

North Cork – Boherbue – Wexford – Kerry beat 27.40c/l

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IN the August League four creameries have beaten 27.40c/l on actual payout. A significant price - In old money 98p per gallon. This high payout price is the result of both high constituents and a high basic price. The creameries with this top performance are North Cork, Boherbue, Wexford and Kerry.

In this group the League's highest proteins at 3.38% is recorded by North Cork and Wexford Creameries. This again emphasises the effect of a definite protein breeding programme in the creamery.

This is the case in Wexford. In this creamery Michael Daly directs breeding policy with enthusiasm and dedication.

Wexford Creameries have very kindly supplied me with their constituent data for 2004. Those figures strikingly show the impact of high milk constituents on milk price paid to farmers. The top 20% in Wexford with a weighted average fat of 3.86% – 3.43% protein returned 5.8c/g more than the bottom 20%. The bottom 20% had a fat of 3.66%, protein 3.17%.

The high constituent cow in Wexford with 1,200 galls produced an extra €70 per lactation. A gain of €3,500 for a 50 cow herd. Wexford Creameries have calculated for me the

effect on their annual payout if their total milk supply had the same level of constituents as the top 20%. Result a plus of €793,100 in Wexford Creameries cheque. This is the equivalent of 3.5c/g on all milk supply. Some return from a planned positive breeding policy. Others please copy.

On the standardised Basis the top four positions remain unchanged, Monaghan, Kerry, North Cork and Newmarket. In the current milk price climate the performance in the August League is an achievement. Figures at the recent IFA Dairy Seminar in Cork are of interest.

They showed that Irish milk price had fallen at only half the rate of that applying in mainland Europe, a fact I have been pointing out for some time. It is therefore not surprising that it is speculated in Brussels that a special committee has been established on how to cut Irish milk prices. The good Irish performance was illustrated by Diarmuid O' Corrbui of the Prospectus Consultancy Group at the Cork Seminar.

He showed that the gap between Irish milk price and the Dutch and Danes had closed from 14% in '01 to 8% in '04. The question now is does an 8% difference compensate the Dutch and Danes for their basic expensive all year round milk supply.

August 2005 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 c/l August 2005	Cash price c/l July 2005	Max price	Collection charge	Average creamery fat	Average creamery protein	B/F difference per each 0.10%	Protein difference per each 0.10%	Price based on average creamery fat and protein	Ranking based on average creamery fat and protein
Division No. 1 over 26.50										
Monaghan	27.26	27.26	-	0.43	3.65	3.20	0.36	0.40	27.10	6
Kerry	26.70	26.70	-	Nil	3.81	3.33	0.25	0.49	27.42	4
North Cork	26.65	26.65	-	Nil	3.77	3.38	0.30	0.40	27.50	1
Newmarket	26.65	26.65	-	Nil	3.74	3.30	0.35	0.39	27.15	5
*Drinagh	26.63	26.85	-	0.29	3.70	3.30	0.34	0.46	27.02	8
Lakeland	26.62	26.62	-	0.39	3.77	3.24	0.29	0.47	26.85	9
Boherbue	26.62	26.62	-	Nil	3.80	3.36	0.30	0.40	27.46	2
Wexford	26.55	26.55	-	Nil	3.76	3.38	0.28	0.47	27.43	3
*Barryroe	26.52	26.52	-	0.28	3.62	3.31	0.29	0.47	26.65	11

Division No. 2 26.00-26.50

Dairygold	26.40	26.40	-	Nil	3.72	3.30	0.29	0.46	26.80	10
Arrabawn	26.30	26.30	-	0.50	3.72	3.24	0.35	0.40	26.50	13
*Lisavaird	26.30	26.30	-	0.28	3.62	3.30	0.25	0.45	26.40	14
*Bandon	26.30	26.30	-	Nil	3.64	3.30	0.25	0.44	26.32	15
Tipperary	26.20	26.20	-	0.18	3.69	3.26	0.25	0.56	26.25	16
Glanbia	26.00	26.00	-	Nil	3.79	3.31	0.26	0.47	26.55	12
Oldcastle	26.00	26.00	-	Nil	3.87	3.37	0.26	0.47	27.05	7
*Thurles-Centenary	26.00	26.00	-	Nil	3.82	3.32	0.20	0.50	26.55	12

Division No. 3 25.50-26.00

Connacht Gold	25.92	25.92	-	0.64	3.74	3.30	0.26	0.40	26.40	14
Donegal	25.82	25.30	-	1.20	3.85	3.38	0.26	0.47	26.85	9

*Price inc. S.C.C. Bonus of 0.2c/l for under 200,000

*Thurles-Centenary comparison Aug 2005 is v July 2005 for Centenary only

Glanbia to pay 2005 bonus?

EVERY Glanbia supplier sat up straight when the Prospectus Consultant at the IFA seminar produced a graph. This was no ordinary graph. It was

a good news graph. It showed the Glanbia profit performance 2001-2004 (see graph below).

This graph illustrated that

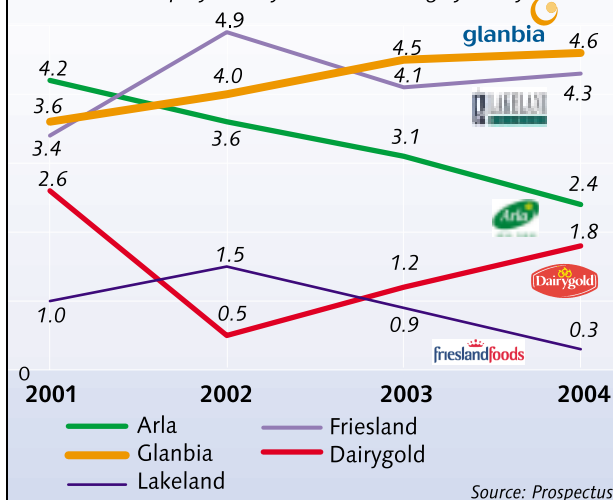
Glanbia is now tops for profitability compared not only the Irish but also to the Dutch and Danes.

Surely this means that Glanbia should return to former glories. Remember the Waterford Avonmore merger and the price pledge. Paying 3p per gallon over the KPMG Audit average. If rationale works then this bonus should also be available in 2005.

Such an approach would add 0.8c/l to the current milk League Glanbia price of 26c/l. This would take them to top of the League. Surely the correct place if mergers and rationalisation are delivering to farmers. Otherwise the whole creamery rationalisation Programme is a fantasy - only an exercise in theory. Glanbia is moving. Their share price has increased by 480% since 2000.

Operating profits from 2001 to 2004

Glanbia has performed well in recent years, while Arla's profitability has declined significantly



Scale no guarantee of success

SCALE is often seen as the road to higher milk prices. There was emphasis on this topic at the IFA Seminar and sure the theory sounded great.

The line was Why have 10 or 12 or 13 chief executive, why have 10 or 12 IT systems, why have 10 or 12 general overheads, when one could get away with one.

This theory makes sense. However there was an interesting point emerging from the August International Table. When one disregard a joke operator like the UK's First Milk the lowest EU price at 27.15c/l is paid by large scale German operator Humana. This places them 7.43c/l or 33.80c/g behind Table topper Kymppi. For the 1,200 gallon cow Germany versus Finland, that's a difference of over €400 per cow.

Now for Humana scale. Annual milk intake 500 million gallons. That is a volume greater than Glanbia and Dairygold.

This volume is supplied by over 5,000



• Redser O' Grady, Thurles Sarsfields captain after winning the County final, 31 years since their last title, all because of a new manager on board and the glory of Redser's hurling on the day.

farmers - generating a turnover of €2.7 billion. Yet Humana for its scale is delivering the lowest milk price on mainland Europe.

Prices holding to year end

THE predicted September table shows a minimal change. A Monaghan cut and a Dairygold increase due to new SEC bonus. The indications now are that Irish prices will remain unchanged to the end of the year. With the Brussels milk price police looking over the shoulders of milk processors there is a reluctance to give a longterm public commitment on price.

However, Monaghan with typical bravery have indicated that there will be no further price reductions this year. Admittedly this is after their September cut of under 1c/l. Even with this cut they are still in the company of the West Cork Group - not a bad place to be.

The Monaghan 2005 policy on milk price has bucked the trend. In the process putting an extra €500,000 in suppliers pockets - well done.

There is also positive news from Kerry who will be League leaders in September. They are holding the September price at over 27c/l but they have also decided that their October price will remain unchanged.

The Kerry price at this level places them close to the Arla Denmark price in the International Table and ahead of German giants Humana. All confirming the point made at the IFA Cork seminar re the closing of the gap between Irish and continental milk prices.



• It is speculated that Brussels has a special committee to cut Irish milk prices.

Predicted Prices - Sept 2005

Creamery	Predicted Sept Price c/litre	Reduction Aug -v- Sept c/gallon	Reduction Aug -v- Sept c/litre
Kerry	27.26	Nil	Nil
*Dairygold	27.70	+1.36	+0.30
North Cork	26.65	Nil	Nil
Newmarket	26.65	Nil	Nil
Drinagh	26.62	Nil	Nil
Lakeland	26.62	Nil	Nil
Boherbue	26.62	Nil	Nil
Wexford	26.55	Nil	Nil
Barryroe	26.52	Nil	Nil
Arrabawn	26.30	Nil	Nil
Monaghan	26.30	- 4.36	- 0.96
Lisavaird	26.30	Nil	Nil
Bandon	26.30	Nil	Nil
Tipperary	26.30	Nil	Nil
Glanbia	26.00	Nil	Nil
Oldcastle	26.00	Nil	Nil
Thurles Centenary	26.00	Nil	Nil
Connacht Gold	25.92	Nil	Nil
Donegal	25.82	Nil	Nil

*Dairygold increase incl S.C.C. Bonus of 0.30c/litre

International standardised milk price – August '05

All prices based as follows: Vat Rate 4.8%; Fat 3.60% Protein 3.30% and SCC 249,999, TBC 24,999. Every other day collection with Annual Milk Supply 350,000 Litres.

Creamery	Country	June 05 c/l	June 04 c/l	Rolling avg last 12 mths
Kymppi	Finland	34.58	37.00	35.63
Danone	France	32.70	33.40	30.18
Bongrain	France	31.34	32.25	30.16
Lactalis	France	31.15	32.00	29.90
Friesland	NL	30.71	30.50	29.25
Campina	NL	29.25	29.30	29.55
Nordmilch	Germany	28.51	28.12	27.45
Milcobell	Belgium	28.20	28.82	29.90
Arla	Denmark	27.65	28.00	29.34
Humana	Germany	27.15	28.78	28.00
First Milk	UK	25.36	25.75	24.42
USA *	US	27.35	28.50	28.10
Fonterra *	NZ	16.87	15.35	18.45

* Rolling avg. is weighted avg. for each month which inc. bonus payments.

* Based on payout forecast of Fonterra. Based on Class III US price All figures based on original date from the Dutch Dairy Board More information available at www.milkprices.nl

Who set up Gibbons

I was taken aback to read in the press that the IFA seminar audience was shocked with ICOS president Padraig Gibbons' view that he had reservations about the one big creamery idea. I was at this meeting from start to finish. I saw no shocked audience.

From the press report one could visualise shocked farmers dousing themselves with petrol and setting themselves on fire. The real shock would have been for farmers if the ICOS president favoured one big creamery. As John Dillon, IFA President said on this topic, "think Greencore". Padraig Gibbons is a person with a clear and original mind coupled with a gallant commitment to farmers. Key question - what motivated the misleading Gibbons' Press Report.

August milk league – NI 2005

55,000 gals

	Price (litre)	Transport charge litre	Price litre plus 4.8% VAT (55,000)	Price in euros plus 4.8% VAT (55,000)	Estimated share of total milk %
Division Ni. 1 over 17.00					
United Dairy Farmers	17.94	0.62	18.81	27.46	56
Town of Monaghan	17.28	0.58	18.11	26.44	19
Lakeland Dairies	17.10	0.22	17.92	26.16	14
Donegal Creameries	17.02	0.57	17.84	26.04	3
Division No 2 Under 17.00					
Fivemiletown Co-Op	16.92	0.44	17.73	25.89	1.5
Glanbia Milk	16.92	0.44	17.73	25.89	2.5
Glanbia Cheese	16.65	0.69	17.45	25.48	5

Winners and losers in globalisation

AN OECD analysis at the IDF Conference forecasted the dairy winners and losers in globalisation. We already knew the answers. The low cost producers are winners. The OECD predicted that Argentina, Brazil, Australia and New Zealand would be the winners. Milk prices in Mexico, Japan, US and the EU would fall. The estimate was New Zealand would be up 26% which would mean a New Zealand world market price of 20c/l. Let's console ourselves New Zealand products are at the other side of the world.

The obvious conclusion reached was that milk production would move to the more efficient regions. If we play our cards right the Ireland could be one of those regions especially in the Northern hemisphere. That why maintaining Irish confidence in our industry is important during this interim period. Irish milk prices are the key to that confidence.

How close is globalisation for Irish dairy farmers? Closer than we may think if one believed the reported comments of the highly competent former Irish Dairy Board executive Anne Randles "the US and EU stitched up the GATT Uruguay round but I am not sure this will happen in the DOHA round". Anne Randles is now Secretary General of the prestigious Eucolait, the EU Dairy Trade lobby.

United pay highest price in Ireland

THE highest August price in the island of Ireland is paid by United Dairy Farmers. This is a Co-op which handles 56% of the North's milk supply. Their August price is impressive at 27.46c/l. This places them over 1c/l ahead of Monaghan who are a very credible second at 26.44c/l.

The bottom spot goes to Glanbia Cheese at 25.48c/l. This leaves the Northern August gap at 1.98c/l compared to 0.99c/l for July.

Those are good times for United reflecting the positive performance of good management.

The turnover to the 31st March 2005 was £300 million sterling. Their group operating profit after exceptionals was up by 20% to £2.25 million sterling.

Their 2,500 active dairy farmers will receive a share dividend and bonus shares worth over £1 million sterling. That is the equivalent of almost 1c per gallon of milk.