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Better into butter?

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The dairy market is currently seeing a surprising development: Since the beginning of the year, farm-gate prices paid to dairy farmers have stagnated or are showing only very modest increases, and milk protein is difficult to sell, among other reasons because of the 350,000 tons of milk powder the EU put into storage during the dairy crisis that are now practically impossible to sell. On the contrary, milk fat components, used to make cream and mainly butter, have never been this expensive!

The price for bulk butter has just hit the 6-euro mark. The retail price for a pack of butter has almost doubled since last summer and processors and the press are already talking about a "butter bottleneck". One of the reasons is definitely the drop in milk supply resulting from farm closures and reduction programmes, together with lower milk fat content since the previous year itself. On the other hand, the demand for milk fat from consumers and the food industry is increasing as well. The negative image of fat as something that "piles on the pounds" and causes cardiovascular diseases - key word cholesterol - has now changed. It is now vegetable fats like palm oil that are under attack, both for health and environmental reasons.

This rehabilitation of the image of fat is very good news for dairy farmers. After all, dairies proclaimed for decades that "unhealthy" milk fats were difficult to sell and thus the price for milk fat content was continuously lowered - from 10 pfennigs per percent to just 2.2 cents today. Things were especially bad during the era of milk quotas because if fat content exceeded the individual farm quota, it would be deducted from the same but would not be paid its appropriate price. As a result, milk producers obviously tried to reduce the fat content in milk, through feed but also by breeding aimed at lower fat content. This contributed to the "triumph" of breeds and breeding lines with a strong focus of milk output, favouring breeds that produced more milk and a lower percentage of components, especially the black-and-white and red-and-white Holstein Friesian. Other breeds like German Red and Jersey, which had been bred for centuries because of the superior composition of their milk, suffered greatly as a result. Today, however, we are once again highlighting their advantages. In fact, the Dutch company "Holland Jersey" sells milk products made exclusively from Jersey cow milk and markets them for their good taste. An increasing number of direct clients are also learning to appreciate untreated milk with a natural, often higher fat content that they can by at milk vending machines, for example. Consumers are looking for specific quality and taste characteristics and are willing to pay more for them.

Now dairies must quickly pass on this customer willingness to pay higher prices to dairy farmers. On one hand, farm gate prices could definitely rise quicker against this backdrop of record butter prices. On the other, dairies could also increase fat prices once again, just like how they decreased them when fat was deemed bad. This would specifically promote the supply of milk with higher fat content. It would also be an incentive to increase fat content once again - through feed in the short-term and through other breeding practices and even other breeds in the long term. So dear dairy bosses: Feel free to pass positive prices effects on to producers as well!

Ottmar Ilchmann, AbL Germany

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