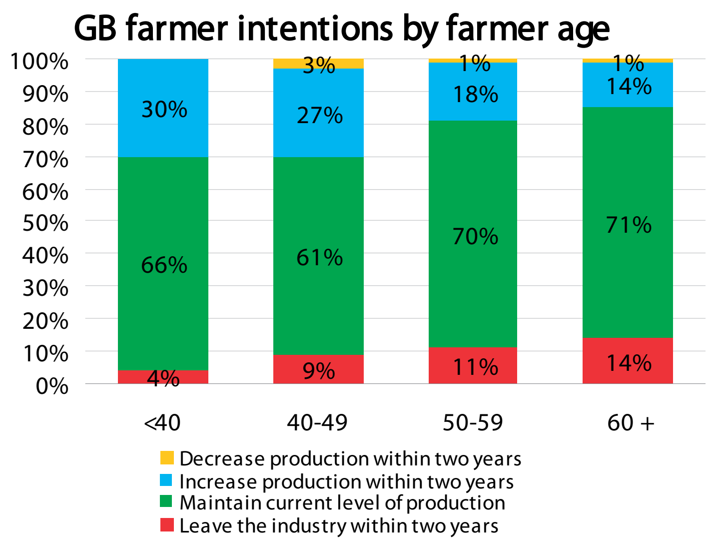
This trend of larger dairy producers being more likely to increase their milk production may also be linked to levels of investment. Last year's Farmer Intentions Survey showed that those producing over 2 million litres per annum had invested significantly more in their dairy business in the previous five years than smaller producers. Furthermore, as larger producers have greater economies of scale with extra litres over which to spread fixed costs, it is likely to be more feasible for larger producers to increase their milk production.



Note: unweighted sample. For details on sample size please see Appendix 1. table2

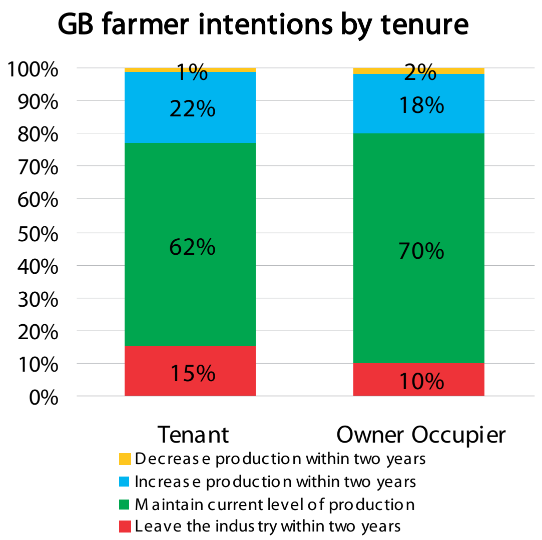
Looking at farmer intentions by milk buyer reveals some differences between milk buyers. It should be remembered that a farmer's intention to increase milk production may not actually mean that this will benefit their current milk buyer as some farmers may be intending to change milk buyers within the next two years.

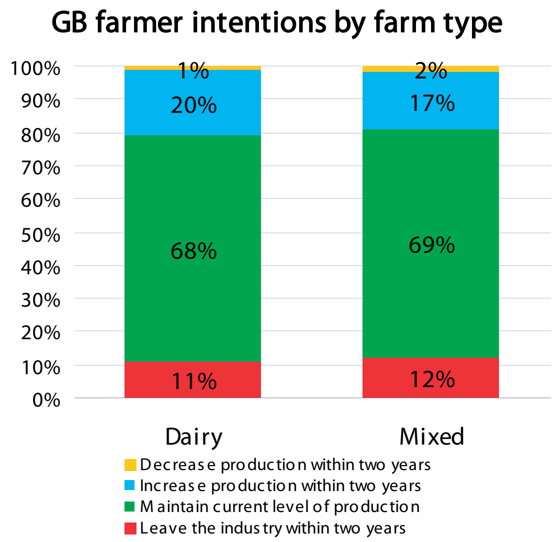
Farmers aged less than 40 are most likely to increase milk production in the next two years.



Unsurprisingly, older famers are the least likely to increase production over the next two years and are the most likely to either maintain output at its current level or leave the industry. Whereas younger farmers are most likely to increase milk production with 30% of dairy farmers aged less than 40 intending to increase production over the next two years.

Tenant farmers are more likely to increase milk production than owner occupiers, while dairy only farms are more likely to increase milk production than mixed farms.





Tenant farmers are more likely than owner occupiers to increase milk production within the next two years. These results show a change in trend from the 2008 survey when owner occupiers were most likely to increase milk production.

Tenant farmers are also more likely to leave the industry than owner occupiers, with 15% of tenant farmers questioned intending to leave the industry compared to 10% of owner occupiers. This suggests that tenant farmers may be under more pressure than owner occupiers to make a definitive decision about the short term future of their business. It is likely that rent costs will be a significant factor in this decision.

This year's survey shows that both dairy and mixed farms have similar intentions for the next two years. This is a different trend to that seen last year when the percentage of mixed farmers intending to leave the industry was more than double that of dairy only farmers. This year's survey shows that 20% of dairy only farms are intending to increase milk production in the next two years, a fall from the 42% seen in last year's survey.

How could this affect British milk production?

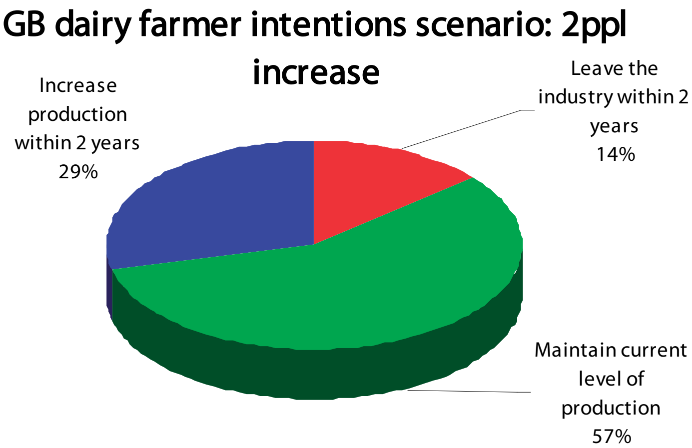
The British dairy industry is set to become more reliant on the larger milk producers with those producing over 2 million litres per annum expected to increase by 3.5% in the next two years. This could see those producing over 2 million litres per annum account for 22% of milk production by 2010/11. At the same time the number of producers producing less than 500,000 litres per annum is expected to fall by 16.7% and account for just 13% of milk production by 2010/11.

Section 4: Reactions to milk price changes

The 2009 DairyCo Farmer Intentions Survey asked respondents, who were not intending to leave the dairy industry within the next two years, to re-evaluate their intentions given a number of hypothetical scenarios regarding milk price. The survey was conducted at the end of February and beginning of March 2009, when British farmers would have received payment for January milk at an average price of 26.84ppl. [9]

Question: *"If your current milk price increases by 2ppl in the next two years what will you do?"*

Result: 29% of farmers would increase their milk production.



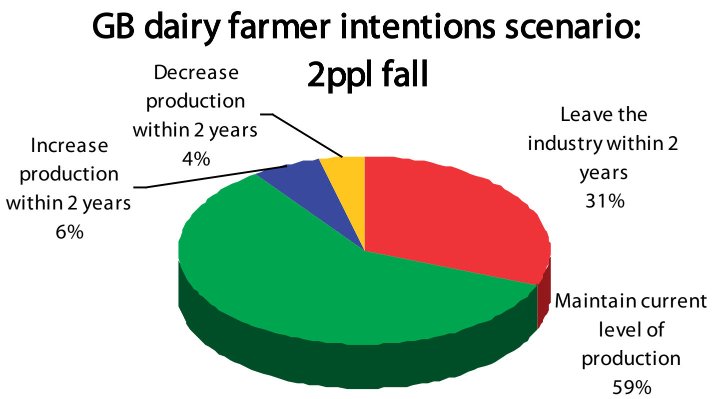
Weighted to be representative of all GB dairy farmers

Using a scenario of a 2ppl increase in milk price the proportion of British farmers intending to increase milk production rose from the initial 18%, when no pricing scenario was given, to 29%. The percentage of dairy farmers intending to leave the industry remained the same, suggesting that the decline in GB milk supply could be reduced if milk prices were to rise.

If farmer's milk prices were to rise 2ppl it is predicted that GB milk production in 2010/11 would be around 10.8 billion litres, a significant increase on the 10.5 billion litres predicted from initial intentions.

Question: *"If your current milk price falls by 2ppl in the next two years what will you do?"*

Result: 31% of farmers would leave the industry if their milk price fell 2ppl.
Only 6% of the industry would increase milk production.

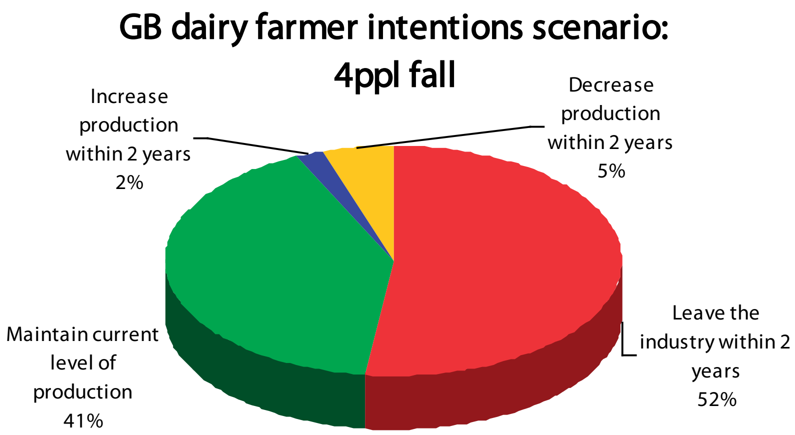


Weighted to be representative of all GB dairy farmers

If the milk price falls by 2ppl within the next two years, 31% of British dairy farmers would leave. This could see over 4,000 dairy farmers leave the industry and, when coupled with just 6% intending to increase milk production, could see GB milk production fall 24%. This would result in milk production in 2010/11 falling by 2.6 billion litres to around 8.4 billion litres. Providing demand for GB liquid milk remains stable (at around 6.4 billion litres) this would see the amount of milk available for manufacture of GB dairy products e.g. cheese, butter and yogurt fall by half. It is likely that this outcome is overstated but it demonstrates farmers concern about milk prices.

Question: *"If your current milk price falls by 4ppl in the next two years what will you do?"*

Result: Over half of British dairy farmers would leave the industry within two years, resulting in GB milk production falling by 47%.

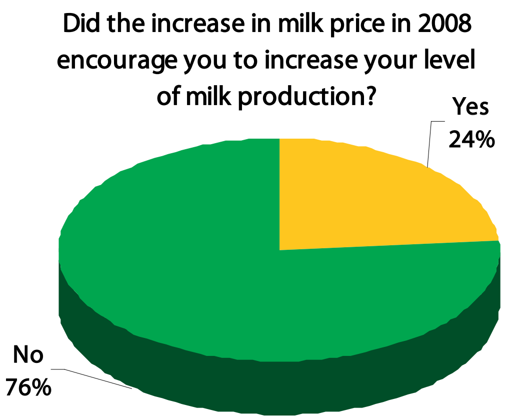


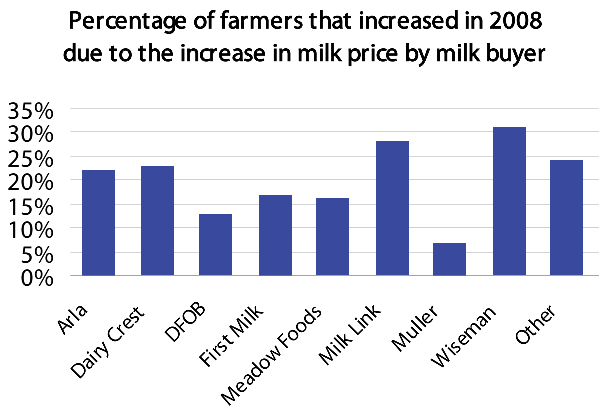
Weighted to be representative of all GB dairy farmers

If the farmgate price does fall to 22.84ppl and farmers follow their intentions, this could see 2010/11 milk production at 5.8 billion litres. This would suggest that there would be insufficient raw milk to fulfil current GB liquid milk demand and would leave no available milk for manufacture of British cheese, butter or yogurt. Although this situation is unlikely to become reality, the extreme nature of dairy farmer's reactions to this hypothetical scenario illustrates the fragility of the milk production base and perhaps further highlights the low level of margin on which many dairy farmers are operating.

Question: *"Did the increase in milk price in 2008 encourage you to change your level of milk production?"*

Result: 24% of dairy farmers increased their milk production in 2008 due to the increase in milk price.





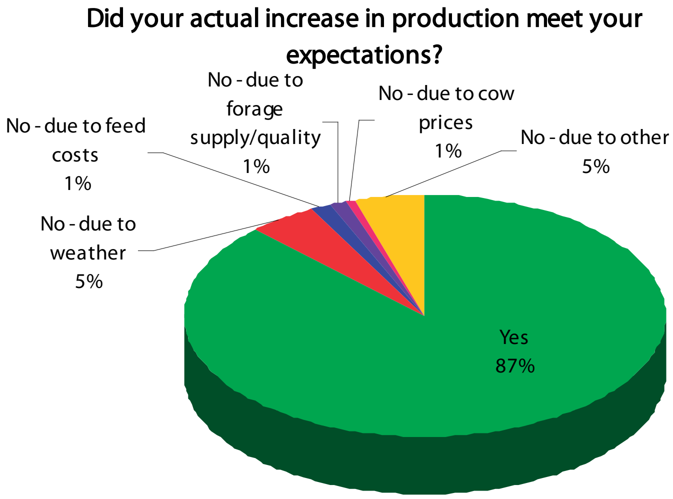
Some sample sizes are small, please refer to Appendix 5, table 1

Almost a quarter of respondents increased their milk production in 2008, encouraged by increasing milk prices. The average increase in production was 17% per respondent, although together the increase from the 150 respondents amounted to over 28 million litres. This would suggest that in 2008/09 an additional 604 million litres of milk was produced as a result of increasing milk prices. Had milk prices not increased in 2008, GB milk production in 2008/09 may have been nearer 10.4 billion litres than 11.0 billion litres.

Of the dairy units that increased their milk production in 2008 due to the increase in milk price, 42% produce between 500,001 and 1 million litres per annum, while only 10% of those that increased milk production produce less than 500,000.

Of those who did not increase milk production in 2008, the majority did not increase due to the high input costs or due to not having the spare capacity. Other reasons for not increasing milk production included TB. Many of the issues highlighted by respondents in response to why they did not increase production point to a lack of confidence in investing to increase milk production, highlighting the lack of trust in the supply chain, which ultimately limits milk production.

Of the 24% who did increase their milk production, the majority saw their actual increase in milk production meet their expectations. Others had milk production affected by weather, feed costs, cow prices and forage quality or supply.



Note: based on a small sample size

How could this affect British milk production?

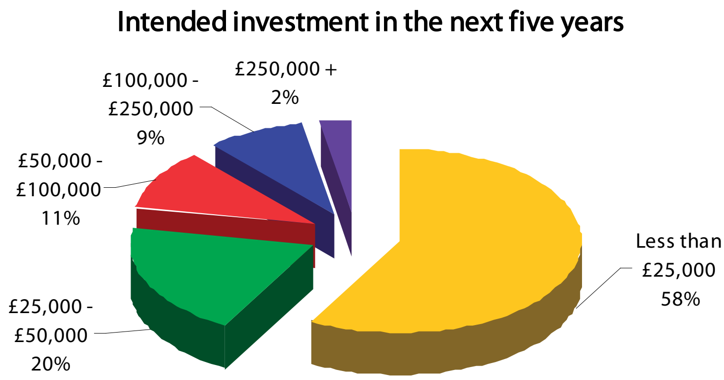
This year's survey highlights the continuing sensitivity of future milk production to milk price levels due to impact on individual farm profitability. Farmers were asked to respond to hypothetical milk pricing situations and the results of these questions and the associated predictions of milk production are unlikely to reflect reality. However, the sometimes extreme change in farmers stated intentions should be seen as an indicator of just how finely many dairy farm businesses are balanced in terms of both profitability and their intention and determination to continue producing milk in the foreseeable future.

The survey also suggests the trend in declining milk production could be limited if milk prices increase. For example; this year's survey shows that the percentage of farmers intending to increase milk production would rise from 18% to 29% if milk price rose by 2ppl within the next two years. This could see GB milk production at around 10.8 billion litres by 2010/11.

Section 5: Investment

Question: *"Realistically, how much do you think you will invest in your dairy unit in the next 5 years?"*

Result: Almost 60% of dairy farmers intend to invest less than £25,000 in their dairy business in the next 5 years.



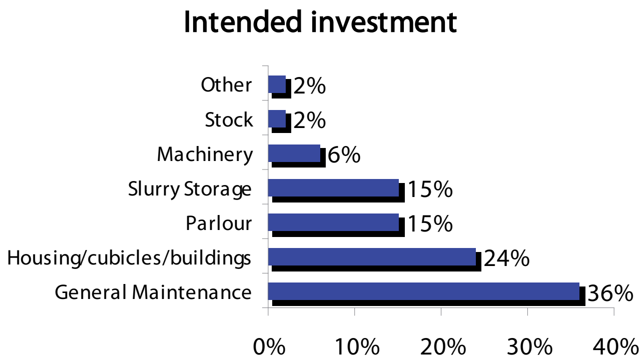
The majority (57%) of dairy farmers intend to invest less than £25,000 in their dairy business over the next five years. This means 43% of farmers intend to invest over £25,000 within the next five years, a fall from last year's survey which showed 50% of dairy farmers intended to invest over £25,000. This year on year change again illustrates the decline in confidence in the industry.

Of those farmers intending to invest over £25,000 only 6% intend to invest over £250,000 in the next five years, the majority of these are dairy units producing over 1.5 million litres a year.

Unsurprisingly younger farmers are more likely to invest more into their dairy business over the next five years than older farmers. 18% of farmers aged under 40 intend to invest over £100,000 in the next five years compared to just 8% of farmers over the age of 60. However, as mentioned previously, only a relatively small proportion of dairy farmers are under the age of 45. Therefore the majority of dairy units are still likely to receive extremely low levels of investment over the next five years.

Question: *"What will be the main areas of investment?"*

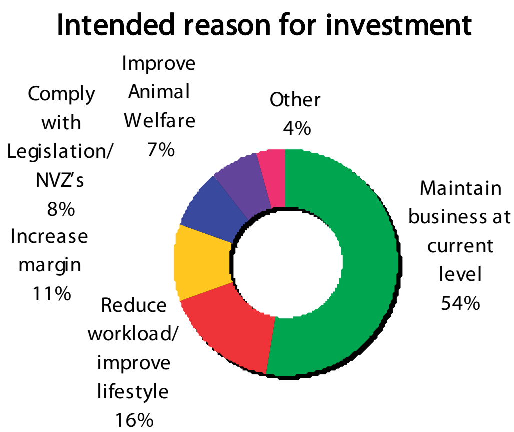
Result: The majority of farmers intend future investment to be in housing and general maintenance.



General maintenance is the most common area of planned investment for the next five years, with 36% of farmers stating it will be their main area of investment. The proportion of dairy farmers intending slurry storage to be their main area of investment has increased from 12% in the 2008 survey to 15% this year. The investment in slurry storage and general maintenance by more than 50% of respondents highlights the lack of investment into improving areas other than those associated with complying with NVZ legislation or to just keep the unit running. This could be seen as a disadvantage to the whole industry, as continued low levels of investment will reduce innovation and efficiency gains.

Question: *"What will be the main purpose of your investment?"*

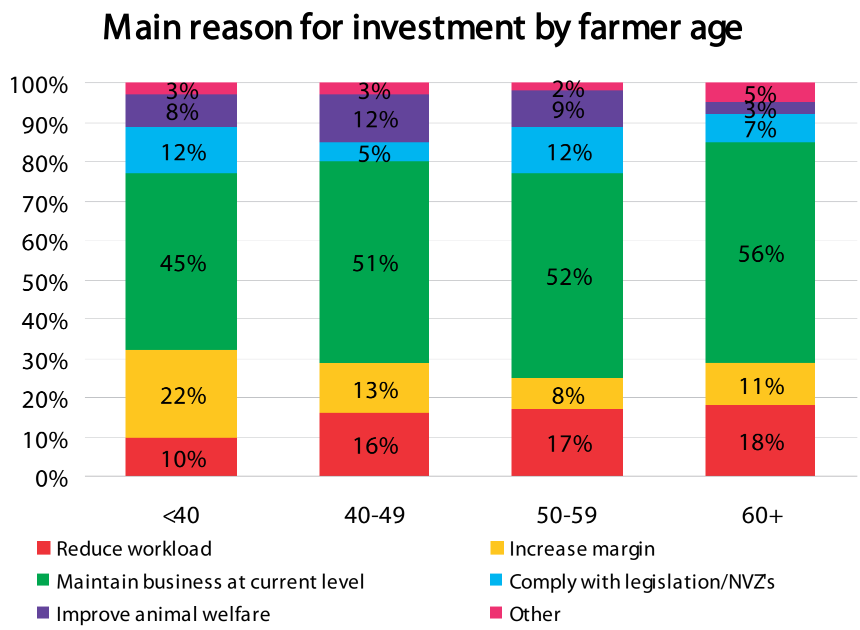
Result: The majority of farmers are investing to maintain their business at its current level.



Please note: Animal health and welfare is always a top priority for British dairy farmers. It most cases investment in other areas of a dairy unit also improves animal welfare e.g. maintaining buildings is likely to improve cow comfort but will not necessarily improve income, therefore the investment may be seen as 'maintaining the business at its current level' as opposed to improving animal welfare.

Of those dairy farmers intending to invest in their dairy business in the next five years, more than half are investing mainly to maintain their unit at its current level. 8% of dairy farmers are investing to comply with legislation/NVZ regulations. Only 11% of farmers' main reason for investment is to increase their margin, while 16% are investing to improve their lifestyle or reduce their workload. This is a significant change from last year's survey which showed 30% of dairy farmers investing to improve their lifestyle or reduce their workload.

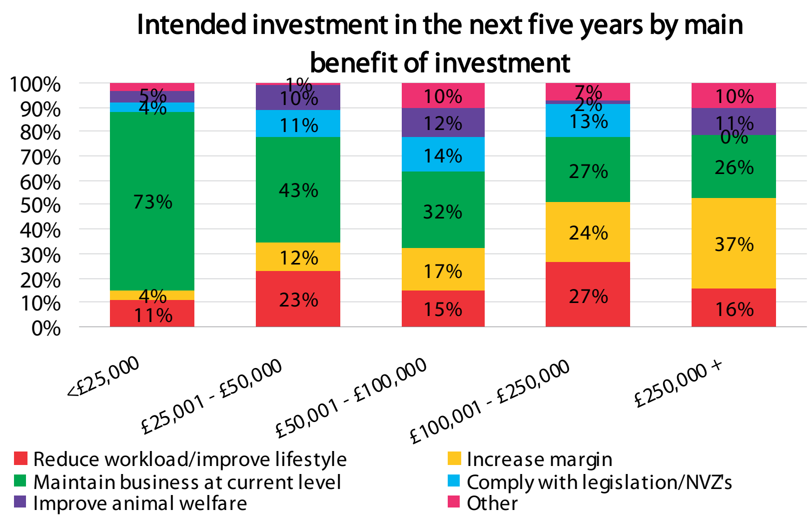
Farmers under the age of 40 are more likely to invest to increase their margin than any other age group, with 22% of farmers under the age of 40 investing to increase their margin, compared to just 8% of those aged 50-59. This suggests the youngest dairy farmers may be more orientated towards the profitability of their dairy business and therefore are more likely to make decisions based on the profitability of their unit. Those over the age of 60 are mainly investing to maintain their business at its current level, and 18% of those over the age of 60 are investing to reduce their workload.

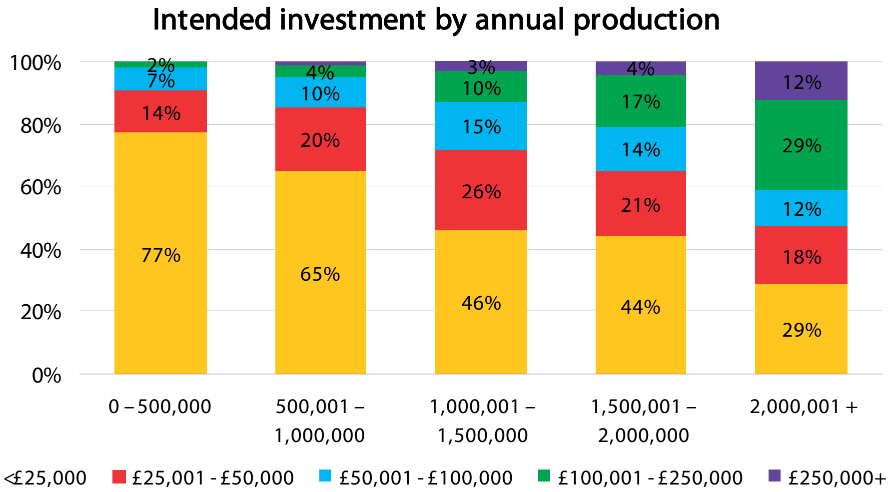


Please note: Animal health and welfare is always a top priority for British dairy farmers. It most cases investment in other areas of a dairy unit also improves animal welfare e.g. maintaining buildings is likely to improve cow comfort but will not necessarily improve income, therefore the investment may be seen as 'maintaining the business at its current level' as opposed to improving animal welfare.

Other characteristics of those investing:

Almost three quarters of those investing less than £25,000 in the next five years are investing just to maintain their business at its current level. Farms with an annual production of less than 500,000 litres are the most likely to invest below £25,000 within the next five years. Tenant farmers are more likely to invest in their dairy unit, with 48% of tenant farmers planning on investing over £25,000 in the next five years compared to just 40% of owner occupiers. Mixed farms are less likely to invest heavily in their dairy business with 66% intending to invest less than £25,000 in the next five years compared to 55% of farms that are mainly dairy.





Please note: Animal health and welfare is always a top priority for British dairy farmers. It most cases investment in other areas of a dairy unit also improves animal welfare e.g. maintaining buildings is likely to improve cow comfort but will not necessarily improve income, therefore the investment may be seen as 'maintaining the business at its current level' as opposed to improving animal welfare.

How could this affect British milk production?

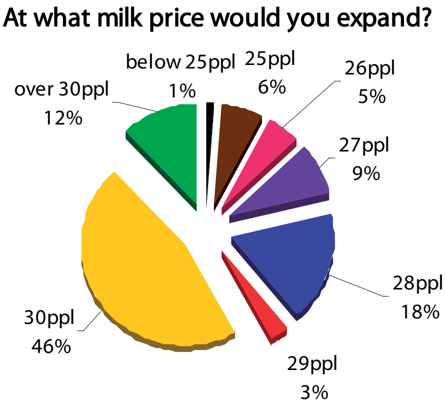
The percentage of farmers planning to invest less than £25,000 in their dairy unit in the next five years has risen from 50% in last year's survey to 58% this year. This low level of investment not only highlights the falling confidence in the industry, but will also have an impact on the long-term profitability of the unit and national milk production.

If a dairy unit continually fails to make sufficient profit margins to allow for regular investment, then at some stage the unit it going to require a significant amount of capital investment in order to continue producing milk. If this cannot be met it is likely that a farmer will have little choice but to cease milk production. How many dairy farmers will face this situation, and ultimately what affect this has on national milk production, will depend on the level of farmgate milk prices in the future.

Section 6: Could milk production increase?

Question: *"At what milk price would you expand milk production?"*

Result: Over half of all dairy farmers would increase milk production if they were receiving 30ppl or more.



The survey reveals that the majority of dairy farmers would be unlikely to expand milk production unless they were receiving 30ppl or above. As previously highlighted in this report, milk production is predicted to fall by a further 4.9% due to the lack of dairy farmers intending to increase milk production. This is supported by the fact that despite an average GB farmgate price of 26.43ppl in 2008 only 24% of farmers increased production.

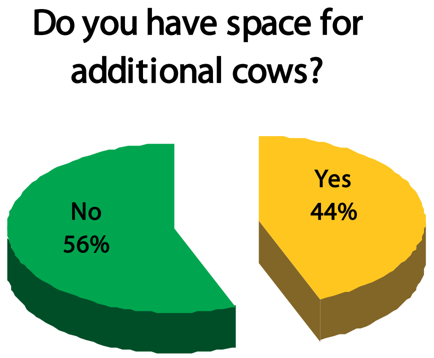
These results suggest that one way of stemming the decline in milk production would be by improving farmgate price; however this would need to be undertaken in conjunction with improvements in communications and relationships between farmer and milk buyer, including, for some, improving milk supply contracts in order to improve confidence.

Currently, however, milk prices are falling with the average GB price falling 1.07ppl between January and February. The falling Actual Milk Price Equivalent (AMPE) also suggests that milk prices could continue downward as historically farmgate prices have tracked changes in AMPE with a lag of several months. Falling commodity prices have seen AMPE - the indicative measure of returns from processing raw milk into butter and SMP - fall to 19.6ppl for February and March and by a further 0.5ppl to 19.1ppl in April. In February AMPE was over 6ppl below the average GB farmgate price of 25.77ppl, suggesting farmgate prices could fall further.

Despite GB milk production falling, which has provided some protection from the volatility of the commodity markets, the domestic industry is not totally immune. The majority of milk in Britain is processed into liquid milk. As consumers demand milk with, on average, a lower fat content than ex-farm milk, much of the excess cream must be exported to Continental Europe and faces competition from other butter fat products. Furthermore, with many countries increasing milk production due to the high commodity prices seen during 2007 and into 2008 considerable stocks of dairy products have been built up on the world market which is putting downward pressure on prices and as a result some GB markets are being undercut by cheap imports from abroad. Although there are now some signs of global commodity market recovery, which could see AMPE increase again, there still remains considerable stocks of product that will need to be cleared before prices are likely to significantly increase.

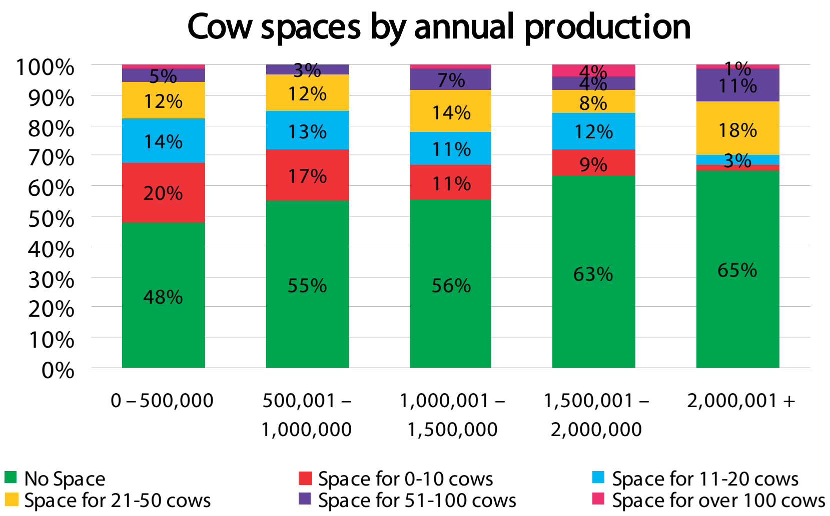
Question: *"Do you have room for additional dairy cows?"*

Result: 44% of dairy farms have space for additional cows.



44% of dairy farmers have additional space for cows on their farm. This suggests that there is potential for GB milk production to increase by filling the available cow spaces. Therefore, the current fall in milk production could be slowed or potentially reversed if farmers have sufficient incentive to fill these spaces.

Of those that have room to increase cow numbers 43% have room for over 20 additional cows, while only 13% have room for more than 50 cows. Farmers with higher annual milk production tend to have more cow spaces, with 30% of those producing over 2 million litres per annum having space for over 20 cows compared to 17% of those producing up to 1 million litres per annum. However, the percentage of units with no space was also the highest on farms that produce over 2 million litres per annum, with 65% of those producing over 2 million litres already operating at full capacity.



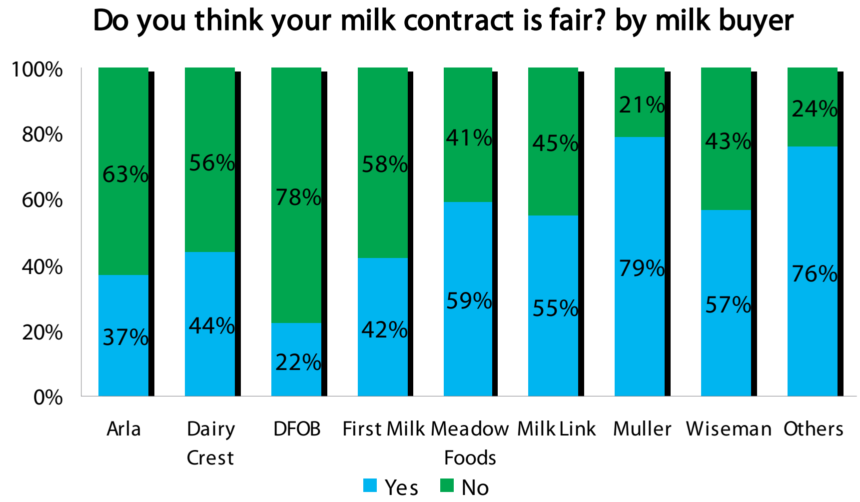
How could this affect British milk production?

It is estimated that if all the spare cow spaces in Britain were populated there is the potential for GB milk production to increase by 5.4% from its current level of 11.0 billion litres to around 11.6 billion litres, a potential increase of just below 600 million litres. However, this not only relies on the cows being available but that farmers have the confidence, the ability and incentive to fill these spaces. It also needs to be financially worthwhile for individual farms to fill the available spaces and as highlighted above the majority of British dairy farmers will only increase milk production at a relatively high milk price.

Section 7: Contracts

Question: *'Do you think your milk contract is fair?'*

Result: Around 50% of dairy farmers think their contract is unfair. However, this varies depending on milk buyer.



Some sample sizes are small, please see appendix 5, table 1

This year's Farmer Intentions Survey highlights differences in the perceived fairness of contracts between milk buyers

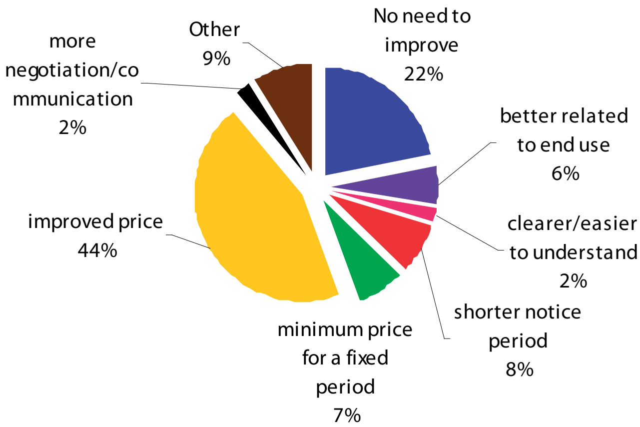
The main criticism made about the fairness of contracts between farmers and milk buyers is that milk price changes are often announced with little notice or consultation, with some buyers having been known to backdate reductions; this makes budgeting and planning for many farmers extremely difficult.

Furthermore, in contrast to the short length of notice required for milk price changes, farmers often have to give 12 to 18 months notice of changing suppliers with some buyers withholding bonuses while farmers are on notice, reducing both the ease and attractiveness of switching milk buyers. This year's survey highlights a relatively low level of movement between milk buyers, with only 45% of respondents changing milk buyer in the last 10 years with the majority of those (62%) having only switched milk buyer once in the last ten years. Only 4% of those farmers that have changed milk buyer in the last ten years have switched more than three times.

Question: *'How would you like to see your milk contract improved?'*

Result: 8% of farmers believe their contract could be improved by having a shorter notice period, while 44% see the best way their contract could be improved is through an improved price.

How can your milk contract be improved?



Note: this question was asked to all survey respondents whether they had responded yes or no to whether they thought their contract was fair.

Almost 80% of farmers surveyed identified a way for their milk contracts to be improved. The survey reveals that milk price has a big influence on farmers' views on contracts, with 44% of respondents stating that their contract could be improved by improving the price they receive. Other areas of improvement identified include having a shorter notice period and have a minimum price for a fixed period as well as improved communication and negotiation and making contracts easier to understand.

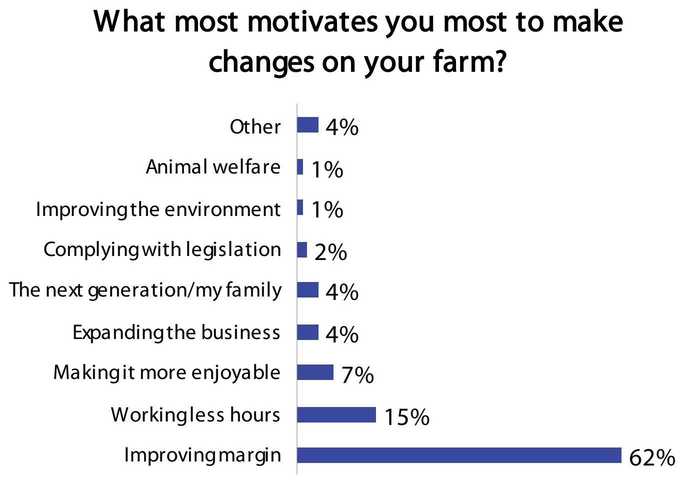
How could this affect British milk production?

Dairy farmers who think their milk contracts are unfair are more likely to leave the industry, inevitably reducing national milk production. Of the British farmers intending to leave the industry within the next two years almost 70% believe their milk contract is unfair. It may therefore be possible to reduce the number of dairy farmers intending to leave the industry by improving contracts between farmers and milk buyers.

Section 8: Motivation

Question: *"What most motivates you to make changes on your farm?"*

Result: Improving their margin is what most motivates farmers to make changes on their farm.



Please note: Animal health and welfare is always a top priority for British dairy farmers. It most cases investment in other areas of a dairy unit also improves animal welfare e.g. maintaining buildings is likely to improve cow comfort but will not necessarily improve income, therefore the investment may be seen as 'maintaining the business at its current level' as opposed to improving animal welfare.

The majority of farmers (62%) are mainly motivated to make changes on their farm to increase their margin. A further 15% are motivated to make changes that will enable them to reduce their working hours. A small percentage (2%) of farmers are most motivated to make changes in order to comply with legislation, while 4% are motivated to make changes to improve the farm for the next generation. Other reasons for changing include making the job more enjoyable and expanding the business.

How could this affect British milk production?

More than half of all farmers questioned stated that their main motivation to make changes on their farm was to improve their margin. However, only 11% of those investing are doing so to improve their margin. This suggests that farmers are attempting to make changes on-farm to improve their margin without having to invest a significant amount.

Section 9: Labour

Question: *"How many people work on your dairy unit?"*

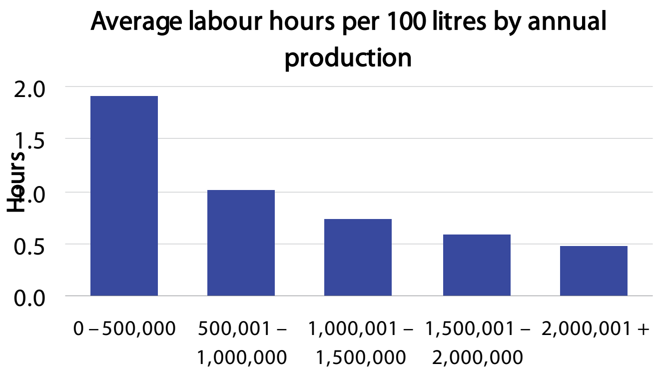
Result: The average level of labour, in hours per cow per week, on a farm producing up to 500,000 litres per annum is more than double that of a farm producing over 2 million litres.

Labour Hours[8]	Annual Milk Production (litres)					GB Weighted Average
	0 – 500,000	500,001 – 1,000,000	1,000,001 – 1,500,000	1,500,001 – 2,000,000	2,000,001 +	
Average labour hours per week per dairy unit	138	145	174	193	274	156
Average labour hours per cow per week	2.3	1.4	1.1	0.9	0.8	1.6
Average labour hours per 100 litres of milk	1.9	1.0	0.7	0.6	0.5	1.3

Data obtained from this year's survey shows that 2.3 labour hours are worked every week for each cow on a farm producing up to 500,000 litres per annum, compared to 0.8 hours per cow per week for a 2 million+ litre producer. The weighted average shows that across all dairy units the average labour hours per cow per week stands at 1.6 hours.

The majority of farms producing up to 500,000 litres a year have between one and two full time people working on their dairy unit, whereas those producing over 2 million litres of milk per annum tend to have at least three full time people working on their dairy unit. Combine this with part time and relief workers and on average a farm producing up to 500,000 litres per annum will use 138 hours of labour per week, whereas those producing over 2 million litres per annum use on average 274 hours of labour per week.

When looking at this in the context of labour per litre of milk, on average a farmer producing over 2 million litres per annum will see less than 1/3 of a minute of labour spent on each litre of milk production, compared to just over a minute for those producing up to 500,000 litres per annum.



10: NVZ's

Question: *"How will the proposed NVZ regulations affect your dairy business?"*

Result: 39% of dairy farmers are expecting to be affected by NVZ regulations.
2% intend to leave the industry as a result of NVZ regulations – this is in addition to those already intending to leave the industry over the next two years.

In this year's survey 39% of dairy farmers believe they will be affected by the NVZ regulations. However, despite NVZ regulations already now in force 14% of dairy farmers surveyed were still unsure of what they will need to do to comply and a further 9% do not know how the NVZ regulations will affect their business.

In comparison to last year's survey the percentage of farmers who will have to invest to comply with NVZ regulations has risen from 19% to 23%, perhaps indicating an increased awareness of what needs to be done on-farm in order to comply. Of the 23% of farmers who will have to invest to comply, half are intending to invest up to £40,000 to comply, while 28% believe they will invest between £40,000 and £80,000 and almost 1 in 5 will have to invest over £80,000 to comply. Almost half of all dairy farmers who are investing in order to comply stated that their main investment on farm over the next five years would be in slurry storage. This suggests that for those that need to comply, investment in other areas of their dairy business could be limited in the next five years which may negatively impact on milk production.

How will this affect British milk production?

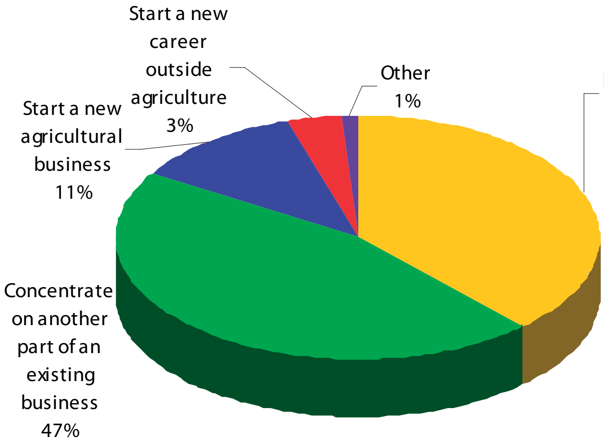
2% of dairy farmers surveyed are planning to leave the industry due to the NVZ regulations, this is in addition to those already stating that they intend to leave the industry within the next two years. Future milk production may also be affected by those having to invest to comply with the legislation, however, for some, despite incurring a cost compliance, the regulation may bring benefits such as more effective use of slurry and farm yard manure.

Section 11: Leavers

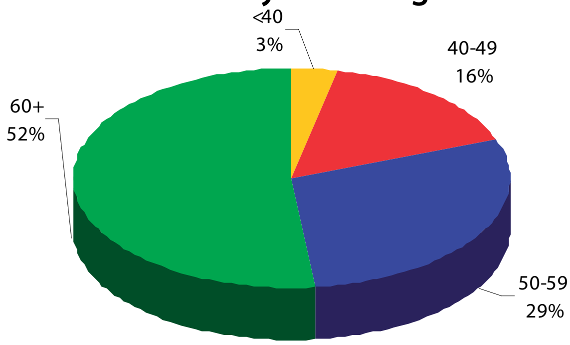
Question: *"If you intend to leave the industry within the next two years, what do you intend to do?"*

Result: 38% of those leaving will retire and 46% will concentrate on another part of an existing business.

Leaving the dairy industry to ...



Leavers by farmer age



Of those dairy farmers intending to leave the industry within the next two years, 38% are intending to retire. This is a small increase on last year which saw 35% intending to retire. Those intending to retire are mainly dairy only businesses. In this category 44% of those leaving the industry in the next two years are intending to retire, compared to 21% of farmers on mixed farms who intend to leave the dairy industry. There has also been a change in the percentage of farmers intending to start a new agricultural business - in last year's survey just 4% of those leaving intended to start a new agricultural business, this has grown to 12% this year.

Almost half (46%) of those leaving the dairy industry are doing so to concentrate on another part of an existing business. This is unsurprisingly more pronounced on mixed farms, with 71% of leavers from mixed farms concentrating on another part of an existing business, compared to just 37% of dairy only farms.

Looking at those leaving the industry shows 45% are between the age of 40 and 59, while just 3% are under the age of 40. This leaves over 50% over the age of 60. With only 38% retiring this suggests that a significant number of those over the age of 60 are either concentrating on another part of their existing business or starting a new agricultural business. It is difficult to tell whether those over 60 who are not retiring are doing so out of choice or whether their dairy business has not been profitable enough in past years for them to retire.

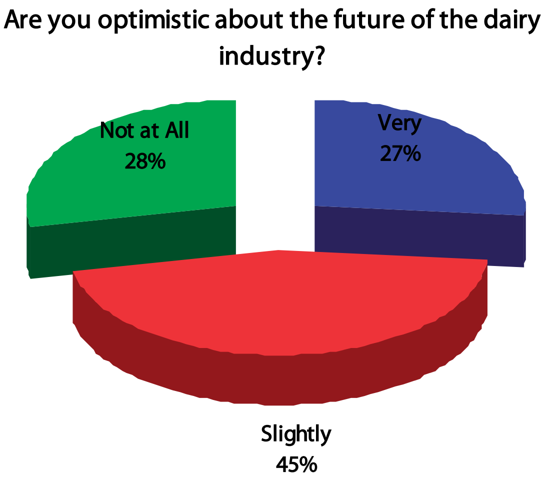
How will this affect British milk production?

14% - around 1,904 dairy farmers are intending to leave the dairy industry in the next two years. This is likely to have a negative impact on milk production (as identified in section 2) as there are not enough dairy farmers planning to increase milk production to cover the loss in litres from those leaving the industry.

Section 12: The long term and farmer confidence

Question: *"Are you optimistic about the future of the dairy industry?"*

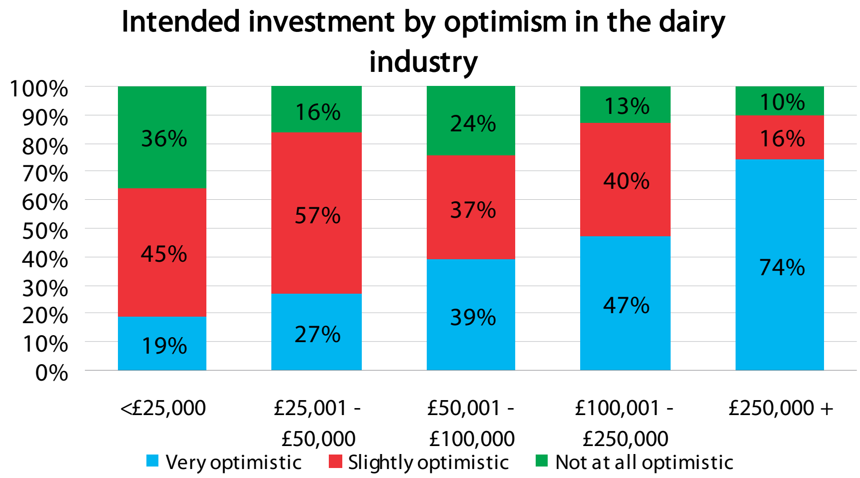
Result: The majority of dairy farmers are at least slightly optimistic about the future of the dairy industry.



The majority of dairy farmers are at least slightly optimistic about the future of the dairy industry. There is a strong correlation between the intended level of investment in a farmer's dairy business and his/her optimism in the industry. As shown in the graph overleaf, those farmers who are very optimistic about the industry intend to invest more in their dairy units, while those who are not at all optimistic about the future of the industry are less likely to invest.

Only 19% of those investing under £25,000 in their dairy business in the next five years are very optimistic about the future of the industry, compared to 74% of those intending to invest over £250,000. On the other hand, only 10% of those investing over £250,000 are not at all optimistic about the future of the industry compared to 36% who intend to invest less than £25,000 in the next five years.

This confirms that farmer confidence is related to level of investment within the dairy industry, which is key to the survival of the industry. Therefore, there is a need for the rest of the supply chain to work to help improve farmer confidence if they want to continue to be provided with good quality, fresh, British milk.

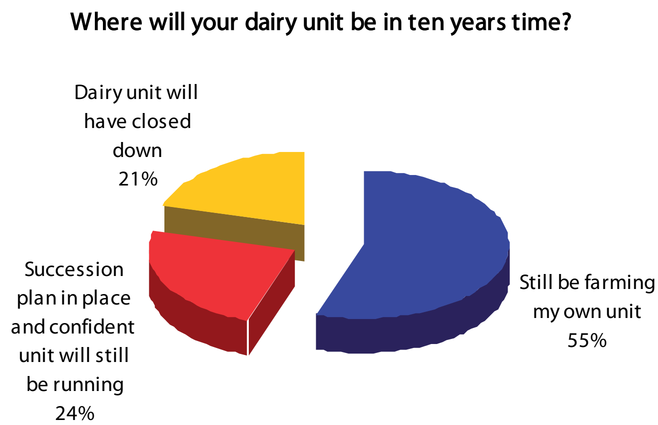


Dairy farmers producing under a million litres per annum are less optimistic about the future of the dairy industry than those producing over 1 million litres per annum. A third of those producing under 1 million litres are not at all optimistic about the future of the dairy industry compared with 22% of those producing over 1 million litres. This may be linked to milk contracts which often have reduced premiums/penalties for smaller producers, as well as economies of scale with larger producers having more litres over which to spread their fixed costs.

Producers under the age of 40 are more optimistic about the future of the industry compared with those over the age of 40. While 29% of dairy only farms are very optimistic about the future of the industry compared with just 20% of mixed farms. Owner occupiers are slightly less optimistic about the future of the industry than tenants, with 29% of owner occupiers not at all optimistic about the future of the dairy industry compared to 25% of tenants.

Question: *"What do you think will happen to your dairy unit in 10 years time?"*

Result: 79% of dairy units will still be operating in 10 years time.

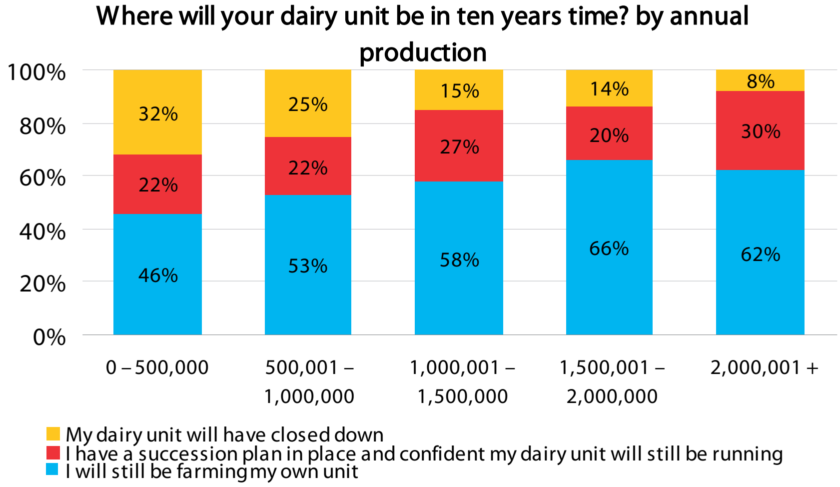


Almost 80% of dairy farmers believe that in ten years time their dairy unit will still be in operation, whether that is due to a succession plan or whether they continue to run the unit themselves. This is a positive message for the industry in the long-term with only 21% of units intending to have closed in the next 10 years, compared to almost 50% of units having closed in the last ten years. This result is also backed up by an increasing trend of British dairy farmers intending to maintain their current production levels over the next two years (as identified in section 2). While in the short term this trend could lead to a slowdown in the rate of decline of milk production, with 70% of farmers over the age of 50 intending to maintain current production levels, it is a possibility that, unless sufficient successors or new entrants to the industry are available, we could see milk production decline sharply when these farmers reach retirement age.

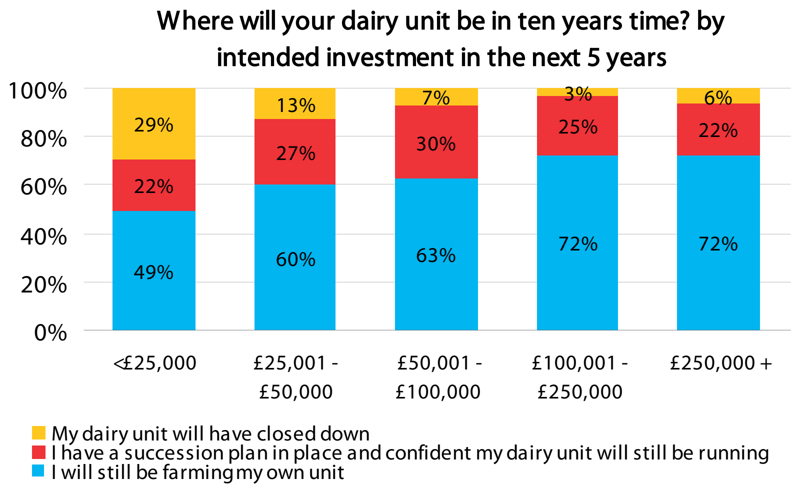
This year's survey suggests that in ten years time 24% of dairy units are due to be running having implemented a succession plan and 55% are expected to still be run by the current farmer. This shows a marked change from last year's survey, when 39% of farmers believed their unit would be running due to a succession plan being implemented and only 36% would still be running their unit.

This suggests that the decline in optimism and confidence in the industry may also be impacting on the number of successors that are likely to be taking over dairy units. With farmgate prices falling the dairy industry is now a less attractive career for younger people and this will have an impact on future milk production and, potentially, innovation within the industry.

Of those with succession plans, over 40% expect their successor to take over within the next four years, while less than 20% will take over in 8-10 years time. Not surprisingly those farmers aged 60 and over are most likely to have implemented a succession plan, with 46% of them having a succession plan in place, compared to just 14% of 50-59 year olds and only 2% of those under the age of 40.



Units with lower annual production are the most likely to be closed in ten years. 32% of all farms producing up to 500,000 litres per annum are expected to be closed within the next ten years, compared to an average of just 13% of those producing over 1 million litres. This continues to suggest that the larger farms are generally more economically viable.



The more a dairy farmer intends to invest over the next five years the more likely the unit will still be running in ten years time. Almost three quarters of farmers investing over £100,000 in their dairy unit in the next five years will still be running their own unit in ten years time, with only 4% of units expected to be closed. However, of those who intend to invest less than £25,000 in their dairy unit in the next five years 29% believe their unit will have closed down. Unsurprisingly, this highlights the correlation between investment and the long term survival of the dairy industry.

How will this affect British milk production?

This section highlights the correlation between the level of optimism in the dairy industry and intended levels of investment, with those farmers more optimistic about the future of the industry more likely to invest more in their dairy unit. The section also highlights the link between investment levels and long-term survival of dairy units, with the dairy units most likely to still be running in ten years time being those with higher levels of investment.

Therefore if farmer confidence is increased, then investment at the bottom of the supply chain is likely to increase, which, in turn, will result in fewer dairy units closing down and improving the long-term outlook for the dairy industry.

Footnotes

[1] The question asked in the 2009 survey was slightly different to that asked in the years 2004-2007. The survey in 2008 and 2009 has removed the undecided option and replaced it with the option to decrease production.

[2] Figures weighted to be representative of all dairy producers in the UK.

[3] Based on 17,060 milk producers in the UK for June 2008 – Source: DHI, SEERAD and DARDNI.

[4] Missing percentages relate to those farmers who were undecided about their intentions (surveys 2004-2007) or intended to decrease production (surveys 2008 + 2009).

[5] Figures weighted to be representative of all dairy producers in GB.

[6] Based on 13,603 milk producers in GB for June 2008 – Source: DHI, SEERAD and DARDNI.

[7] This is based on non-butterfat adjusted levels of milk production.

[8] Based on the number of full time workers (hours of 55 per week), part time workers (20.6 hours per week) and less than part time workers (12 hours per week).

[9] This is the average farmgate milk price paid to British farmers in January based on calculations from Defra figures.

Please note: Due to rounding, there there may be instances where individual figures differ slightly from the total given.

Appendix 1 – Future producers

Table 1

GB farmer intentions by annual production		0 – 500,000	500,001 – 1,000,000	1,000,001 – 1,500,000	1,500,001 – 2,000,000	2,000,001 +
Leave the industry within two years	Respondents	30	33	12	5	0
	%	21%	12%	7%	6%	0%
Maintain current level of production	Respondents	94	197	119	60	42
	%	64%	69%	68%	71%	64%
Increase production within two years	Respondents	21	50	44	18	20
	%	14%	18%	25%	21%	30%
Decrease production within two years	Respondents	1	4	0	2	4
	%	1%	1%	0%	2%	6%

Table 2

Farmer Intentions for the next two years by milk buyer		Leave the industry within 2 years	Maintain current level of production	Increase production within 2 years	Decrease production within 2 years
Arla	Respondents	10	67	13	0
	%	11%	75%	14%	0%
Dairy Crest	Respondents	11	59	22	4
	%	11%	62%	23%	4%
DFOB	Respondents	14	84	18	1
	%	12%	72%	15%	1%
First Milk	Respondents	19	90	31	2
	%	13%	63%	22%	2%
Meadow Foods	Respondents	3	26	3	0
	%	9%	82%	9%	0%
Milk Link	Respondents	9	62	22	2
	%	10%	65%	23%	2%
Muller	Respondents	1	10	2	1
	%	7%	72%	14%	7%
Wiseman	Respondents	6	38	7	0
	%	12%	74%	14%	0%
Others	Respondents	16	108	36	2
	%	10%	67%	22%	1%

Table 3

GB farmer intentions by farmer age		<40	40-49	50-59	60 +
Leave the industry within two years	Respondents	3	14	26	46
	%	4%	9%	11%	14%
Maintain current level of production	Respondents	47	91	167	239
	%	66%	61%	70%	71%
Increase production within two years	Respondents	21	41	43	49
	%	30%	27%	18%	14%
Decrease production within two years	Respondents	0	4	4	4
	%	0%	3%	1%	1%

Table 4

GB farmer intentions by tenure		Tenant	Owner Occupier
Leave the industry within two years	Respondents	20	66
	%	15%	10%
Maintain current level of production	Respondents	85	445
	%	62%	70%
Increase production within two years	Respondents	31	115
	%	22%	18%
Decrease production within two years	Respondents	2	10
	%	1%	2%

Table 5

GB farmer intentions by farm type		Dairy	Mixed
Leave the industry within two years	Respondents	63	26
	%	11%	12%
Maintain current level of production	Respondents	400	147
	%	68%	69%
Increase production within two years	Respondents	118	36
	%	20%	17%
Decrease production within two years	Respondents	9	3
	%	1%	2%

Appendix 2 – Reactions to milk price changes

Table 1

Did the increase in milk price in 2008 encourage you to change your level of milk production?	%	Respondents
Yes	24%	169
No	76%	548

Table 2

Those that increased milk production in 2008 by milk buyer	Farmers increased in 2008	Total GB farmers in survey	%
Arla	20	90	22%
Dairy Crest	22	96	23%
DFOB	15	117	13%
First Milk	24	142	17%
Meadow Foods	5	32	16%
Milk Link	27	95	28%
Muller	1	14	7%
Wiseman	16	51	31%
Other	39	165	24%

Table 3

Did your actual expansion meet your expectations?	%	Respondents
Yes	87%	148
No - due to weather	5%	8
No - due to feed costs	1%	2
No - due to forage supply/quality	1%	2
No - due to cow prices	1%	1
No - due to other	5%	8

Appendix 3 - Investment

Table 1

Realistically, how much do you think you will invest in your dairy unit in the next five years?	%	Respondents
Less than £25,000	58%	416
£25,000 - £50,000	20%	141
£50,000 - £100,000	11%	78
£100,000 - £250,000	9%	62
£250,000 +	2%	19

Table 2

What will your main investment be in?	%	Respondents
General Maintenance	36%	202
Housing/cubicles/buildings	24%	134
Parlour	15%	87
Slurry Storage	15%	83
Machinery	6%	32
Stock	2%	10
Other	2%	10

Table 3

What will be the main benefit of your investment?	%	Respondents
Maintain business at current level	53%	295
Reduce workload/improve lifestyle	17%	92
Increase margin	11%	63
Comply with Legislation/NVZ's	8%	46
Improve Animal Welfare	7%	39
Other	4%	23

Table 4

What will be the main benefit of your investment? By farmer age		Reduce Workload	Increase Margin	Maintain Business at Current Level	Comply with Legislation/ NVZ's	Improve Animal Welfare	Other
<40	Respondents	5	11	23	6	4	2
	%	10%	22%	45%	12%	8%	3%
40-49	Respondents	17	14	56	5	13	4
	%	16%	13%	51%	5%	12%	3%
50-59	Respondents	29	13	88	20	15	5
	%	17%	8%	52%	12%	9%	2%
60+	Respondents	41	25	127	15	7	12
	%	18%	11%	56%	7%	3%	5%

Table 5

Intended investment in the next five years by main reason for investment		<£25,000	£25,001 - £50,000	£50,001 - £100,000	£100,001 - £250,000	£250,000 +
Reduce Workload/Improve Lifestyle	Respondents	28	32	12	17	3
	%	11%	23%	15%	27%	16%
Increase Margin	Respondents	11	17	13	15	7
	%	4%	12%	17%	24%	37%
Maintain Business at Current Level	Respondents	187	61	25	17	5
	%	73%	43%	32%	27%	26%
Comply with Legislation/ NVZ's	Respondents	11	16	11	8	0
	%	4%	11%	14%	13%	0%
Improve Animal Welfare	Respondents	13	14	9	1	2
	%	5%	10%	12%	2%	11%
Other	Respondents	8	1	8	4	2
	%	3%	1%	10%	7%	10%

Table 6

Intended Investment in the next five years by annual production		0 – 500,000	500,001 – 1,000,000	1,000,001 – 1,500,000	1,500,001 – 2,000,000	2,000,001 +
<£25,000	Respondents	90	165	75	35	19
	%	77%	65%	46%	44%	29%
£25,001 - £50,000	Respondents	17	50	43	17	12
	%	14%	20%	26%	21%	18%
£50,001 - £100,000	Respondents	8	25	25	11	8
	%	7%	10%	15%	14%	12%
£100,001 - £250,000	Respondents	2	9	17	14	19
	%	2%	4%	10%	17%	29%
£250,000+	Respondents	0	3	4	3	8
	%	0%	1%	3%	4%	12%

Appendix 4 – Could milk production increase?

Table 1

At what price would you expand milk production?	%	Respondents
below 25ppl	1%	7
25ppl	6%	31
26ppl	5%	24
27ppl	9%	42
28ppl	18%	87
29ppl	3%	14
30ppl	46%	226
over 30ppl	12%	59

Table 2

How many dairy cows do you have room for?/Do you have room for any more cows?	%	Respondents
Yes	44%	353
No	56%	449

Table 3

Number of dairy cow spaces by annual production		0 – 500,000	500,001 – 1,000,000	1,000,001 – 1,500,000	1,500,001 – 2,000,000	2,000,001 +
No Space	Respondents	70	157	98	54	43
	%	48%	55%	56%	63%	65%
Space for 0-10 cows	Respondents	29	47	19	8	1
	%	20%	17%	11%	9%	2%
Space for 11-20 cows	Respondents	20	36	20	10	2
	%	14%	13%	11%	12%	3%
Space for 21-50 cows	Respondents	18	35	25	7	12
	%	12%	12%	14%	8%	18%
Space for 51-100 cows	Respondents	8	8	12	3	7
	%	5%	3%	7%	4%	11%
Space for over 100 cows	Respondents	1	1	1	3	1
	%	1%	0%	1%	4%	1%

Appendix 5 – Contracts

Table 1

Do you think your milk contract is fair? By milk buyer		Yes	No
Arla	Respondents	33	57
	%	37%	63%
Dairy Crest	Respondents	42	54
	%	44%	56%
DFOB	Respondents	26	91
	%	22%	78%
First Milk	Respondents	60	82
	%	42%	58%
Meadow Foods	Respondents	19	13
	%	59%	41%
Milk Link	Respondents	52	43
	%	55%	45%
Muller	Respondents	11	3
	%	79%	21%
Wiseman	Respondents	29	22
	%	57%	43%
Others	Respondents	125	40
	%	76%	24%

Table 2

How would you like to see your milk contract improved?		
	%	Respondents
No need to improve	22%	214
better related to end use	6%	54
clearer/easier to understand	2%	20
shorter notice period	8%	74
minimum price for a fixed period	7%	70
improved price	44%	432
more negotiation/communication	2%	21
Other	9%	86

Appendix 6 – Motivation

Table 1

What most motivates you to make changes on your farm?	%	Respondents
Improving margin	62%	440
Working less hours	15%	106
Making it more enjoyable	7%	52
Expanding the business	4%	26
The next generation/my family	4%	29
Complying with legislation	2%	17
Improving the environment	1%	5
Animal welfare	1%	7
Other	4%	33

Appendix 7 – NVZ's

Table 1

How will the NVZ regulation affect your dairy business?	%	Respondents
I will quit dairying	2%	18
They won't affect my business	52%	373
They will affect my business, but am not sure what I'll do	14%	99
I don't know	9%	62
They will affect my business and I will have to invest to comply	23%	163

Appendix 8 - Leavers

Table 1

If you intend to leave the dairy industry within the next two years, what do you intend to do?	%	Respondents
Retire	38%	33
Concentrate on another part of an existing business	46%	40
Start a new agricultural business	12%	10
Start a new career outside agriculture	3%	3
Other	1%	1

Table 2

Those intending to leave dairy farming by farmer age	%	Respondents
<40	3%	3
40-49	16%	14
50-59	29%	26
60+	52%	46

Appendix 9 – The long term and farmer confidence

Table 1

Are you optimistic about the future of the dairy industry?	%	Respondents
Very	27%	183
Slightly	45%	311
Not at All	28%	195

Table 2

Are you optimistic about the future of the dairy industry? by intended investment		<£25,000	£25,001 - £50,000	£50,001 - £100,000	£100,001 - £250,000	£250,000 +
Very Optimistic	Respondents	74	37	29	29	14
	%	19%	27%	39%	47%	74%
Slightly Optimistic	Respondents	177	79	27	25	3
	%	45%	57%	37%	40%	16%
Not at all Optimistic	Respondents	145	22	18	8	2
	%	36%	16%	24%	13%	10%

Table 3

What do you think will happen to your dairy unit in 10 years time?	%	Respondents
Still be farming my own unit	55%	348
Succession plan in place and confident unit will still be running	24%	152
Dairy unit will have closed down	21%	131

Table 4

What do you think will happen to your dairy unit in 10 years time? By annual production		0 – 500,000	500,001 – 1,000,000	1,000,001 – 1,500,000	1,500,001 – 2,000,000	2,000,001 +
I will still be farming my own unit	Respondents	50	118	82	49	37
	%	46%	53%	58%	66%	62%
I have a succession plan in place and confident my dairy unit will still be running	Respondents	24	48	38	15	18
	%	22%	22%	27%	20%	30%
My dairy unit will have closed down	Respondents	34	55	21	10	5
	%	32%	25%	15%	14%	8%

Table 5

What do you think will happen to your dairy unit in 10 years time? By intended investment in the next five years.		**<£25,000**	**£25,001 - £50,000**	**£50,001 - £100,000**	**£100,001 - £250,000**	**£250,000 +**
I will still be farming my own unit	Respondents	179	72	43	41	13
	%	49%	60%	63%	72%	72%
I have a succession plan in place and confident my dairy unit will still be running	Respondents	81	33	20	14	4
	%	22%	27%	30%	25%	22%
My dairy unit will have closed down	Respondents	108	15	5	2	1
	%	29%	13%	7%	3%	6%

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