



Voluntary Report - public distribution

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## **United Kingdom**

### **Dairy**

# **UK's largest dairy farmer co-operative to break up 1999**

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#### **Report Highlights:**

**The UK's largest dairy farmer co-operative has been forced to break up to facilitate a move into further processing.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
London [UK1], UK

The widely expected breakup of Milk Marque, the UK's biggest supplier of raw milk, was announced on Friday, September 17, 1999. Pending the approval of the existing members, the organization will be voluntarily wound up next April and split into three independent competing companies. The move follows months of pressure and accusations that it had abused its dominant market position, culminating in a damning report produced for the UK Government. Prior to recent intervention by the UK Government, it had started to move into the further processing of milk. It is the wish to continue this move which has made the break up inevitable.

Milk Marque is a co-operative of around 18,000 farmers and markets some 7 billion liters of milk a year, just under half of the UK total. It replaced the statutory Milk Marketing Board in the early 1990s. Under the current system, dairy farmers in England and Wales have a choice to sell their milk to Milk Marque or direct to one of the dairy companies, such as Express Dairies, Unigate or Dairy Crest. Some farmers in more isolated areas have no choice but to sell to Milk Marque.

It is proposed that Milk Marque be split into three geographically separate companies. Given that some farmers will choose to sell their milk elsewhere it is likely that each company will end up with around an eighth of the market for raw milk, equivalent to about 1.8 billion liters and roughly 4,000 farmers. Milk Marque Development, the co-operative's existing processing arm, will be kept as separate company but could be put up for auction at a later date.

The move to split Milk Marque comes after the publication of the Monopolies and Mergers Commission's (MMC) report on the supply of raw cow's milk in Great Britain on 6 July, 1999. The government subsequently announced a shake-up of the milk supply industry to prevent major supplier Milk Marque from exploiting its monopoly over the market. MMC officials had called for the enforced breakup of the farmer co-operative but their demands were rejected by the Government. Instead, HMG imposed restrictions which severely limited Milk Marque's plans to expand into the dairy processing sector. This step has acted as the catalyst for the proposed split since the Milk Marque executive consider that moving into processing is a necessity. The division of Milk Marque into three smaller companies will mean that each can expand into the processing sector without attracting the attention of the MMC or the Government.

It is too early to say what immediate effect the end of Milk Marque will have on the value of raw milk in the UK but it is unlikely the reorganization will be funded through a price cut. More importantly the move by Milk Marque epitomizes the ongoing restructuring occurring in the UK dairy industry at all levels. Interestingly, Minister of Agriculture Nick Brown has welcomed the Milk Marque announcement for structural reform, saying "This is an important development for the whole of the milk industry. I welcome the fact that Milk Marque's leaders have, in making these proposals, responded positively and constructively to the Competition Commission's findings."