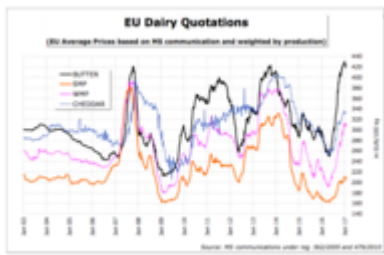


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Danish analysts see the development of farm-gate prices positively, but differently



The National Association of Danish Dairy Farmers (LDM) invited three market analysts to a recent Danish agricultural exhibition to give their view on the progress of on-account prices.

The first market analyst, who is known to be conservative but also very well-informed, expects a largely unchanged farm-gate milk price with little upward potential of up to € 0.37/litre. The envisaged price hike is mainly based on the increase in the market price of fat, while the protein price is still low. He sees no possibility for significant increases in prices to more than € 0.37/litre if the protein price does not rise. The market analyst is also worried that the protein price will not rise as long as the EU intervention stocks large amounts of milk powder. A sudden increase in exports to China is the only scenario that could cause a change in the current situation, he predicts. As an analyst, he prefers moderate price increases, which implies that any subsequent price decreases will be more moderate, too.

Another analyst sees good opportunities for major price increases to perhaps € 0.44. His argument is partly that he expects prices for feed concentrate raw materials to rise. In addition, he believes that a price of € 0.37 will not be sufficient to increase European production, which means milk deliveries will continue to fall as farmers cease milk production. Only at prices above € 0.37 will milk production will be sufficiently attractive and total production will increase. On this basis, he thinks that prices will continue to rise to a level of € 0.44. Seeing the debts incurred over the past year, he believes that prices of about € 0.44 will last for a long time, perhaps several years.

The third analyst on the panel at the agricultural exhibition analyses all price developments on the basis of time-dependent cycles (Kondratieff cycles). According to his calculations based on the development in the last 100 years, milk prices fluctuate with a 45-month cycle. Therefore, he predicts that the farm-gate price will further rise until late 2017, but the prices will decline again in 2018. He did not put exact figures on the expected price peak, but he considers a price of € 0.44 or maybe even € 0.46 attainable. However, he has no estimate of how severe the subsequent price drop will be, but he believes a decline to be unavoidable.

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[<<< back](#)