

Monaghan holding milk price to January '05

By Joe Rea
Irish Farmers Journal

HERE is a 2005 milk price breakthrough. Monaghan have decided to hold their current milk league price of 27c/l to January 2005. They will also continue to pay their traditional no conditions spring bonus of 1.67c/l (6p). The price will be reviewed for February 2005.

Monaghan's pay setting commitment sets a key benchmark as 2005 approaches. In an agri world with lots of storm clouds the Monaghan decision will generate confidence. Well done to all concerned at Monaghan for embarking on this "stability strategy".

This price stability pact by Monaghan reflects the state of world dairy markets which I have been writing about in the *Journal*.

The net situation is that world dairy consumption is increasing by 2% per annum while production is increasing at less than 1%.

Hence the laws of supply and demand really operate. The prestigious Dutch LTO in their milk analysis put this situation in context stating

"there is a relatively tight supply situation.

"Meanwhile, the import demand has held firm at fairly good levels. The economic recovery particularly in South East Asia and the high oil prices are boosting the purchasing power of many importing areas in the world".

Town of Monaghan have not been a high profile creamery. Its management and board go about their business in a diligent and efficient manner. The results speak for themselves.

Very quietly they have grown impressively in recent years. Financially strong - cash flow almost €5 million in 2003. Now processing 90 million gallons from 1350 suppliers. This puts them in third place in the pecking order of the 100% owned co-operatives after Dairygold and Lakeland. In the North Monaghan purchases 18.5% of the Northern Ireland milk production.

Their processing facilities are tightly focused. Operating at Monaghan itself with a powder plant at Athigarvan, Co. Tyrone (purchased from Kerry).

They are also the sole supplier to Abbotts baby food facility at Cootehill, Co. Cavan.

September 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 Sept 04 v Sept 01 cent/litre	Price based on average creamery fat and protein cent/litre	Ranking based on average creamery fat and protein
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Division No. 1 - over 27.00

Kerry	27.42	-	Nil	3.96	3.53	0.35	0.51	2.96	29.55	4
N. Cork	27.37	-	Nil	4.05	3.55	0.30	0.40	3.12	29.72	3
Newmarket	27.35	-	Nil	3.91	3.51	0.36	0.39	3.43	29.30	8
Boherbue	27.25	-	Nil	4.09	3.57	0.30	0.40	NA	29.85	1
Drinagh	27.16	-	0.39	3.95	3.49	0.35	0.47	3.87	29.35	6
Bandon	27.16	-	Nil	3.86	3.50	0.25	0.44	3.82	29.75	2
Arrabawn	27.08	-	0.50	3.95	3.44	0.30	0.44	2.40	28.80	13
Donegal	27.06	-	0.92	3.95	3.49	0.35	0.47	2.58	29.32	7
Thurles	27.06	-	Nil	4.01	3.52	0.20	0.35	2.86	28.66	15
Barryroe	27.05	-	0.28	3.87	3.45	0.30	0.50	3.80	28.65	16
Tipperary	27.00	-	0.18	3.99	3.30	0.25	0.56	2.92	29.05	10
Monaghan	27.00	-	0.50	3.83	3.45	0.36	0.40	2.55	28.40	20

Division No. 2 - 26.50 - 27.00

Lisavaird	26.92	-	0.28	3.89	3.51	0.29	0.47	3.90	28.90	11
Dairygold	26.91	-	Nil	4.02	3.57	0.30	0.47	3.60	29.50	5
Lakeland	26.91	-	0.39	3.96	3.45	0.29	0.47	2.14	28.70	14
Wexford	26.88	-	Nil	3.93	3.45	0.29	0.48	4.13	28.60	17
Connacht Gold*	28.80	-	0.64	3.95	3.49	0.26	0.37	NA	28.45	18
Oldcastle	26.77	-	Nil	3.98	3.51	0.27	0.49	3.42	29.10	9
Glanbia	26.77	-	Nil	3.98	3.51	0.27	0.49	3.42	28.85	12
Centenary	26.70	-	0.06	3.95	3.48	0.27	0.44	3.49	28.45	18

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

The throughput of this plant will soon be doubled. All of this shows a successful and expanding dairy business. What is even more important is that this achievement is

being shared with Monaghan suppliers as demonstrated by their "stability strategy". We await a similar performance from other players in the industry for 2005.

9.16c/l German price cut

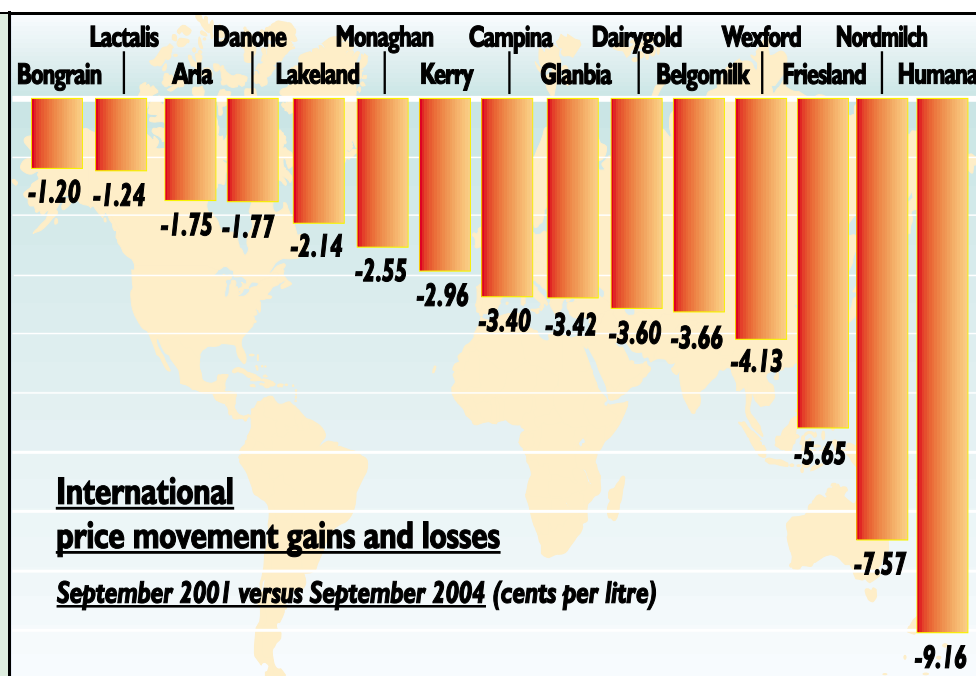
MAJOR German creamery Humana have cut their September price 2004 by 9.16c/l (32.77p/g) compared to September 2001. This is the biggest ever reduction in the international table.

The second biggest cut is also delivered by another German purchaser Nord Milch down 7.57c/l (24p/g). German milk production on farms is based on a high cost structure.

My German farm contacts tell me there is now a question mark over the industry. Can the German industry continue to produce milk and deal with price cuts of this magnitude?

The German reductions contrast sharply with the French picture.

Their major purchasers (see table on French cream-



International price movement gains and losses

September 2001 versus September 2004 (cents per litre)

eries, right) Danone, Bongrain and Lactalis deliver a cut of less than 2c while the Danes also achieve a similar result.

Ireland on this EU measurement scale continues to perform satisfactorily.

While not as good as the French and the Danes they are ahead of everybody else. See price chart movement.

Top 5 French Milk Performers

Name	Turnover in €millions	Millions of gallons	Staff
Lactalis	5350	990	16500
Bongrain	4002	473	17415
Sodiaal*	2644	506	-
Bel	2076	305	9847
Danone (in France)	1814	220	-

* DENOTES CO-OP

Source: RLF MAGAZINE

International standardised milk price - September '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	Sept Price cent/litre	Price Difference Sept 04 v Sept 01 cent/litre
Kymppi Group	Finland	37.50	NA
Donone	France	33.40	-1.77
Bongrain	France	32.35	-1.20
Lactalis	France	32.00	-1.24
Freisland	NL	30.50	-5.65
Belgomilk	Belgium	29.86	-3.66
Campina	NL	29.650	-3.40
Nordmilch	Germany	29.50	-7.57
Humana	Germany	29.30	-9.16
Arla	Denmark	28.00	-1.75
First Milk	UK	26.75	NA
USA	US	29.30	13.20
Fonterra	NZ	16.20	NA

*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



September prices

SEPTEMBER prices remain unchanged. Continuing to lead on the standardised basis of the top five; Kerry, North Cork, Newmarket, Boherbue with Drinagh and Bandon in joint fifth position.

On actual payout there are a number of interesting elements. Non milk testing creamery, Boherbue, tops the list paying 29.85c/litre (106.8p/gallon). This high level of price is as a result of magnificent constituent return, fat 4.09% and protein 3.57%.

Note, this is the average price. Some Boherbue suppliers beat 30cl. Good going if you can get it. Perhaps

other milk suppliers should get their milk tested wherever the Boherbue analysis happens.

On the payout basis the top five are Boherbue, Drinagh, North Cork, Kerry and Dairygold, all beating 29.5c/l (105.5p/g).

It is worth noting that the Dairygold payout matches the Kerry price on constituents.

The reason here is the high Dairygold fat 4.02% with protein 3.57%. Dairygold are responsible for independently testing Boherbue milk supply. Both Dairygold and Boherbue beat the 4% fat barrier and 3.5% level on protein.

October prices

THE immediate good news is that all creameries resisted the temptation to cut the October price when the Brussels adjustment arrived. The consequences of this positive development is that "The Milk Price Cutters Chase" has been postponed indefinitely.

One could say that the course is unraceable due to obstacles put in place by the IFA dairy committee. There has been some speculation that this race may now be run at the Punchestown festival in May 2005.

First Milk - transport rationalisation

ONE of the lowest prices internationally continues to be paid by the UK co-op First Milk at 26.75c/l (95.70p/g) but there is positive news. Dairy co-ops First Milk and Dairy Farmers of Britain and pooling their milk collection and distribution business.

They have formed a new independent company to provide this service. The aim is an annual saving of €17 million.

This company will be re-

sponsible for collecting 4.6 billion litres (1.01 billion gallons) of milk.

This is almost the equivalent of Ireland's creamery milk quota and equalling almost one third of the annual UK production.

The new firm will be owned jointly by First Milk and Dairy Farmers of Britain. The test will be can this theory deliver the savings projected — is there scope for a similar arrangement on the island of Ireland?

Wexford price drop '01 v '04

THE Wexford figure on price reduction September 2001 v September 2004 jumps out of the league at 4.13c/l (14.77p/g). This is uncharacteristic of Wexford's excellent performance over the years. The difference between the Wexford price reduction at the top and Lakeland at the bottom is 2c/l (7.15p/g).

This is rather surprising in the context of the most recent set of results from Dairy Crest who are 80% owners of Wexford. Dairy Crest pre-tax profits rose to Stg £38.80 in the six months to September. The profit is up ten months on the same period last year.

This is good news provided it is not on the backs of dairy suppliers in Ireland and the UK. One is not encouraged by the remarks of Dairy Crest chief executive, Drummond Hall on milk price when he said he was "flagging a slight warning".

On cheese he further raises anxiety levels when he states "Dairy Crest continued to pay higher raw milk prices than its rivals and the recent cut by a main competitor (Milk Link) has not helped."

"This position is not sustainable in the long-term and continues to be kept under review." Obviously Mr. Hall's shareholders are impressed by the results. The board has increased the dividend by 7%. Share price is up 4%. Which is most important, share price or milk price? — we will wait and see as the Wexford milk price develops.



• Drummond Hall, chief executive, Dairy Crest

United pay 29.59c/l

AGAIN, United top the Northern league. They are paying 29.59c/l (105.86p/g) on a milk league euro basis. This places them 2.58c/l (9.23p/g) ahead of Donegal. A very substantial difference which will give new Donegal management something to think about.

This is a fine performance from United who purchase 60% of the Northern milk supply. Monaghan and United now control virtually almost 80% of the region's milk supply. Monaghan achieves third place in the Northern league at 27.76c/l.

They are headed into second place by Fivemiletown with an excellent virtually 28c/l which means they are hitting the £ per gallon mark.

September 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	19.41	0.65	20.27	29.59	60
Division 2 – 18p to 19p					
Fivemiletown	18.35	0.51	19.16	27.97	1.5
Town of Monaghan	18.21	0.65	19.01	27.76	18.5
Division 3 – Under 18p					
Glanbia Milk	17.95	0.51	18.74	27.36	2.5
Glanbia Cheese	17.85	0.74	18.64	27.21	5
Lakeland Dairies	17.85	0.22	18.64	27.21	10.5
Donegal Creameries	17.72	0.57	18.50	27.01	3



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