Dairygold cuts — Monaghan holds

DAIRYGOLD have cut their May price by two cent a gallon. This has been the signal for most of the others to follow.

Demonstrating Dairygold's huge importance in milk pricing nationally. The pace setting exception at a high price level are Monaghan. They are holding not alone for May but also June.

This places them at the top of the predicted May League. That's not all. They are also top of the Northern League. An exceptional performance which reflects exellently on chairman, board and management.

The Dairygold cut of two cent is disappointing. Yes I know market forces are downwards.

However where is the major rationalisation saving for the actual Dairygold milk supplier.

This rationalisation programme was undertaken with great courage by the Dairygold Board and management. It has resulted in a saving of the equivalent of ten cent a gallon in wage costs.

Against this background one looks forward to Dairygold holding the price for the remainder of 2005.

In our predicted table five creameries are beating 27 cl. They are Kerry, North Cork, Wexford, Monaghan, Newmarket and Boherbue. This group are ahead of both Dairygold and Glanbia with large milk volumes.

Connacht Gold courageously holds their base price for May.

Joining them in this category of no cut is Wexford. Lakeland have also held the May price but at a low level despite claims in their annual report that they are supporting milk price.

Some support it puts them in 11th position in the April League.

Predicted prices — May '05

Creamery	Predicted - May price c/litre	Reduction May v April c/gallon	Reduction May v April c/litre
Monaghan	27.20	nil	nil
Kerry	27.18	2.00	0.44
North Cork	27.06	2.00	0.44
Wexford	27.06	nil	nil
Newmarket	27.06	2.00	-0.44
Boherbue	27.06	2.00	-0.44
Connacht Gold	26.93	nil	nil
Dairygold	26.88	2.00	0.44
Drinagh	26.88	2.00	-0.44
Barryroe	26.76	2.00	0.44
Lisavaird	26.63	2.00	0.44
Lakeland	26.61	nil	nil
Tipperary	26.55	1.00	0.22
Arrabawn	26.31	2.00	0.44
Centenary	26.18	1.00	0.22
Oldcastle	26.00	nil	nil
Glanbia	26.00	nil	nil

April 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 March 2005	Cash price c/l March 2004	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 27.15										
Kerry	27.58	27.42	-	nil	3.69	3.17	0.25	0.51	27.10	4
North Cork	27.50	27.40	-	nil	3.66	3.12	0.30	0.40	26.80	8
Newmarket	27.50	27.35	-	nil	3.65	3.15	0.35	0.39	27.10	4
Boherbue	27.40	27.25	-	nil	3.83	3.17	0.30	0.40	27.60	2
Connacht Gold	27.35	27.25	-	0.64	3.68	3.15	0.30	0.40	27.00	6
Dairygold	27.32	26.91	-	nil	3.60	3.22	0.30	0.47	27.00	6
Drinagh	27.32	27.16	-	0.39	3.59	3.23	0.35	0.47	27.00	6
Bandon	27.31	27.10	-	nil	3.63	3.25	0.25	0.44	27.20	3
Barryroe	27.20	27.05	-	0.29	3.63	3.25	0.30	0.50	27.05	5
Monaghan	27.20	27.00	-	0.50	3.65	3.05	0.36	0.40	26.55	9
Division No. 2 - 26.65 - 27.15										
Lisavaird	27.07	26.92	-	0.28	3.61	3.26	0.29	0.47	26.95	7
Wexford	27.05	26.91	-	nil	3.88	3.30	0.29	0.48	27.90	1
Tipperary	26.75	27.00	-	0.18	3.61	3.21	0.25	0.56	26.30	11
Arrabawn	26.75	27.08	-	0.50	3.68	3.18	0.35	0.40	26.53	9
Donegal	26.72	27.06	-	0.92	3.86	3.21	0.23	0.40	27.00	6
Thurles	26.70	27.05	-	nil	3.58	3.32	0.20	0.38	27.20	3
Division No. 3 - under 26.65										
Lakeland	26.61	25.75	-	0.39	3.70	3.17	0.29	0.47	26.30	11
Centenary	26.40	26.71	-	nil	3.65	3.27	0.27	0.44	26.45	10
Oldcastle	26.00	26.77	-	nil	3.88	3.22	0.46	0.47	26.30	11
Glanbia	26.00	26.77	-	nil	3.71	3.23	0.26	0.47	25.97	12

PRICE GAP = Kerry v. Glanbia - Oldcastle = 1.58 c/l = 5.65 p/g
PRICE GAP on actual payout = Wexford v. Glanbia = 1.93 c/l = 6.91 p/g

April League - €80 per cow price gap

THE April League is largely as predicted. Kerry at the top Glanbia at the bottom. The price gap between Kerry and Glanbia is 1.58 cent/litre or 5.65p/gallon.

On the actual payout basis Wexford are top. The result of high fat 3.88, protein 3.30. The consequences of their breeding policies which I wrote about last month. The gap on actual payout Wexford v. Glanbia is 1.93 cent/litre or almost 7p/gallon. More than €80 per cow on a lactation basis.

Lakeland drops further in the April League. This is the result of the end of their lactose bonus which was paid up to the end of March. In view of the Thurles Centenary merger their prices are of special interest.

Traditionally Thurles are always ahead of Centenary. Does this mean that in the future the Centenary/Thurles merger will pay the Tipperary price (always the Thurles benchmark) rather than the Centenary/Glanbia price. Interesting times ahead in mid-Tipperary.

Ireland tops Intervention sales

IRELAND with only 4.1% of the 25 EU member quota, delivered over 58% of butter to intervention for the period March-May 2005. We are also the top intervention user for skim milk powder at 61%.

Those figures give me a scary feeling. I am told that there are some shortterm logistical reasons for such a high volume going into intervention. Hopefully this is correct and the current Irish figure overstates our intervention dependence.

It would be interesting if it was possible to have the Irish intervention use on a creamery by creamery basis. Could ICOS produce this data for dairy farmers?

It is reported that a major butter manufacturer in the Republic is responsible for over 20% of the Irish butter in intervention store.

The accompanying table on intervention could be alarming form the Irish viewpoint. If this trend continues Spain with a milk quota just ahead of the Irish figure has only 18% of the total volume of butter in intervention.

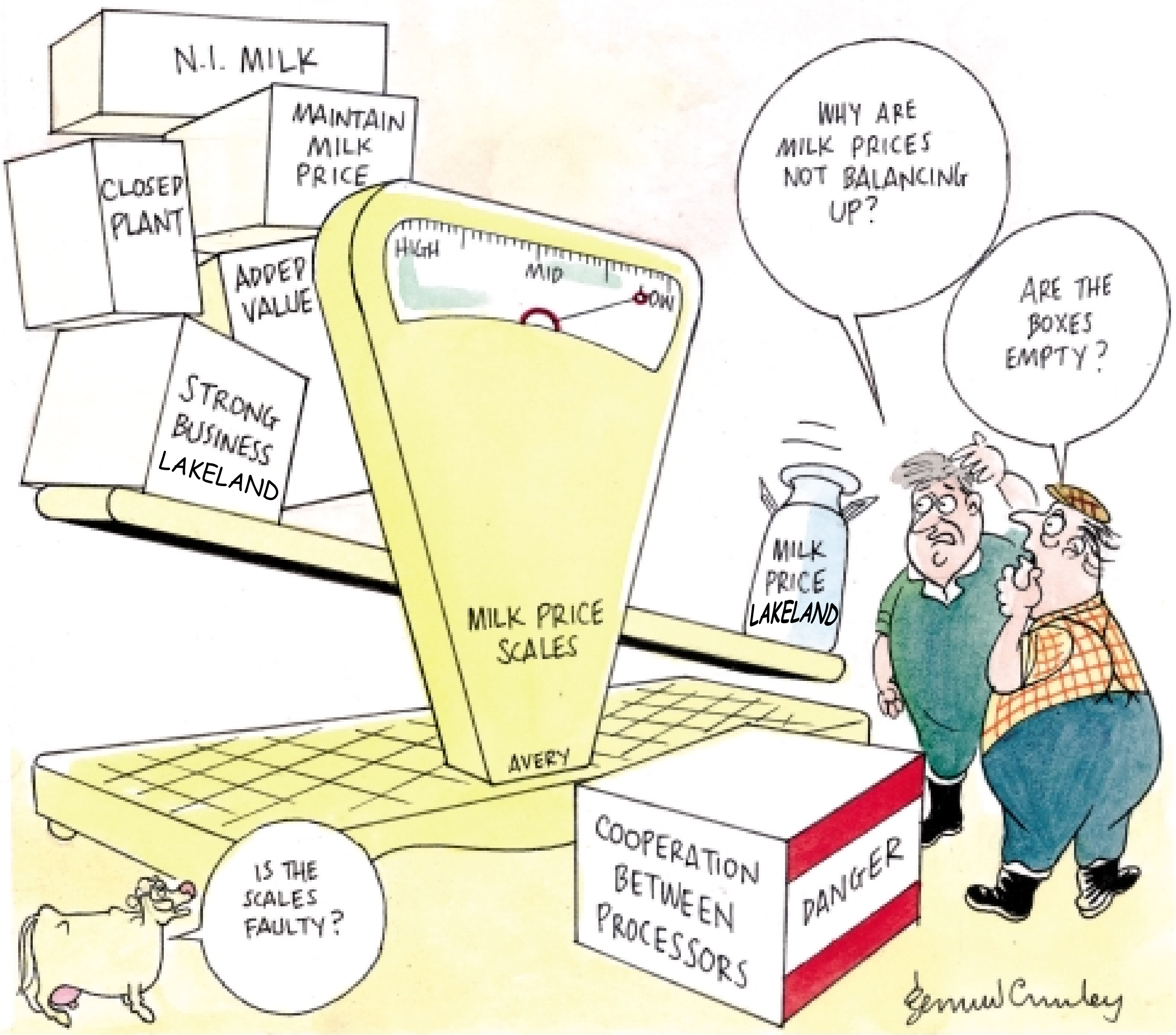
The next biggest user is Italy with 14% while their quota is almost double the Irish figure. Poland, a new member, with a milk quota 60% more than Ireland has less than 2% in intervention. This surprises me as last year I saw their dairy processing industry which was in a very underdeveloped stage.

On the skim front our levels are also high at over 3,000 tonnes.

This represents 61% of all skim in intervention. IN second place is Germany at 22%. The only other member state with skim in intervention is the Czech Republic. Hopefully for our own sakes Ireland's intervention use is only a seasonal blip.

Sales into Intervention in tonnes March - May '05

Country	Butter	Butter expressed as % of total sales to Intv	SMP	SMA Expressed as % of Total Sales to Intv	National Milk Quotes expressed as % of EU production 25 members
Ireland	15,518	58.66%	3,015	61.22%	4.1%
Spain	4,867	18.40%	Nil		4.6%
Italy	3,692	13.96%	Nil		7.87%
Germany	Nil		1,090	22.13%	21.26%
Czech Rep	488	1.85%	820	16.65%	2.0%
Portugal	809	3.06%	Nil		1.39%
Estonia	549		Nil		0.42%
Poland	419	1.58%	Nil		6.8%
Latvia	108	0.41%	Nil		0.98%
Total	26,450		4,925		



• **"This enabled your co-operative to deliberately maintain a strong milk price" — Lakeland Chairman, Annual Report 2004.**

International standardised milk price — April '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	April 05 c/l	April 04 c/l
Bongrain	France	30.00	28.20
Kymppi Group	Finland	29025	30.30
Donone	France	28.95	26.10
Lactalis	France	28.61	28.20
MilcoBell	Belvium	28.40	27.15
Arla	Denmark	28.00	28.20
Friesland	N.L.	27.60	24.01
Nordmilch	Germany	26.85	26.82
Humana	Germany	25.30	26.10
Campina	N.L.	25.05	24.42
First Milk	U.K.	24.52	26.10
USA	U.S.	28.00	
Fonterra	N.Z.	18.55	

***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
PRICE GAP = Bongrain V First Milk = 5.48 c/l (19.6 p/g)

Ireland positive in Euro League

IRELAND does well in milk price comparison form the German Statistical Institute ZMP. This is especially true 2004 compared to 2003. In that period Irish prices fell by 0.6%. The EU average reduction was 1.6%. Over the same period Denmark was -5.6%, Netherlands -3.3% and France down 3.1%. See accompanying table below.

The Irish picture is not as bright when 2004 is compared to 2001. Ireland's reduction was 9.8% against an average fall of 8.8%. However we outpaced a number of other players. UK down 13.8%, Netherlands fell by 11%. As one would expect from the figures appearing in the Journal's International Table Monthly the German situation is dire, down just 15% and falling. The real high flyers are Finland, meaning Valio and Kymppi, down only 0.9% from 2004 to 2001.

Some of the new member states show dramatic increases especially 2004 compared to 2001. A serious milk producer like Poland with a larger quota than Ireland had a price plus of 18%.

Interestingly the largest increase was from Estonia with one tenth of the Irish quota price up 33%. This may only be a coincidence but Finland's Valio has invested €3 million at their cheese plant in Estonia. This plant produces 6,000 tonnes of cheese with 135 employed.

Average European milk producer prices

euros/100kg	2004	v.'03	v.'01
Italy	33.60	-5.9%	-2.6%
Finland	32.20	-1.0%	-0.9%
Spain	31.94	+5.8%	+4.1%
Denmark	30.25	-5.6%	-6.4%
Sweden	29.37	-6.3%	-3.8%
Netherlands	29.00	-3.3%	-11.0%
Germany	27.95	-1.9%	-14.8%
Austria	27.88	-1.1%	-12.8%
Belgium	27.82	+1.1%	-7.5%
France	27.82	-3.1%	-7.9%
Ireland	26.70	-0.6%	-9.8%
UK	25.70	+4.9%	-13.8%
EU-15 avge	28.64	-1.6%	-8.8%
New Member States			
Slovenia	29.12**		
Hungary	27.46**		
Estonia	24.53	+33.2%	+20.1%
Czech Republic	24.25	+2.9%	+10.6%
Slovakia	22.27	+6.3%	+12.8%
Poland	18.67	+18.3%	-9.7%
Lithuania	13.90	+17.3%	-3.2%

*All prices are provisional estimates; for milk standardised to 3.7% butterfat;
**2003 prices; sources: ZMP, Eurostat, national statistics.

€7 per quota gallon

DUTCH processors Friesland and especially Campina continue to lanquish in the International Table.

Despite poor dutch prices their milk quota price has reached record levels.

The Dutch price is per kg of butterfat. On the basis of their over 4% butterfat quota changed hands at the equivalent of €9 per gallon.

When this is converted into Irish fat levels the price is still over €7 per gallon.

There is a view among Dutch farmers that the best hope of staying in business is to increase milk production.

Over quota is also a problem. The Dutch are over their quota by 15.7 million gallons for this year.

The over quota volume will produce a super levy of €25 million. The highest since 2000.

Bongrain pays 30 c/l

Major French cheese manufacturer Bongrain tops the International Table. They are paying an Irish Milk League equivalent of 30 c/l (107.33 p/g).

With this high price level Finland's Kymppi are in second place. They are of course paying a traditionally excellent price of 29.25 c/l. Kymppi's price shadows the famous Valio price, who process over 80% of Finland's milk supply. Valio pays one of the top milk prices in the EU, if not, in the world.

There is a trend in Ireland for years that one cannot pay a high milk price and make the necessary investment. Valio disproves this theory. Their most recent data shows that in the current year they will invest €55 million to update plant. From 2002-2005 they have invested over €300 million in improved facilities, while continuing to pay a top milk price.

Northern prices — Monaghan top

MONAGHAN top the Northern League paying a Southern League equivalent price of 26.55 c/l. They are now the second biggest milk purchaser in the North at 19% of the total volume. Currently they are leading United by 2.87 c/l or more than 10p/gallon.

This is a significant price gap. However it may not be the full story. United may be operating a seasonal factor in their pricing procedure. The only way to deal with this matter is for all Northern milk purchasers to join the Journal's annual milk audit and produce a northern table for northern milk.

April milk league — NI

55,000 gals Milk buyer	Price (net) sterling	Transport charge litre sterling	Price litre plus 4.8% VAT sterling	Price in euros plus 4.8% VAT	Estimated share of total supply %
Division 1 – Over 17p					
Town of Monaghan	17.35	0.51	18.18	26.55	19
Fivemiletown Coop	17.23	0.38	18.06	26.38	1.5
Lakeland Dairies	17.10	0.22	17.92	26.16	14
Donegal Creameries	17.02	0.57	17.84	26,04	3
Division 2 – 16-17p					
Glanbia Milk	16.48	0.38	17.27	25.22	2.5
Glanbia Cheese	16.21	0.63	16.99	24.80	5
Division 3 under 16p/g					
United Dairy Farmers	15.47	0.59	16.22	23.68	56