Suspending levies worth €20m/year to farmers

CURRENT DAIRY LEVIES PAID

Type of Levy	Paid to	Amount per c/l	Amount per c/g
Dairy Council	N.D.C.	0.07	0.32
Govt Services	Dept. of Agr	0.10	0.45
Disease Eradication	Dept of Agr	0.11	0.50
Irish Dairy Board	IDB	0.14	0.64
	Total:	0.42	1.91

JOE REA
IRISH FARMERS JOURNAL

EVERYDAY, milk producers pay 1.91c/g on all manufacturing milk delivered (see table). Over a 12 month period that amounts to a take of over €20m nationally from dairy farmers profits.

This is happening at a time when there is serious downwards pressure on milk prices which, in cases, is resulting in a confidence crisis. Suspending those levies for 2007-2008-2009 would add €60m to dairy farmers' income.

Surely this proposition should be examined at a critical time for dairy farmers income. The government is buoyant with excess revenue, they would not miss the levy.

The most recent IDB balance sheet 2005 shows net assets at over €363m. This is an increase of €35m on the previous year. Those figures are a fine reflection of the excellent performance of the board over many years. Foregoing the levy for three years is not going to affect their overall structure. This is essential for the structure to remain solid, which is necessary for the wellbeing of the industry.

SUSPEND LEVIES

The idea is that those levies be suspended for a three year period starting 1 January 2007. This will create a buffer during this interim period of change. There is general agreement that there is an excellent long-term viable future for Irish dairying. It is one of the few sectors in which we are competitive, especially in the northern hemisphere.

The Teagasc levy should continue to be paid because it is only on research and knowledge that our industry can succeed.

Indeed, Moorepark's contributions over generations has been remarkable. It has succeeded in putting money into dairy farmers' pockets, which is the ultimate test of agricultural research.

It is enlightening and encouraging to see the IFA Livestock Committee pushing for an extra €100 for suckler cows. This makes excellent sense in order to secure the long-term future of the suckler herd.

Dairy levy suspension could have a similar positive impact.

JULY PRICES

The July Predicted Table puts price pressure in context. It says something about the current situation when we see Kerry just hovering over the 90p figure for July.

Seven creameries namely, Lakeland, Centenary Thurles, Tipperary, Arrabawn, Glanbia, Oldcastle and Connacht Gold are all under the 90p per gallon mark. Drinagh head the Predicted Table beating 26c/l or over 94p/g. They are followed by Barryroe, Dairygold and Lisavaird.

Predicted July prices

Creamery	league cash price July c/l	league cash price July p/g	Reduction July v June c/l on standard price	Reduction July v June p/g on standard price
Drinagh	26.30	94.09	0.33	1.18
Barryroe	25.74	92.09	0.44	1.57
Dairygold	25.57	91.48	0.44	1.57
Lisavaird	25.50	91.23	0.33	1.18
Kerry	25.38	90.80	0.66	2.36
Monaghan	25.30	90.52	NC	NC
Lakeland	25.14	89.94	NC	NC
Centenary Thurles	25.05	89.62	0.44	1.57
Tipperary	25.02	89.51	NC	NC
Arrabawn	25.02	89.51	NC	NC
Glanbia	24.60	88.01	NC	NC
Oldcastle	24.60	88.01	NC	NC
Connacht Gold	24.25		NC	NC

€100 per cow gap

THE price gap in the June League is 2.37c/l, or in old money 8.5p/g. In the event of this gap being maintained for one year there are serous consequences.

It is the equivalent of a minus €100 per cow between the West Cork cow and the Connacht cow. It must be recognised that there is a real western problem due to milk density.

There is also a major gap on the actual payout basis between Boherbue at the top and Glanbia at the bottom. In this case, it amounts to 1.85c/l or 6.6p/g. Glanbia's lowly position on actual payment is a cause for concern. While recognising that new Glanbia management has had to climb out of a morass created by past financial fantasies — an operation of their size should be a price setter, rather than playing "catch up".

While the recent Glanbia price manoeuvre protected their own suppliers short-term, it is not a long-term solution. Where are the benefits of rationalisation?

The most worrying aspect of the "balls in the air" price approach is that it gives the plc a competitive advantage of around 5% on selling dairy products against other Irish manufacturers.

There is only one solution — the others must also cut their price to match the competition. This will result in lower prices for all.

June 2006 milk price league

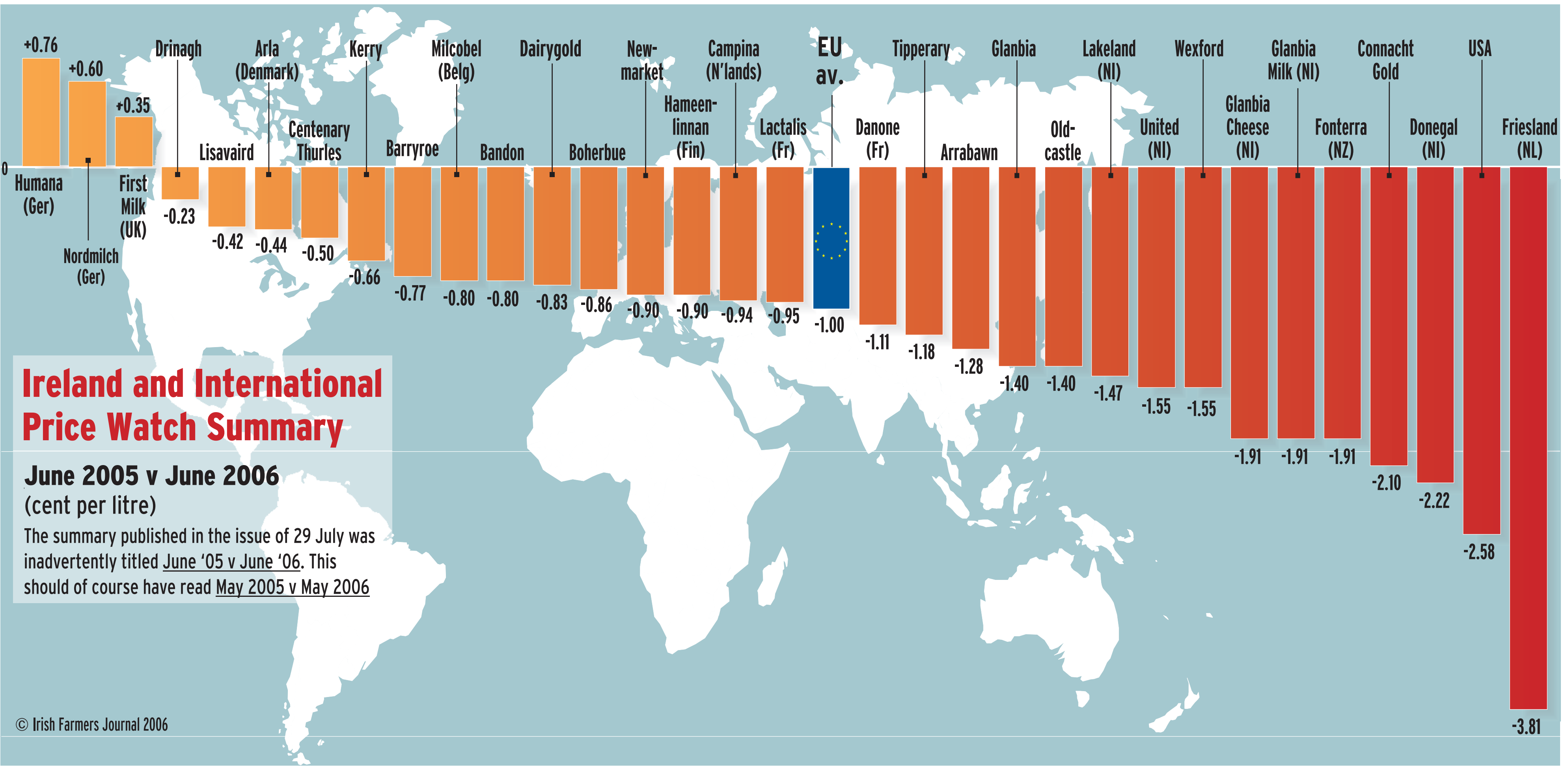
All cash price in column (A) are based as follows: ★ No volume conditions ★ 3.60 per cent butterfat ★ 3.30 per cent protein ★ Protein bonus not included ★ SCC 400,000 ★ TBC 50,000 ★ Dairy Board and state levies at rate deducted by creamery ★ Transport charges based on 30,000 gallons per year collected ex-farm. ★ Farmer not required to have more than bulk size for five milkings.

Creamery	Cash Price c/l June 06	Cash Price c/l June 05	Collection Charge c/l	Price cut June 06 v June 05	Avge cr Fat	Avge 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 26.00										
*Drinagh	26.62	26.85	0.39	0.23	3.52	3.25	0.34	0.45	26.00	3
Lisavaird	26.40	26.82	0.28	0.42	3.48	3.25	0.28	0.45	25.85	4
Newmarket	26.18	27.07	Nil	0.89	3.62	3.23	0.34	0.37	26.02	2
Boherbue	26.18	27.04	Nil	0.86	3.67	3.24	0.30	0.40	26.15	1
*Barryroe	26.18	26.95	0.28	0.77	3.50	3.23	0.29	0.47	25.60	7
North Cork	26.17	27.07	Nil	0.90						
Kerry	26.04	26.70	Nil	0.66	3.60	3.23	0.24	0.48	25.65	6
*Diarygold	26.02	26.85	Nil	0.83	3.54	3.22	0.26	0.46	25.50	9
*Bandon	26.00	26.80	Nil	0.80	3.52	3.25	0.25	0.56	25.55	8
Division No. 2 - 25.50-26.00										
Centenary Thurles	25.50	26.00	Nil	0.50	3.65	3.23	0.20	0.50	25.30	10
Wexford	25.50	27.05	Nil	1.55	3.66	3.30	0.27	0.46	25.70	5
Division No. 3 - Under 25.50										
Monaghan	25.30	27.26	0.50	1.96	3.57	3.16	0.36	0.40	24.65	12
Lakeland	25.14	26.61	0.39	1.47	3.63	3.20	0.17	0.37	24.85	11
Arrabawn	25.02	26.30	0.50	1.28	3.58	3.19	0.29	0.40	24.55	13
Tipperary	25.02	26.20	0.18	1.18	3.58	3.21	0.25	0.56	24.50	13
Donegal	24.85	25.80	0.92	0.95	3.65	3.21	0.26	0.47	24.65	12
**Glanbia	24.60	26.00	Nil	1.40	3.37	3.25	0.25	0.46	24.30	15
Oldcastle	24.60	26.00	Nil	1.40	3.65	3.26	0.25	0.46	24.60	12
+Connacht Gold	24.25	26.35	0.63	2.10	3.67	3.26	0.24	0.40	24.35	14

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

**Glanbia requires over 4.32% Lactose for top price

+ Connacht Gold requires space for 7 million for top price



EU prices down 1c/l

THE average EU price reduction for June 2006 compared to June 2005 is 1c/l. This is the assessment of the Dutch Dairy Board Milk Price Analysis. Taking this benchmark, we can see how Irish creamers have performed as set out in the International Summary Chart above.

On this basis, the majority of Irish creameries have performed well. Indeed some of them showed a reduction of half the EU average. The creameries achieving this are Drinagh, Lisavaird and Centenary Thurles.

Then there is a whole group beating the 1c/l cut. They are Kerry, Barryroe, Bandon, Dairygold, Boherbue and Newmarket. Those cutting more than the EU average are Tipperary , Glanbia, Oldcastle, Lakeland, Wexford and Connacht Gold.

NORTH OF IRELAND

Northern purchasers in all cases have cut above the EU average. Indeed, Lakeland and Donegal have reduced by more that 100% above the average. The Northern scene is not great. Every purchaser in the Northern Table paid under 90p Irish per gallon.

EU

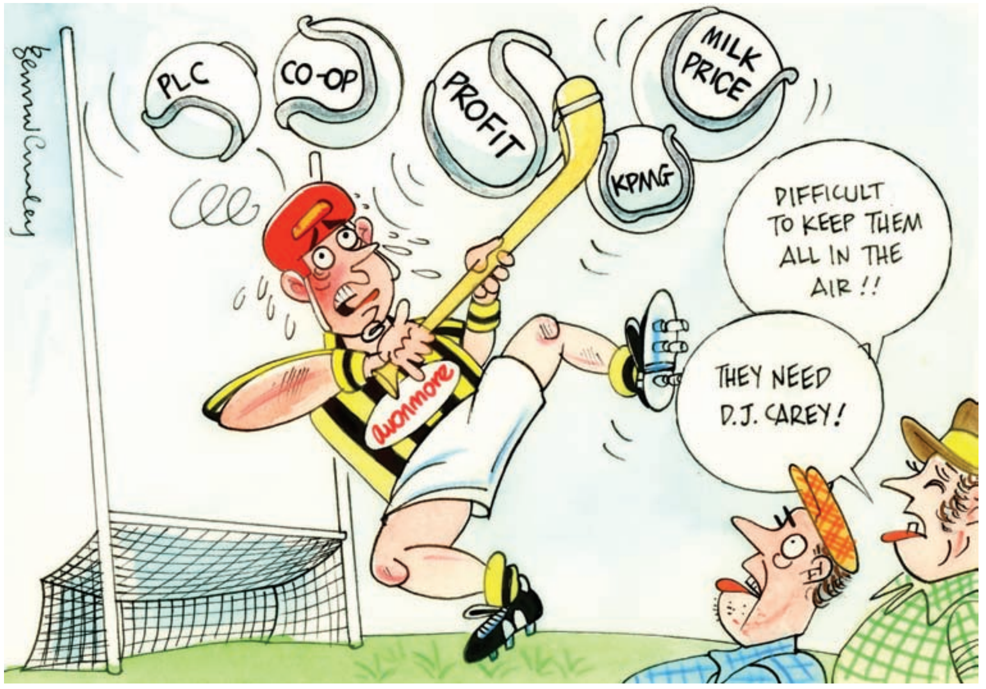
On the international scene, Finland's Hameen Linnano, Denmark's Arla, Belgium's Milcobel and France's Lactalis were all under the average cut of 1c/l. Indeed the two German creameries, Humana and Nordmilch, show increases but this is making up for lost time.

NEW ZEALAND

Fonterra shows a reduction of almost double the EU cut in their advanced July payment. However, one must wait for their end of year final payment to assess the situation. Their forecast for next year is NZ$4.05 per kg solids. This is 2.2% under last season's total payout.

I have always admired New Zealand's imagination and ingenuity.

This approach is well demonstrated by the Fonterra initiative of offering free bone health scans in nine Asian countries as part of a promotion for their Anlene milks and yoghurts.



June 2006 Northern Ireland milk league

55,000 GALS

Milk buyer	Price (litre)	Transport charge litre	Price litre plus 4.8% VAT (55,000)	Price in € plus 4.8% VAT	Estimated share of total milk %	Euro price diff June 06 v June 05
Division No. 1 - Over 15.00p						
Town of Monaghan	15.89	0.47	16.65	24.15	19	1.44
Lakeland Dairies	15.55	0.22	18.30	23.83	14	2.68
Donegal Creameries	15.52	0.57	18.26	23.58	3	2.22
Glanbia Cheese	15.51	0.58	16.25	23.57	5	1.82
Glanbia Milk	15.51	0.35	16.25	23.57	2.5	1.82
Division No. 2 - Under 15.00p						
United Dairy Farmers	14.64	0.57	15.35	22.25	56	1.55

International standardised milk price — June 2006

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 06 c/l	June 05 c/l	June 06 v. June 05 Price diff	Rolling Avg Last 12 mts
▶ HameenLinnano	Finland	29.32	30.40	-0.90	35.62
Humana	Germany	27.78	26.72	+0.76	27.35
Arla	Denmark	27.24	27.70	-0.46	29.06
Bongrain	France	26.50	27.78	-1.28	29.26
Nordmilch	Germany	26.35	26.95	+0.60	27.91
MilcoBel	Belgium	26.33	27.12	-0.80	28.23
Lactalis	France	26.20	27.15	-0.95	29.20
Danone	France	25.30	26.41	-1.11	29.30
Campina	NL	24.11	25.05	-0.94	28.62
Friesland	NL	23.75	27.56	-3.81	28.55
First Milk	UK	23.41	23.06	+0.35	23.27
USA*	US	25.90	28.48	-2.58	25.90
Fonterra*	NZ	14.75	16.06	-1.91	17.08

▶ HameenLinnano replaced Kymppi for Finland

* 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