2c/l July cut infectious

By Joe Rea
Irish Farmers Journal

NINE creameries have cut their July price by 2cl. (See Table). Obviously The Dairy Decrease Disease was very infectious. Let's hope it does not become contagious for August and September.

The result of this July infection is that Monaghan clearly top the July predicted table. They are resolutely holding the line. No price cut this year. The cutters are West Cork, Dairygold, Wexford, Connacht Gold, Newmarket, North Cork and Boherbue.

It is disappointing that Dairygold has followed the herd. After all brave management at Dairygold has saved the equivalent of 10c per gallon on their wage bill. I found the July Dairygold newsletter rather intriguing.

The emphasis was on the opening of up to thirty 4 Homes stores. It carried a bold headline on page 1 stating "Building a new Profit Centre". It was all very upbeat about 4 Home. For example it states "it will prove its worth by generating revenue and profitability for the business". Question - What business?

This is of course good news. Imaginative initiatives like this are worthy of support and success. But remember that the stated management priority at Dairygold is to build a world class dairy business. 4 Home can not cloud this issue. Dairygold must not follow the herd.

Wexford cut

The other very disappointing 2c cut was Wexford. The parent company is UK Dairy Crest, like their Wexford plant they too manufacture cheese. However they have performed very differently on milk price. Surely it is not a case again of the "mere Irish".

Dairy Crest has announced that the price paid to their UK suppliers for milk for cheese will be increased backdated to the 1st July. Their July price increase is 0.30 pence sterling per litre. That is the equivalent of 0.52cl. This Dairy Crest increase is greater than the Wexford decrease of 0.44cl.

Predicted prices — July '05

Creamery	Predicted - July price c/litre	Reduction June v July c/gallon	Reduction June v July c/litre
Monaghan	27.26	Nil	Nil
Kerry	26.70	Nil	Nil
North Cork	26.65	2.00	0.44
Newmarket	26.65	2.00	0.44
Wexford	26.61	2.00	0.44
Boherbue	26.61	2.00	0.44
Lakeland	26.61	Nil	Nil
Barryroe	26.55	2.00	0.44
Dairygold	26.41	2.00	0.44
Lisavaird	26.38	2.00	0.44
Bandon	26.35	2.00	0.44
Arrabawn	26.30	Nil	Nil
Tipperary	26.20	Nil	Nil
Glanbia	26.00	Nil	Nil
Oldcastle	26.00	Nil	Nil
Centenary	26.00	Nil	Nil
Connacht Gold	25.92	2.00	0.44
Donegal	25.30	Nil	Nil

Spanish quota buy out 51.5c/l tax free

THE Spanish government planned to spend €35 million to buy up more quota has succeeded. The government offer was 51.5c/l (€1.84p/g) tax free to give up quota. That quota was then sold at 25.7c/l (92p/g) to farmers with less than 40,000 gallons who wanted to expand.

1,800 farmers producing 45 million gallons have accepted this offer.

That is an average of 25,000 gallons per producer sold. This is part of a long-term Spanish strategy to restructure their industry. Dairy farmers numbers have fallen from 140,000 in 1995 to the current level of 30,000.

June 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 June 2005	Cash price c/l May 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 27.00										
Monaghan	27.26	27.20		0.43	3.55	3.12	0.36	0.40	26.60	4
Newmarket	27.07	27.35		Nil	3.65	3.25	0.35	0.39	27.00	3
North Cork	27.07	27.37		Nil	3.56	3.20	0.30	0.40	26.60	4
Wexford	27.05	26.88		Nil	3.69	3.32	0.29	0.48	27.45	2
Boherbue	27.04	27.25		Nil	3.74	3.22	0.30	0.40	27.50	1
Division No. 2 - 26.50 - 27.00										
*Barryroe	26.95	27.05		0.28	3.55	3.25	0.29	0.47	26.50	5
*Drinagh	26.85	27.16		0.39	3.58	3.21	0.34	0.49	26.35	8
Dairygold	26.85	26.91		Nil	3.58	3.21	0.29	0.46	26.40	7
*Lisavaird	26.82	26.92		0.28	3.51	3.23	0.29	0.46	26.35	8
*Bandon	26.80	27.16		Nil	3.57	3.23	0.25	0.44	26.45	6
Kerry	26.70	27.42		Nil	3.61	3.20	0.25	0.49	26.25	10
Lakeland	26.61	26.91		0.39	3.64	3.20	0.29	0.47	26.30	9
Division No. 3 - 26.50 - 26.00										
Connacht Gold	26.35	26.80		0.64	3.63	3.21	0.26	0.40	26.35	8
Arrabawn	26.30	27.08		0.50	3.60	3.24	0.35	0.40	26.05	11
Thurles	26.30	27.05		Nil	3.53	3.33	0.20	0.35	26.40	7
Tipperary	26.20	27.00		Nil	3.60	3.21	0.25	0.56	25.70	14
Glanbia	26.00	26.77		Nil	3.63	3.25	0.26	0.47	25.85	13
Oldcastle	26.00	26.77		Nil	3.69	3.26	0.26	0.47	26.00	12
Centenary	26.00	26.70		Nil	3.64	3.24	0.20	0.50	25.80	14
Division No. 4 - under 26.00										
Donegal	25.30	27.06		1.20	3.59	3.27	0.30	0.41	25.15	15

*Price Inc SCC Bonus of 0.2c/l for under 200,000

June prices: it's not hard to spot the difference

THE key feature on June prices is the gap between the top and bottom. This difference between Monaghan and Donegal on the standard basis is 1.96cl (7p/g).

On the actual payout the gap is even greater. Boherbue in the top spot at 27.50c/l. Donegal returning 25.15 c/l. A difference of 2.35 c/l (8.4p/g).

If this gap on payout was projected over a cows full lactation then the Co. Cork cow in Boherbue is €130 ahead of it's Donegal counterpart.

For the 50 cow herd that is a penalty of €125 per week.

Again Monaghan magnificently top the June League. Newmarket and North Cork are in 2nd and 3rd position. On actual payout Boherbue is top with great fat of 3.74 the highest in the League.

Second place goes to Wexford with Newmarket in 3rd position.

Kerry finish a disappointing 10th in this race - not great but better than Glanbia in 13th place.

NZ Milk — 8% rise

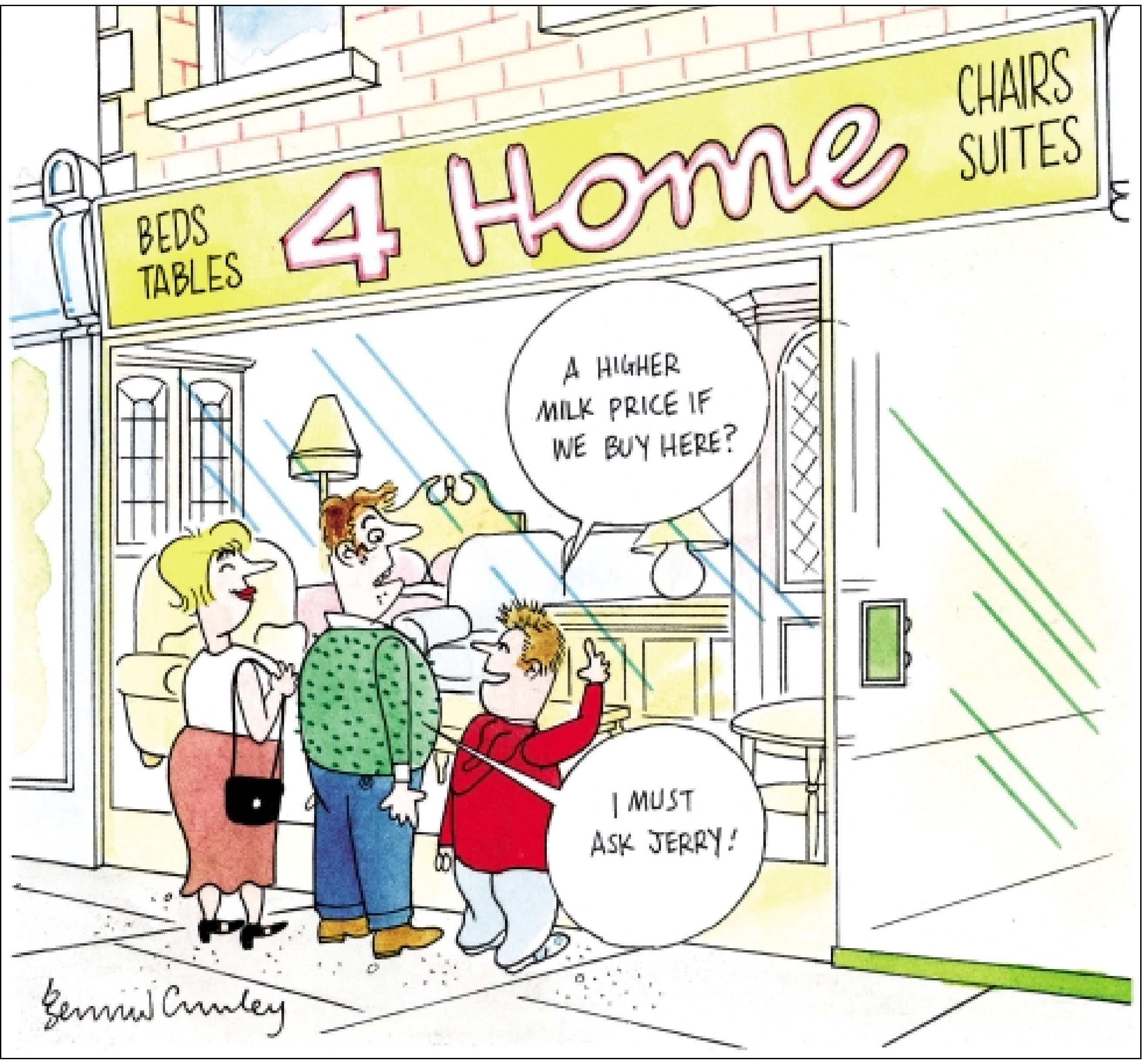
NEW Zealand's Fonterra Co-op have announced a final payment of NZ$4.59 per kg of milk solids for the season ending 2004/2005 (New Zealand's season ends on the 31st May). On an Irish fat basis of 3.6% - protein 3.3% - that is the equivalent of approximately 18c/l (64p/g). This excludes VAT and is calculated at the current New Zealand exchange rate.

This price is 8% higher than the price paid in 2003-2004. Fonterra's milk production was down 3.5% in that period.

However their total turnover increased by €282 million. This produced at total turnover of just over €7 billion. This is three times the turnover of the Irish Dairy Board.

June 2005 price gaps summary

Location	Top price c/l	Lowest price c/l	Gap c/l	Gap p/g
Irish Milk League Standard Base	Monaghan 27.26	Donegal 25.30	1.96	7.01
Irish Milk League Payout Bases	Boherbue 27.50	Donegal 25.15	2.35	8.40
Northern League	Lakeland 26.31	United 23.80	2.51	8.98
International League	Kymppi 30.40	First Milk 23.06	7.34	26.26



International standardised milk price — June '05

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

Creamery,	Country	June 05 c/l	June 04 c/l
Kymppi	Finland	30.40	32.50
Bongrain	France	27.78	30.28
Arla	Denmark	27.70	30.30
Friesland	N.L.	27.56	26.41
Lactalis	France	27.15	27.92
Milcobel	Belgium	27.12	29.23
Nordmilch	Germany	26.95	28.61
Humana	Germany	26.72	28.71
Danone	France	26.41	
Campina	N.L.	25.05	26.62
First Milk	U.K.	23.06	24.43
U.S.A.	U.S.	28.48	38.84
Fonterra	N.Z.	16.66	15.50

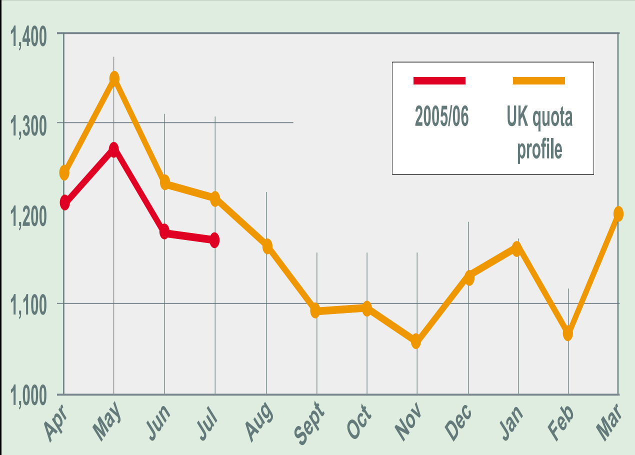
All figures based on original data from Dutch Dairy Board which makes the calculations on behalf of L.T.O. Farm Org, E.D.F. More information at www.milkprices.nl

FRIESLAND paid an end of year bonus for 2004 of 0.22c/l

CAMPINA's end of year bonus for 2004 was 0.21c/l

UK MILK DELIVERIES AGAINST ESTIMATED QUOTA* 2005/06

MILLION LITRES (BUTTERFAT-ADJUSTED FIGURES)



*Quota profile based on an average monthly milk deliveries during 2000/01-2004/05 and original UK butterfat profile.

Source: Charles Holt of the Farm Consultancy Group

Danish quota €2.85c/g

THE UK situation must have positive implications for EU dairy exporters to that market like Ireland and Denmark. It is of interest that at the August Danish Quota Exchange Sale the highest price ever was paid. On a per litre basis at 4.36% fat a price of 62.8c/l or €2.85 p/g was achieved.

On this occasion 19 million gallons was traded by 420 sellers. It is estimated that 720 will buy quota. The August Exchange was the first without volume restrictions on the amount that could be purchased by individual buyers. This is obviously a factor in the record price.

The Northern gap is 2.5c/l

A price gap of 2.5c/l (9p/g) between the best and the worst in the Northern League. That's the alarming picture that emerges for June.

The best player, Lakeland, delivered 26.31c/l. Lakeland is now handling 14% of the Northern milk supply.

The lowest June price is paid by United at 23.80c/l. Hence a 2.5c/l price gap. No wonder that United suppliers are being consoled that this is a better price than the other UK Co-Op, First Milk.

This is indeed correct. They are returning a price of 23.06c/l on our international Table for June.

To be ahead of First Milk is nothing to be proud about.

If this Northern gap remains then there can be leakage of United Milk to Monaghan, Lakeland and Glanbia. Remember this is even before Connacht Gold and its turbo management enters the Northern market.

UK milk price disaster

THE International Table again spotlights the disaster of the UK milk market. First Milk are paying 23.06c/l (85.2p/g).

This is not even the full story. For fair comparison purposes with Irish League Prices all prices quoted on those milk pages include VAT at the Irish rate of 4.8%.

When VAT is removed from the First Milk price the result is 22c/l or 78.7p/g. Remember this is generally for milk produced on an Irish liquid milk pattern.

A new study by Manchester University shows the impact of low prices on British farmers which is disastrous.

This study underlines the need for stabilizing Irish milk price at a level which maintains confidence for the long-term - because Ireland does have a long-term milk future.

Apart from racehorses and Michael Flatley's dancers those are the only sectors where we can compete internationally, like the milk sector. The Manchester study shows that UK milk production, if present trends continue, could fall by 220 million gallons over the next two years.

A volume greater than the annual Dairygold milk supply. This view confirms the current UK quota trend.

After four months of the quota year the UK are running 46 million gallons under quota (see graph). All of this represents a great exodus from UK milk production.

The most alarming aspect of the study was that over one in ten with over 150 cows herds had left the industry. Indeed one in five of those surveyed with from 100 to 149 cows had ceased production.

The reason is simple. Low milk prices, hence low profits, no future.

June 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 1 – Over 16.50p					
Lakeland Dairies	16.85	0.22	17.66	26.31	14
FivemiletownCo-op	16.76	0.35	17.56	26.17	1.5
Donegal Creameries	16.52	0.57	17.31	25.80	3
Division 2 – 16-16.50p					
Town of Monaghan	16.39	0.47	17.18	25.59	19
Glanbia Cheese	16.26	0.58	17.04	25.39	5
Glanbia Milk	16.26	0.35	17.04	25.39	2.5
Division 3 under 16p/g					
United Dairy Farmers	15.24	0.57	15.98	23.80	56