

Boherbue, Newmarket, Kerry and Glanbia beat 31c

By Joe Rea

Irish Farmers Journal



OCTOBER'S standardised prices remain unchanged. The real action is on actual payout levels. Four creameries beat 31c/l (110.90 p/g), a fine achievement. Those with this performance are Boherbue, Newmarket, Kerry and Glanbia.

The reason for prices at this level is high fat and protein. Boherbue 4.39% fat and protein 3.76% going to deliver a top price of 31.65c/l. They are followed by Newmarket at 31.5c/l with Kerry at 31.10c/l.

An interesting feature is that while Glanbia is second from the bottom on a standardised basis, they are in fourth place on actual payout. They return exceptional protein at 3.85%, the highest in the league, and beating 31c/l.

The highest price for protein

is paid by Kerry. Their differential is 0.51c/l per each 0.10% protein. This differential is 20% higher than many other creameries. There is a view that lots of expensive meal must be fed to achieve high protein.

The Kerry figures disprove this theory. In Kerry the emphasis is on spring calving, low production costs based on grass and extended grazing.

Kerry agri-business itself has been running a programme for the past ten years with the objective of increasing protein. Obviously it has given results with a creamery protein for October of 3.72%.

This Kerry scheme has had a strong New Zealand influence with input from New Zealand consulting officers. They know a thing or two about protein

October 2004 milk price league

All cash price in column (A) are based as follows: ★ No volume conditions ★ 3.60 per cent butterfat ★ 3.30 per cent protein ★ Protein bonus not included ★ SCC 400,000 ★ TBC 50,000 ★ Dairy Board and state levies at rate deducted by creamery ★ Transport charges based on 30,000 gallons per year collected ex-farm. ★ Farmer not required to have more than bulk size for five milkings.

Creamery	Cash price cent/litre	Max price all conditions cent/litre	Collection charge cent/l	Average creamery fat	Average creamery protein	B/F difference per each 0.10%	Protein difference per each 0.10%	Price drop Oct 04 v Oct 01 cent/litre	Price based on average creamery fat and protein cent/litre	Ranking based on average creamery fat and protein
Division No. 1 - over 27.00										
Kerry	27.42	-	Nil	4.17	3.72	0.26	0.51	2.40	31.10	3
North Cork	27.37	-	Nil	4.28	3.67	0.30	0.40	3.13	30.92	5
Newmarket	27.35	-	Nil	4.34	3.70	0.36	0.39	3.45	31.57	2
Boherbue	27.25	-	Nil	4.39	3.76	0.30	0.40	-	31.65	1
Drinagh	27.16	33.90	0.39	04.12	3.67	0.35	0.47	3.94	30.86	6
Bandon	27.16	33.90	Nil	4.08	3.65	0.25	0.44	3.84	29.92	12
Arrabawn	27.08	-	0.50	4.26	3.62	0.30	0.40	2.40	30.38	8
Donegal	27.06	-	0.92	4.05	3.46	0.23	0.40	2.40	28.75	16
Thurles	27.06	-	Nil	4.25	3.69	0.20	0.35	2.58	29.80	13
Barryroe	27.05	33.80	0.28	4.09	3.60	0.30	0.50	3.80	30.05	10
Tipperary	27.00	-	0.18	4.25	3.69	0.25	0.56	3.64	30.80	7
Monaghan	27.00	-	0.50	3.95	3.48	0.36	0.40	2.55	29.00	15

Division No. 2 - 26.50 - 27.00										
Lisavaird	26.92	33.65	0.28	4.08	3.63	0.29	0.41	3.90	29.92	12
Dairygold	26.91	-	Nil	4.19	3.76	0.30	0.47	30.1	30.86	6
Lakeland	26.91	-	0.39	4.16	3.58	0.29	0.47	2.14	29.95	11
Wexford	26.88	-	Nil	4.11	3.57	0.29	0.48	4.22	29.70	14
Connacht Gold*	26.80	-	0.64	4.15	3.55	0.30	0.40	2.28	30.05	10
Oldcastle	26.77	-	Nil	4.30	3.60	0.27	0.49	2.42	30.20	9
Glanbia	26.77	34.04	Nil	4.16	3.85	0.27	0.49	3.15	31.05	4
Centenary	26.70	-	0.06	4.15	3.67	0.27	0.44	3.50	29.80	13

*Connacht Gold's Price is based on bulk size for 7 milkings

levels and low cost. Progress in Kerry is for real in relation to

low production costs. During a recent visit to the Kingdom I

met producers whose cow

gallons on 12 cwt weight of low cost concentrate feed.

Mergers increase prices

IMPROVING dairy farmers humour is always a factor in a merger atmosphere. Their votes are required to push the merger through. This appears to be the current situation in mainland Europe.

The proposed merger of Arla and Campina will go to their respective shareholders in the spring of 2005. This is a good idea required to take on the all devouring retail giants, Aldi and Lidl. Surprise, surprise, Campina have increased their advanced payment for October. This is based on a protein increase. This change

is reflected in our international table. In September the Campina price was 3.4c/l under our 2001 benchmark. For October this figure has fallen to 2.88c/l. The other Dutch giant, Friesland, still on their own, have not increased their October price down 7.08c/l on 2001.

Belgium's Belgomilk and BZU have completed their merger. This results in a new co-op with 4,600 member supplying 1 million tonnes of milk with a turnover of €700 million. They too have increased their October price in

the post merger situation.

A striking feature of the international table is that the French continue to record the lowest cut in the EU compared to our 2001 benchmark. (Note to Simone - insert price movement chart here.) All the French purchasers keep reductions under 2c/l. This is in sharp contrast to the German picture. In this region, against our benchmark, Humana is -7.23c/l (25.8p/g).

The clear leader is again Finland's Kymppi group, paying 37.50c/l (134.16p/g).

Kymppi is the smaller of the two Finnish groupings - but their price always reflects the price paid by major operators Valio.

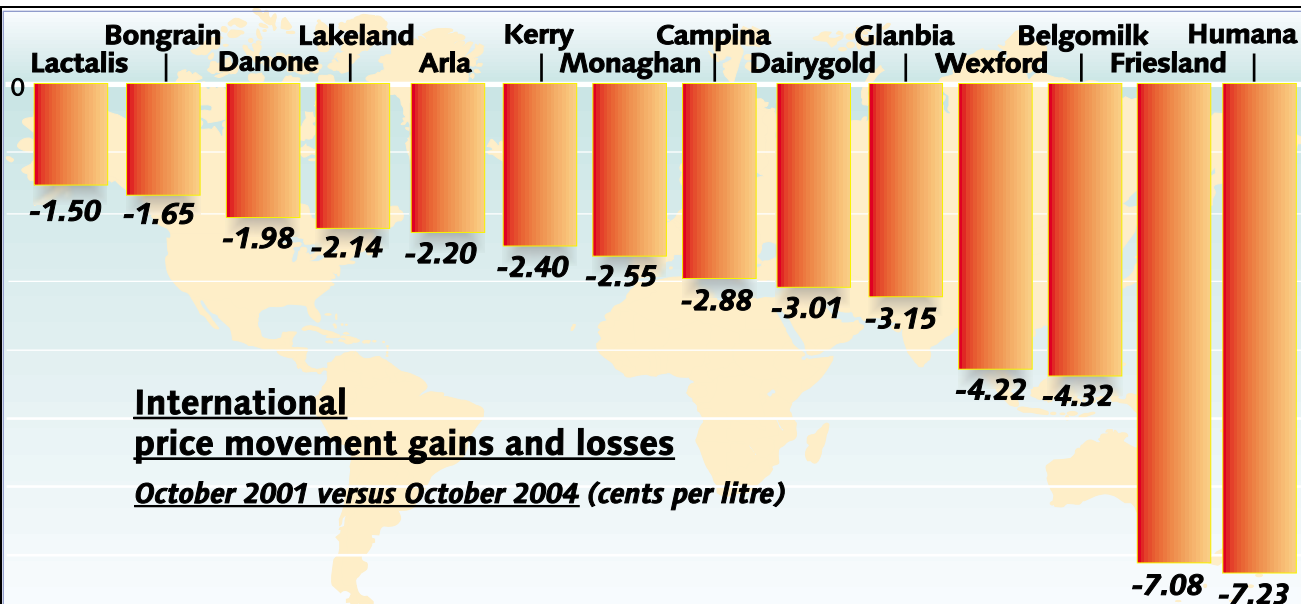
Indeed the Valio success continues. Sales of their lactose free milk continues to grow. The feature of this unique product is that while it is lactose free it maintains the full texture and taste of milk a la cow. This product is the result of the magnificent R and D team at Valio. Lactose free milk currently sells in Finland at double the liquid milk price.

International standardised milk price – October '04

All prices based as follows - VAT 4.4%, Fat 3.6%, Protein 3.3%, TBC 24,999 and SCC 249,999. Every other day collection with annual milk supply 350,000 litres

Creamery	Country	Oct Price cent/litre	Price Difference Oct 04 v Oct 01 cent/litre
Kymppi Group	Finland	37.50	NA
Donone	France	33.02	1.98
Bongrain	France	31.95	1.65
Lactalis	France	31.82	1.50
Nordmilch	Germany	31.06	6.10
Friesland	NL	30.50	7.08
Campina	NL	30.12	2.88
Humana	Germany	29.85	7.23
Belgomilk	Belgium	29.84	4.32
Arla	Denmark	27.90	2.20
First Milk	UK	25.85	NA
USA	US	28.01	11.66
Fonterra	NZ	16.42	-

*Friesland bonus paid in May 2004 on all 2003 milk=1.8c/l
 *Campina bonus paid in May 2004 on all of 2003 milk=1.8c/l
 *Arla Denmark paid bonus on milk supplied from October 02 to September 03 of 1.16c/l.
 All figures based on original data from the Dutch Dairy Board which makes the calculations on behalf of LTO - Farm Orgs, EDF. More information at www.milkprices.nl





France adv - promotion exp

	2003 in € m	2002 in € m
Total spent	365	66
Danone	277	138
Nestle	35	21
Yoplait	28	17

Spend by product € millions of

Yogurt	82
Probiotic yogurt	76
Low fat fruit products	68
Dairy desserts	59
Fromage Frais	30
Drinking yogurt	27

€1m a day spend

OUR National Dairy Council spends €3 of farmers money per year in dairy advertising and promotion. It has had a significant achievement, especially for cheese. Over the past 15 years our cheese consumption has increased from 3 1/2 kg per head to over 10 kg. The line has also been held on liquid milk and butter.

Recent French research has shown that in 2003 French dairy companies spend €365 million advertising and promoting fresh dairy products. This is an increase of 82% on the 2002 figure.

One assumes that those figures apply to the totality

of France's international trade in fresh products. There may also be the issue of whether product discounts comes under the heading of promotion.

The real big spender was Danone at €277 million. This is double the spend of 2002.

It is obvious they are pushing their many brands of yogurts and especially their pro-biotic varieties e.g. Actimel.

Detail of the French expenditure is set out in the table above. The level of this expenditure shows the challenge that is out there to achieve market share and good profits.

Ireland/NZ price comparison

THE real proof of the strength of the global dairy market is reflected in New Zealand's Fonterra increased forecast for the year ending May 2005. The increase is from NZ\$4.05 per kg solids to NZ\$4.30 — an increase of 25c/kg or a price plus 6.2%.

When this increase is calculated to our milk league standard of 3.6% fat and 3.3% protein (excluding vat) it amounts to a price of 16.8c/l (60.10p/g)

The original forecast of \$4.05 was a milk league equivalent of only 15c/l. This means an extra 1.8c/l (6.4p/g)

has come from world market buoyancy.

IT is important to realise that the actual New Zealand price based on their constituents is around 20% above the Irish milk league standard. Therefore on an actual payout basis New Zealand farmers in the current season will beat 20c/l (71.55p/g) — not bad with no winter weather around.

The table set out above converts New Zealand prices into the Irish equivalent taking account of euro currency and Irish constituents.

The most interesting data is set out in the final column of



• Henry van der Heyden, chairman, Fonterra

this table. IT expresses the New Zealand price as a % of the Irish price. The range is from a high of 65% in the current season to a low of 52% in 2002.

Ireland / New Zealand

Years	Fonterra actual pay out in NZ\$ per kg	Fonterra milk converted to b/f 3.60%, protein 3.3% c/l milk solid milk league c/l	Irish price as per CSO adjusted to 3.6% fat as per	Fonterra price expressed as a % of Irish price
2001-02	5.27	18.00	28.92	62%
2002-03	3.63	13.90	26.60	52%
2003-04	4.25	16.60	26.30	63%
* 2004-05	4.30	16.80	25.68	65%

Note as follows:

THE NZ MILK YEAR RUNS FROM 1 JULY TO 30 JUNE, EG 2001 - 02
THE IRISH FIGURES ARE FOR THE CALENDAR YEAR
THE IRISH 2004 PRICE IS THE AVERAGE OF 7 MONTHS TO JULY 2004,
THERE WILL BE NO SIGNIFICANT CHANGE TO YEAR END
VAT REFUND IS NOT INCLUDED IN IRISH OR NZ PRICE
* FORECAST

October milk league — NI

Prices in pence per gallon based as follows: ★ Butterfat 3.6 per cent ★ Protein 3.3 per cent ★ SCC under 400,000 ★ TBC under 50,000 ★ Most favourable transport charge deducted ★ Prices exclude VAT ★ Ranked on basis of 55,000 gallons supply.

Milk buyer	Price (net) sterling	Transport charge litre sterling	Price litre plus 4.4% VAT sterling	Price in euros plus 4.4% VAT	Estimated share of total supply %
------------	----------------------	---------------------------------	------------------------------------	------------------------------	-----------------------------------

Division 1 — Over 19p

United Dairy Farmers	19.38	0.68	20.24	28.94	60
Fivemiletown	19.05	0.56	19.89	28.44	1.5

Division 2 — 18p to 19p

Lakeland Dairies	18.35	0.22	19.16	27.40	10.5
Donegal Creameries	18.22	0.57	19.02	27.20	3
Town of Monaghan	18.18	0.68	18.98	27.14	18.5
Glanbia Milk	18.08	0.53	18.88	26.99	2.5
Glanbia Cheese	18.07	0.77	18.87	26.98	5

Glanbia - Northern prices compared

THE October Northern league has only two divisions. This means that all purchasers are paying over 18p (stg). On our Southern league standards, that is the equivalent of just 27c/l.

Marginally above the low Glanbia manufacturing price at 26.77c/l.

United again top the league paying 28.94c/l. They are followed by Fivemiletown, also beating 28c/l.

Both well clear of the magical £/gallon mark. This means that the highest price milk in the North from United is 2.27c/l ahead of Glanbia's manufacturing price.

It might not be generally realised that the Northern league price is for all milk supplied. In the North liquid and manufacturing milk are all in the same pool, getting the same price.

This means there is no price difference, and hence the threat of Northern milk

undermining the Republics liquid market.

There is now over 6c/l difference between the liquid price and the manufacturing price paid by Glanbia. This differential does not exist North of the border. In a free trade world the consequences are obvious.