

# Setting the March milk price

## Every 1c/l worth €3m to farmers

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**T**he milk price level to be set over the next two weeks by dairy farmers on creamery boards is critical. In the month of March the Republic's creamery milk producers will deliver around 300 million litres of milk. Simple sum — every 1c/l increase in milk price will add an extra €3m to creamery cheques.

Here is a prize worth fighting for — not just 1c/l but a minimum milk league price of 28c/l, which will be worth from 2c/l to over 3c/l. (See accompanying table on the price increase required to cover the Irish Dairy Board increases).

I set out the basis of this 28c/l milk price in last week's *Farmers Journal*. (See page 12 of 17 March issue).

The following is the key point — let's convert all of this to the equivalent milk league price for March 2007. By adding the VAT refund of 5.2% to the net return of 27.7c/l. The net result is 29.14c/l. The milk league deducts 0.4c/l for levies. This suggests an achievable milk league price for creameries with no collection charge of 28.74c/l. On this basis there is no reason why, in general, 28c/l as a minimum should not be available.

This is all based on the IDB butter skim index. This in itself is somewhat conservative. The return is based only on commodities butter and skim. Our manufacturing

range is much wider. For example, while cheese prices have not rocketed like skim, there are important factors. The cheese by-product, whey, has gone through the roof. Whey powder over the last two years has gone from €400 per tonne to €1,200. This is a world record price. (See whey powder graph on next page).

Set out on this page is a table headed "Estimate increase required in March milk prices to achieve 28c/l league level as part of the IDB butter skim index price".

This is a very straight forward approach. It shows the increase required by each creamery to reflect the IDB changes. We use the January milk league as a benchmark in making our calculations. Obviously those closest to the

28c/l target will require the lowest increase. A classic here is Barryroe. They only require a plus of 1.8c/l to achieve the 28c/l mark.

A significant number of creameries require from 2c/l to 2.5c/l such as Lisavaird, Drinagh, Bandon, Newmarket, Boherbue, Wexford, Dairygold, Kerry and Lakeland to achieve the 28c/l mark. It would appear that Glanbia and a number of others require a 3c/l increase.

Even with an average increase of 2.5c/l, this would add €7.5m to dairy farmers' cheques with increasing amounts as volume increases. This means that creamery boards have a responsibility to discharge to their milk supplier shareholders at their March meeting.

**Est. increase required in the March Milk Price to achieve 28 c/l Milk League level as per IDB - butter, skim index price**

x Monaghan	+ 2.55 c/l
x Barryroe	+ 1.80 c/l
x Lisavaird	+ 2.00 c/l
x Drinagh	+ 2.00 c/l
x Bandon	+ 2.15 c/l
Newmarket	+ 2.10 c/l
Boherbue	+ 2.10 c/l
Wexford	+ 2.30 c/l
Dairygold	+ 2.35 c/l
Kerry	+ 2.45 c/l
Lakeland	+ 2.50 c/l
C and T	+ 2.60 c/l
Arrabawn	+ 2.85 c/l
Tipperary	+ 2.85 c/l
Glanbia	+ 3.20 c/l
Old Castle	+ 3.20 c/l
Connacht Gold	+ 3.20 c/l
Donegal	+ 3.20 c/l

x Special spring bonus payments not counted in the calculation to achieve 28 c/l milk league price

# Dutch milk prices increase

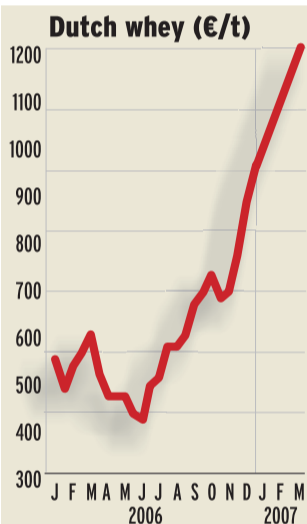
CAMPINA has followed Friesland's lead of last month and they too have increased prices. Campina has increased their advanced payment in January by 0.27c/l. Interestingly, Campina has changed the price for both fat and protein component. The advance payment for the fat component will decrease and the protein component increases significantly. Campina have also decided to increase their advance payment for February by increasing protein prices by a further 2.7%.

The average farm gate milk price in the Netherlands in 2006 will be down by 2.5%.

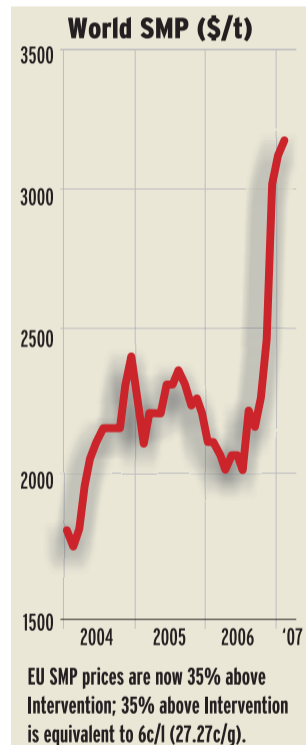


Martien Van den Hoven, president Campina International.

However, due to higher milk production up 1.5% average milk income will be only down by about €4,500 per dairy farm. In addition, big increases in costs of feed, labour and rent will lead to a 10% drop in net farm income to an average of €55,500.



They powder prices continue to soar. They are now 60% higher than a year ago. The cheese market is largely unchanged, but whey powder is giving a huge boost to the sector. 60% increase in whey powder adds around 7c/l (31.82c/g) to milk value.



EU SMP prices are now 35% above Intervention; 35% above Intervention is equivalent to 6c/l (27.27c/g).

## January 2007 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 Jan 07	Collection charge	Avg cr fat	Avg cr protein	B/f diff per each 0.10%	Protein difference per each 0.10%	Price based on Avg cr fat protein	Ranking based on Avg cr fat & protein
<b>Division No. 1 Over 25.50</b>								
x Monaghan	27.05	0.50	3.85	3.12	0.36	0.40	27.25	4
o Barryroe	26.80	0.28	3.87	3.20	0.29	0.47	27.15	6
o Lisavaird	26.65	0.28	3.84	3.27	0.28	0.46	27.20	5
o Drinagh	26.60	0.39	3.86	3.27	0.34	0.46	27.45	3
o Bandon	26.45	Nil	3.86	3.24	0.25	0.30	26.95	7
Newmarket	25.90	Nil	3.90	3.34	0.34	0.37	27.46	2
Boherbue	25.90	Nil	4.14	3.53	0.29	0.47	27.60	1
Wexford	25.70	Nil	4.05	3.28	0.27	0.46	26.85	8
o Dairygold	25.65	Nil	3.95	3.28	0.25	0.46	26.45	9
Kerry	25.55	Nil	3.97	3.38	0.24	0.47	26.85	

### Division No. 2 - 25.50 - 25.00

Lakeland	25.47	0.39	3.95	3.24	0.17	0.37	25.80	10
C and T	25.35	Nil	3.87	3.21	0.20	0.50	25.40	11
Arrabawn	25.15	0.50	3.91	3.23	0.29	0.40	25.80	10

### Division No. 3 - Under 25.00

Glanbia	24.80	Nil	3.85	3.23	0.25	0.46	25.12	13
Oldcastle	24.80	Nil	3.84	3.27	0.25	0.46	25.10	14
x Connacht Gold	24.50	-	4.00	3.24	0.25	0.52	25.15	12

o Includes SCC bonus for under 200,000

x Connacht Gold based on A+B-C inc transport charge

x Monaghan price includes A and condition bonus 1.6 c/l

Tipperary and North Cork not included because of low volumes

## German and Danish milk quota

SOMETHING that has always amazed my German and Danish friends is how the Irish quota exchange works.

They are quite perplexed with the idea that milk in the northern part of the country on our quota exchange can be purchased for as little as 11c/l, while in the south the price can hit 23c/l.

Indeed there are rumours

that new records for quota price will be set when we get the results of the recent exchange.

Some indication of German national quota exchange can be gauged from the fact that over the last six years German farmers have spent €1.2 billion on purchasing milk quota. The average price paid over the period was 52.5 c/l.

It has been estimated that in addition to the €1.2 billion spent on quota, a further €1 billion has been spent on land leasing and other dairy capital costs.

There is also much buoyancy in Denmark's national quota scheme, despite a recent price fall in many cases four times over the Irish level.

The Danish February quota

exchange produced a market clearing price of 54 c/l. This price is 12% less than the previous exchange. A total of 130m litres was sold. Quota will be transferred on 1 April. There is continuing upward pressure on quota prices because it appears that Denmark will be over national quota in the current market year.

## January 2007 Northern Ireland milk league

Milk buyer	Price (litre)	Transport charge litre (55,000)	Price litre plus 5.2% VAT (55,000)	Price in € plus 5.2% VAT	Estimated share of total milk %
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### Division No. 1 - Over 27.00p

United Dairy Farmers	17.12	0.64	18.01	27.02	56
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### Division No. 2 - Under 27.00p

Lakeland Dairies	16.45	0.22	17.31	25.96	14
Donegal Creameries	16.27	0.57	17.12	25.67	3
Town of Monaghan	16.22	0.64	17.06	25.60	19
Glanbia Milk	16.22	0.49	17.06	25.60	2.5
Glanbia Cheese	15.88	0.73	16.68	25.03	5

## International standardised milk price - Jan '07

All prices based as follows: VAT rate 5.2% - Fat 3.6% - Protein 3.30% and SCC 249,999 - TBC 2499. Every other day collection with annual milk supply of 350,000 litres

Creamery	County	Jan 06 c/l
Hameen	Finland	35.45
Danone	France	31.24
Lactalis	France	30.75
Bongrain	France	30.62
Milcobell	Belgium	29.86
Humana	Germany	28.06
Arla	Denmark	27.35
Nordmilch	Germany	27.05
Friesland	NL	26.55
Campina	NL	25.01
x First Milk	UK	24.75
* USA	US	25.90
o Fonterra	NZ	16.65

x Friesland and Campina price does include around 2 c/l of an annual supplementary payment

\* Based on payment forecast of Fonterra

x US price based on Class III US price

O All figures based on original data from Dutch Dairy Board

More information available a [www.milk.prices.nl](http://www.milk.prices.nl)