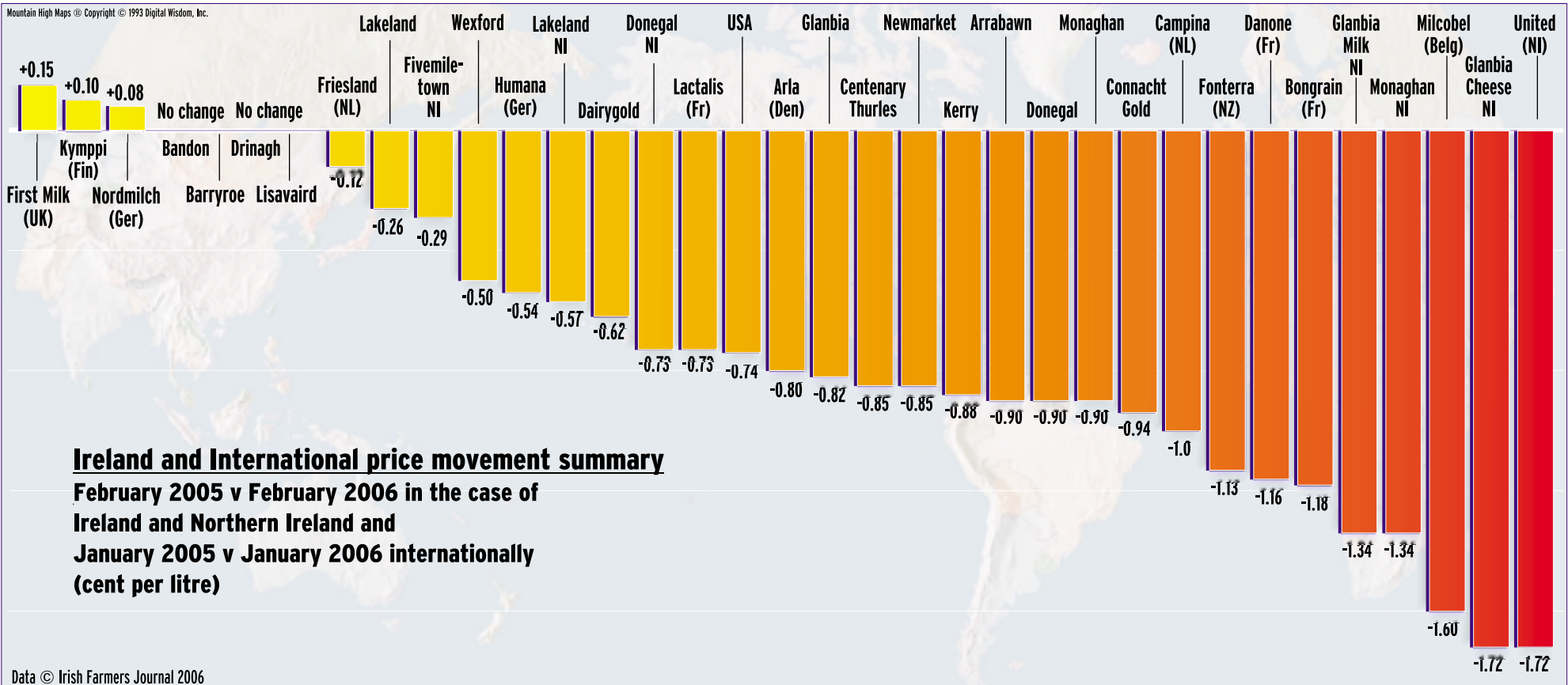


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Ireland and International price movement summary

February 2005 v February 2006 in the case of Ireland and Northern Ireland and January 2005 v January 2006 internationally (cent per litre)

Data © Irish Farmers Journal 2006

Milk price watch 2006

By Joe Rea

Irish Farmers Journal



THIS year is a defining period in Irish dairying. CAP supports are winding down. Free Trade and WTO are coming down the road at speed. Therefore milk price in 2006 is a critical issue for dairy farmers.

The price cannot be the amount that is left after all other costs are covered by the creamery. Price is what determines above all else family living standards, profit levels and critically the longterm viability and continuity of the industry. One of the few industries where we have a great international competitive advantage in the Northern hemisphere with some 500m customers in our region.

Against this background the Milk League will focus on price

movement in Ireland North/South and internationally. On those pages we have the first instalment of this approach. It tells you what's happening where and by how many cents per litre.

One can easily get an overall view of milk price movement around the world in the accompanying Chart on price movement internationally.

In the case of all Ireland the comparison is between February 2006 versus February 2005. Once again West Cork set the pace. Over that twelve month period there was no change. After that the range of reductions is from a low recorded by Lakeland of -.26c/l to 0.9c/l or more.

On the Northern scene Fivemiletown shows the lowest

fall of only 0.29c/l. The highest reduction is from Glanbia Cheese and United, both down 1.72c/l.

Then we assess the International scene which compares

January 2006 with January 2005. Indeed Ireland admittedly from a low base in cases has been doing well. France's giants Bongrain, Lactalis and Danone all reduce by over 1c/

l. Lactalis normally a pace setter is -1.73c/l down.

It should be understood that the final price, especially in the Netherlands and Denmark, is affected by there end

of year Bonus payment. However for the purpose of this comparison we are comparing like with like.

February 2006 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 Feb 06	Cash Price c/l Feb 05	Max Price Feb 06	Price difference Feb 06	Avg cr Fat	Avg cr Protein	B/F diff per each 0.10%	Price Diff per each 0.10%	Price based on Avg Cr Fat & Pro	Ranking on Avg Cr Fat & Pro
Division No. 1 Over 26.50										
*Glanbia	28.27	26.92	31.35	-0.82+	3.93	3.21	0.26	0.47	28.32	1
/Monaghan	27.90	28.80	-	-0.90	3.77	3.05	0.36	0.40	27.50	3
**Drinagh	27.33	27.33	33.65	n.c.	3.76	3.19	0.35	0.47	27.40	4
**Barryroe	27.20	27.20	33.70	n.c.	3.84	3.18	0.28	0.47	27.35	5
**Lisavaird	27.07	27.07	33.65	n.c.	3.87	3.22	0.28	0.45	27.50	3
/*Connacht Gold	27.16	28.10	-	-0.94	3.78	3.15	0.26	0.40	27.06	9
**Bandon	27.01	27.01	33.65	n.c.	3.88	3.20	0.25	0.56	27.15	8
**Dairygold	26.70	27.32	32.26	-0.62	3.86	3.21	0.29	0.46	27.05	10
Kerry	26.70	27.58	-	-0.88	3.86	3.28	0.25	0.49	27.30	6
Newmarket	26.65	27.50	-	-0.85	3.88	3.26	0.35	0.39	27.50	3
Lakeland	26.62	26.88	-	-0.26	3.85	3.15	0.18	0.40	26.50	11
Boherbue	26.62	27.40	-	-0.78	3.94	3.33	0.30	0.40	27.75	2
Wexford	26.55	27.05	36.15	-0.50	3.93	3.24	0.28	0.47	27.20	7
Division No. 2 - 26.00 - 26.50										
Arrabawn	26.35	27.25	-	-0.90	3.95	3.19	0.35	0.40	26.00	12
Centenary Thurles	26.00	26.85	-	-0.85	3.89	3.17	0.20	0.50	26.00	12
Division No. 3 - Under 26.00										
Donegal	25.82	26.72	-	-0.90	-	-	0.26	0.47	-	-

* Glanbia price paid for milk with lactose over 4.35%. Also June milk delivery under 16% of total delivery for year
 + Bonus excluded from Glanbia's 2005-2006 Comparison
 / Monaghan and Connacht Gold inc no conditions Spring Bonus
 ** Prices inc SCC Bonus for under 200,000

Five creameries beat 27.5c/l

IRELAND'S February League shows little change from the second half of 2005. The top spot goes to Glanbia, beating 28c/l. To achieve this price requires lactose 4.35% while not more than 16% of the annual supply is delivered in June 2005.

Just a shade under 28c/l is Monaghan in second place. Their price benefits from a No Condition Spring Bonus of 1.6c/l. Connacht Gold are

also safely in Division 1 also gaining from a No Condition Bonus of 1.12c/l.

Overall the most encouraging aspect of the February League is that five creameries paid 27.5c/l or better on actual payout. Creameries achieving this level of performance are not far behind the magical £1 per gallon. Those top performers are Glanbia, Boherbue, Monaghan, Lisavaird and Newmarket.

February 2006 Northern Ireland milk league

55,000 gals

Milk buyer	Price (litre)	Transport charge litre (55,000)	Price litre plus 4.8% VAT (55,000)	Price in € plus 4.8% VAT Feb 05	Price in € plus 4.8% VAT Feb 06	Estimated share of total milk %	Euro price diff Feb 06 v Feb 05
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Division No. 1 - Over 17.00p

Lakeland Dairies	17.85	0.22	18.71	27.31	27.88	14	-0.57
Fivemiletown Co-op	17.59	0.77	18.43	26.91	27.20	1.5	-0.29
Donegal Creameries	17.42	0.57	18.26	26.65	27.38	3	-0.73
Town of Monaghan	17.25	0.61	18.08	26.39	27.73	19	-1.34
Glanbia Milk	17.15	0.46	17.97	26.24	27.58	2.5	-1.34

Division No. 2 - Under 17.00p

Glanbia Cheese	16.88	0.71	17.69	25.83	27.55	5	-1.72
United Dairy Farmers	16.68	0.63	17.48	25.53	27.25	56	-1.72

Finland again top at 33c/l

FINLAND'S Kymppi pays an extraordinary price of 33c/l (118p/g) placing them at the top of the international Table. All of the French creameries are handsomely beating 29c/l.

The Dutch are down the field somewhat. However the rolling average figure in the final column includes their Bonus payments over the past twelve months. On this basis they beat 29c/l. Arla of Denmark shows up well on the rolling average figure of 29.22c/l.

Denmark have always

been one of the most pragmatic operators in the world of agriculture. They are now all about beating the CAP squeeze, placing great emphasis on expansion into China, and why not.

The milk sector in China has grown by an estimated 188% over the last five years. Market research shows that sales of UHT and longlife milk is far greater than fresh milk. China has the lowest per capita consumption of milk in the world.

It is estimated at 2 litres per year. This shows the po-

tential growth in this market.

Could this be the reason why Arla has recent invested €100m in an ultra modern speciality milk powder plant with a capacity of 85m gallons per annum.

The objective as stated by Arla's MD, Peder Taborgh, "is transforming low margin products into high margin products through added value".

This is now a new Danish game in the EU as supports disappear. Arla are investing to beat what they term "the CAP squeeze".

International standardised milk price — Jan '06

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	County	Jan 06 c/l	Jan 05 c/l	Jan 06 v. Jan 05 Price diff	Rolling Avg Last 12 mts
Kymppi	Finland	33.00	32.90	+0.10	35.14
Bongrain	France	30.26	31.44	-1.18	29.62
Lactalis	France	29.92	31.65	-1.73	29.42
Danone	France	29.65	30.81	-1.16	29.80
MilcoBel	Belgium	28.70	30.30	-1.60	29.33
Nordmilch	Germany	27.95	27.87	+0.08	27.58
Humana	Germany	27.86	28.40	-0.54	27.55
Arla	Denmark	27.10	27.90	-0.80	29.22
Friesland	NL	26.60	26.72	0.12	29.35
Campina	NL	25.51	26.51	-1.00	29.12
First Milk	UK	24.90	24.75	+0.15	24.60
USA	US	25.98	26.72	-0.74	28.02
Fonterra	NZ	16.90	18.03	-1.13	17.70

* 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



Dairygold-Glanbia bonus effect

BONUS payments by Glanbia and Dairygold are very positive developments. It shows scale delivering some increased contribution to milk suppliers. Glanbia are paying a Bonus amounting to 0.33c/l on all milk supplied in 2005, no conditions applying. Dairygold are also in the Bonus business. They are paying out a Bonus of 0.22c/l again to all milk suppliers with no conditions in 2005. Question - What effect have those bonuses on the

placing of Glanbia and Dairygold in the League?

While it will require the Journal 2005 Milk Audit to give the total answer I have imposed those Bonus payments on existing milk price figures for peak supply months. See accompanying table below.

For Dairygold their Bonus brings them into line with Kerry, but no better than the parish creamery Newmarket. In Glanbia's case they are still being outperformed by those

same parish creameries like Bandon and Newmarket. The point is that Glanbia and Dairygold have huge milk volumes, over 500m between them.

Note: Bandon has 17m while the Newmarket quota is 8m. Who gains from creamery rationalisation and scale? If scale means success then Dairygold, Glanbia and Kerry should be beating the parish creamery price by at least 1c/l - otherwise what's the point of scale?

2005 bonus payment effect on Dairygold and Glanbia league placings for 2005 March-Sept

Creamery	March	April	May	June	July	Aug	Sept	Quota gallons in each creamery in millions
Kerry	27.58	27.58	27.15	26.70	26.70	26.70	26.70	205
*Dairygold	27.54	27.54	27.07	27.07	26.62	26.62	27.22	194
Newmarket	27.50	27.50	27.07	27.07	26.65	26.65	26.65	8
*Bandon	27.31	27.31	26.80	26.80	26.30	26.30	26.30	17
Glanbia	26.33	26.33	26.33	26.33	26.33	26.33	26.33	330

*Price incs S.CC Bonus for under 200,000