

Wexford/Glanbia beat 36c

By Joe Rea

All creameries have maintained prices for November/December which is a good performance in a difficult market.

Because of the very low milk volumes in November/December the normal league is not published. Instead we focus on the winter/spring bonus schemes which has a major effect on milk prices.

Those winter/spring bonus schemes have boosted November prices where they operate. Both Wexford and Glanbia in November paid over 36c per litre (130p per gallon).

Scheme A in Wexford is top at 36.61c per litre (131p per gallon).

Details of the conditions are set out in the accompanying table. They are not unreasonable for the kind of top money available. Scheme B also delivers impressively at 35.02c per litre (125.35p per gallon). Those schemes are clearly attractive bringing in five million gallons annually.

Glanbia have around 25 million

Winter/Spring Milk Bonus Scheme milk league based payment for November 2002

Creamery	Cents per litre	Pence per gallon	Conditions of supply	Est volume in scheme millions of gallons
Wexford Scheme A	36.69	131.35	Min 7% in each month of Nov/Dec/Jan Bonus 8.65c/l (31p/gal)	5
Wexford Scheme B	35.02	125.35	Min 10% over Nov/Dec Bonus 6.98c/litre (25p/gal)	
Glanbia 80% - 100% calving scheme	36.37	130.20	Min 10% in Nov, plus 10% in Dec Min Oct-Feb incl supply of 50% bonus 8.94c/litre (32p/gal)	25 (over both schemes)
Glanbia 40% calving scheme	35.8	128.20	Min 5% in Oct plus min of 6% in both Nov or Dec. Min Oct-Feb incl supply of 35% bonus 6.7c/litre (30p/gal)	
Drinagh	35.63	127.55	Calving West Cork scheme applies to four creameries as follows: Min 6% in Dec and Jan - 30% - Oct - Feb bonus 7.54c/litre (27p/gal)	18
Bandon	35.60	127.45		
Ballyroe	35.48	127.00		
Lisavaird	35.44	126.85		
Dairygold	33.15	118.65	Min 5% each month Oct-Feb Min 30% from Oct to Feb incl. Max 40% from Oct to Feb incl scheme ends 2004-2005	12

* Liquid Milk Prices - Annual average as at Sept 2002

Dairygold	35.02	125.38	6
Arrabawn (Oranmore)	34.60	123.88	
Connaught Gold	34.35	122.98	7
Glanbia	34.13	122.20	60
Kerry/GV	34.13	122.20	23

* Vat refund included

gallons annually qualifying for its schemes. This is a fine achievement fuelled by its contract for Baileys cream.

It operates two schemes. One is designed for the autumn calving herd. This attracts a bonus of 8.94c per litre (32p per gallon) in November and December. Its other scheme is also good at a plus of 6.7c per litre (30p per gallon). This requires 35% of supply to be delivered from October to February inclusive.

West Cork

As one would expect the west Cork group of creameries are not far behind when it comes to paying for milk. They are all operating the Carbery spring bonus scheme.

This delivers 7.54c per litre (27p per gallon) with straightforward conditions. The top performer here is Drinagh at 35.63c per litre (124.55p per gallon).

This West Cork scheme is a success. My estimate is that around 18 million gallons qualify for payment which is a highly significant volume out of a total annual intake of 74 million gallons. Continuity of milk supply in winter and spring is key to its innovative products which reflects in Ireland's highest milk price.

Dairygold

Dairygold also operates a good easy conditions to achieve payment. This gives a price in November of 35.02c per litre (125.38p per gallon). Around 12 million gallons qualify for this payment annually.

The disappointing feature is that the scheme

will be eliminated after 2004/2005. The reason is that a major portion of the spring bonus milk was sold to Nestle at Mallow. This customer has now decided to source its milk supply on a seasonal basis from Dairygold.

The real question - should Dairygold have had a strategy over the past ten years so that it could manufacture this expensive milk into high value consumer products.

Why depend on Nestle who have a world reputation of screwing farmers? There was a time when Mitchelstown creamery had virtually zero borrowings compared to the current Dairygold debt of €146 million.

It is now part of Mitchelstown creameries folklore that they had developed an outstanding cream liqueur some years ago - Royal Tara. It won a prize for excellence and innovation at the Paris Food Show for new products.

Pilot manufacturing was put in place at Mitchelstown. The product was selling well. However scaling up production at Mitchelstown ran into union staffing/pay problems (Mitchelstown at that time had the strongest dairy union in Ireland).

An alternative site away from Mitchelstown was available free at an IDA advanced factory. In its wisdom Mitchelstown decided that if it did not happen in Mitchelstown it would not happen at all.

The consequences today - no spring bonus payments in Dairygold long-term.

Meanwhile West Cork creameries power ahead. Some Dairygold suppliers are considering a transfer request to the Carbery group to avail of their spring bonus payments.

EU Milk League for 1 year to October 02

Creamery	Country	Cent per litre	Pence per gallon	% plus or minus average
Arla	Denmark	33.87	121.20	+5.1
Sodiaal	France	33.47	119.73	+3.6
Friesland	NL	33.26	119.00	+3.0
Donone	France	32.85	117.53	+1.5
Bongrain	France	32.85	117.53	+1.7
Lactalis	France	32.75	117.15	+1.9
Campina	NL	32.64	116.78	+1.0
Humana	Germany	30.38	108.68	-6.0
Belgomilk	Belgium	30.58	109.42	-5.2
Nordmilch	Germany	30.38	108.68	-6.0
Glanbia	Ireland	30.07	107.57	-6.8
Golden Vale	Ireland	29.55	105.73	-8.5
Express	UK	29.14	104.25	-9.5
First Milk	UK	26.46	94.67	-18.1
Average	EU	32.33	115.68	

The above figures are based on B/F 4.2%, protein 3.35%. Transport and levies not deducted. VAT refund not included based on original data from LTO/Euro Dairy Farmers.

First Milk minus 18%

THE outstanding Dutch dairy experts at LTO have produced creamery milk prices for one year up to October 2002. Three processors beat 33c per litre. They are Arla, Sodiaal, (France) and Friesland.

Glanbia and Goldenvale are included. Both their prices looked high, however the constituents are standardised upwards to 4.2% fat and 3.35% protein. All bonus payments are included. There are no deductions for transport or levies.

LTO introduced an interesting concept in this league. It quotes prices as a percentage plus or minus for the average in this league. As one would expect the disaster on this basis is First Milk UK. It is minus over 18% against the average.

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