



## With A Pint of Water Now More Expensive than a Pint of Milk, What is the Future of the Dairy Industry?

The UK dairy market has been forced into an unstable position following unprecedented global volatility in the industry during 2014, with oversupply prompting milk prices to drastically decline. Whilst consumers are set to benefit, at least in the short term, the number of dairy farmers in the UK has halved in the last decade, with falling milk prices the main cause.

- There are fewer than 10,000 dairy farmers left in the UK, less than half those in 2002.
- Returns from globally traded products have more than halved in comparison to record levels 12 months prior, leading to a steep fall in milk prices around the world.<sup>1</sup>
- Farmers are now expecting to receive c20p per litre of milk down from c33p in January 2014.<sup>2</sup>
- Lower supermarket prices used to drive footfall for the highly sensitive consumer product have caused milk and dairy products to be c30% lower in price than 30 years ago.<sup>3</sup>

With the latest news of a major dairy cooperative forced to delay payments to c1,000 British farmers and a price war among

supermarkets, the sector may decline further, in the face of increasing working capital constraints within a challenged industry.

Questions regarding funding and access to capital have never been more critical with increased reliance on lenders anticipated in 2015. Lenders will need to be mindful of the challenges facing the industry, which includes affiliated products such as cheese and cream, and will need to work with their customers to re-assess cash flow forecasts to ensure debt serviceability and where applicable ensure ID Facility ceilings and covenants are not breached.

Our industry specialists are able to draw upon their in depth understanding of the sector and are experienced in operating in the most challenging environments so that we can assist you and your clients deliver effective business solutions.

### Key Contacts



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# Duff & Phelps Restructuring

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## Our Approach

Duff & Phelps is a global financial advisory and corporate finance firm which provides independent and solution driven advice to the business at all stages of the life cycle.

We take speedy ownership of a situation and have developed a proven track record for delivering successful outcomes even in the most challenging of circumstances.

With our range of complementary skills and services we are well placed to assist you and your clients to find workable solutions in these challenging circumstances.

## Our Team is Experienced in Assisting Corporates Under Financial Strain:

- Raising additional funding via our network of special situation funds and investors
- Cash flow monitoring
- Non-core disposal plans
- Independent business and viability reviews
- Contingency planning
- Strategic options analysis
- Stakeholders management and operational turnaround
- Corporate restructuring
- Negotiating Time to Pay agreements with HMRC

## Why Choose Us?

- Top 10 UK advisory practice with consistent success even in the most challenging situations
- We take speedy ownership of a situation and deliver effective solutions to improve business performance
- We strive to preserve value for all stakeholders
- We develop and maintain strong client relationships

1. Returns from globally traded products have more than halved in comparison to record levels 12 months prior, leading to a steep fall in milk prices around the world (*Foodmanufacturer.co.uk*, January 2015).

2. Farmers are now expecting to receive c20p per litre of milk down from c33p in January 2014 (*The Guardian*, January 2015).

3. Lower supermarket prices used to drive footfall for the highly sensitive consumer product have caused milk and dairy products to be c30% lower in price than 30 years ago (*The Guardian*, January 2015).

**For more information please visit:**

**[www.duffandphelps.co.uk](http://www.duffandphelps.co.uk)**

## About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, dispute consulting, M&A, restructuring, and compliance and regulatory consulting. The firm's more than 1,500 employees serve a diverse range of clients from offices around the world. For more information, visit [www.duffandphelps.com](http://www.duffandphelps.com).

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