

Arla Foods predicts milk price hike as global shortages loom, impacting Cravendale and other brands

Arla Foods, the company behind brands such as Cravendale, Skyr and B.O.B milk, has issued a warning that customers should brace for higher prices in the coming months due to a global milk shortage.

The firm stated it “anticipates that volatile market conditions driven by geopolitical tension and uncertainty” will persist, but expects the positive trend on consumer purchasing power from the first half of 2024 to continue throughout the year.

The dairy giant, which also owns the Lurpak brand, suggested this is likely to “translate into a continued upturn in demand for dairy”. However, it cautioned that “it is uncertain how consumers will react to the expected higher retail price levels following the commodity price increases”.

The company further highlighted that the level of uncertainty is “also underlined by a lesser volume of available milk on a global level”, as reported by [City AM](#).

Headquartered in Denmark with its UK head office [based in Leeds](#), Arla Foods reported that its performance price and revenue for the first half of 2024 was slightly lower than the same period in 2023. Despite this, it anticipates a “strong market momentum” to continue for the rest of the year.

Consequently, the company has revised its full-year expectations for revenue from €13.2bn-13.7bn to €13.4bn-13.9bn. Nevertheless, it still aims to deliver a

profit within the range of between 2.8 per cent and 3.2 per cent.

Arla Foods has revised its full-year forecast for strategic branded volume-driven revenue growth from 1-3% to 3-4%.

A ‘robust half-year’ for Arla Foods

Chief Executive Peder Tuborgh commented: “We are satisfied that the momentum created by our farmer owners and employees in 2023 has continued into 2024, and today Arla is able to announce a robust half year result with a competitive milk price that paves the way for enhanced sustainability efforts going forward.”

He added: “We are proud that Arla Foods is performing well in a volatile global market.”

Tuborgh also noted: “Customers around the world are demanding our products, we are ready to deliver, and we will continue to invest in the company’s future.”

In the UK, Arla Foods has “delivered a strong performance” within its branded portfolio, achieving total volume growth of 11% and an increase in branded revenue of 5.4%.

The group attributed this success primarily to its brands Lurpak, Arla Protein, and its foodservice brand, Arla Pro.

Particularly in foodservice, the company saw total volume growth exceed 13%, with branded revenue climbing by 5.6%, “driven by new business wins”.

Despite these positive figures, Arla Foods experienced a decline in total net revenue by 11% to £1.2bn compared to the same period last year, which was “as a result of falling commodity and commercial prices”.

'Trading conditions will be more challenging'

Bas Padberg, managing director of Arla Foods UK, has remarked: "Following the high levels of inflation that we saw back in 2023, Arla has continuously reinvested back into our brands, to deliver value for our shoppers and ensure the necessary growth needed to return the highest possible milk price to our farmer owners."

"This combined with increased consumer buying power in the first half of the year has led to a strong performance across our branded range."

"Whilst we expect consumer confidence to remain into the second half of the year, trading conditions will be more challenging than we have seen in recent months as commodity markets rise again and we balance reduced global supply with the increasing demand for dairy."

Adding his insight, Chief Financial Officer Torben Dahl Nyholm shared: "We are very pleased to deliver a competitive milk price."

"At the same time, the return to branded growth happened with a higher magnitude than expected due to the strength of our brands and successful efforts to regain growth, so we are on a positive trajectory."

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