

Sainsbury's increase by 0.21ppl from Jul'20

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Following the latest review of its cost tracker Sainsbury's is to increase its SDDG (Sainsbury's Dairy Development Group) milk price for both Müller and Arla suppliers by 0.21ppl from Jul'20.

The increase follows the small 0.05ppl decrease from Apr'20 (taking the retailer's total decrease for 2020 back up to 0.03ppl) and our liquid standard litre—4%b/f & 3.3% prot. *Bactoscans of 30,000/ml & SCC's of 200,000/ml, with Thermoturics of 500/ml, 1mltrs/yr on EODC (max vehicle accessibility) based on level supply and therefore, before seasonality, monthly profile adjustments, balancing charges, capital deductions or annual / part annual growth incentive schemes or supplements not directly linked to dairy market price movement*—up from 30.70ppl to **30.91ppl** for our Müller Milk Group SDDG supplier.

Our Arla SDDG supplier receives the same level of increase taking their price up from 30.58ppl to **30.79ppl** after including the company's 0.12ppl haulage charge. These prices including an average bonus of 0.62ppl for Herd Health & Efficiency.

The price of 30.91ppl (Müller) for next month compares with 30.15ppl paid for July last year (+0.76ppl) and a premium of 1.55ppl over the 5yr July average of 29.36ppl.

Cost tracker highlights:

The tracker is adjusted each quarter according to changes in the prices for feed, fuel and fertiliser. The feed usage and other variable costs and overheads from the 2019/20 financial year to be updated from Oct'20.

Feed +0.33ppl (previous quarter -0.01ppl)

The cost tracker looks at the average of 5 feed costs over the 6mth period to Apr'20. Those 5 feeds being soya, rape, wheat, gluten and the average weighted compound price from the SDDG Feed Groups. Market prices for proteins were stable up to March when the Coronavirus hit and disrupted the market significantly. The SDDG feed group price has increased for the summer period as mid-range protein and fibres have increased in cost. The outlook for the next quarter indicates that although prices are remaining above winter levels, the spikes seen at the outset of the Coronavirus crises have now passed and some prices are decreasing due to weakening commodity markets.

Fuel -0.08ppl (previous quarter -0.01ppl)

The tracker looks at the average price of red diesel over the 3mth period to Apr'20. Prices in the recent 3mths have dropped significantly due to the impact on crude oil from the Coronavirus pandemic and competition between oil producing nations.

Fertiliser -0.04ppl (previous quarter -0.03ppl)

The cost tracker looks at the average price of ammonium nitrate fertiliser over the 12mth period to Apr'20. The price of fertiliser has been stable up until the crash in crude oil prices in Feb'20. The expectation is that prices are likely to reduce further when new season prices are released in June.

The combination of the higher feed cost and lower costs for fuel and fertiliser make up the 0.21ppl increase from Jun'20.