

## Creamery league

Co-op Apr 2010	Cash Price Nett of Levies, transport and conditional bonuses @ 3.6 BF and 3.3 PR	Price change since last month	Total milk Price Increase or Decrease this Quota year	Avg Coop Protein %	Avg Coop Butter Fat %	Protein diff per each .10%	B/F diff per each 0.10%	Creamery Average net of levies using of coop fat and protein	Ranking on Avg Cr Fat & Protein	Apr Milk payment for farmer supplying 13% of 230,000 Quota at 3.6bf and 3.3pr	Apr Milk payment for farmer supplying 13% of 230,000 Quota creamery Avg bf and pr	A	B	C	€/kg MS
<b>DIVISION 1 (1ST Month)</b>															
Barryroe Co-op	26.61	1.00		3.25	3.65	0.50	0.30	26.91	1	€7,955.06	€8,044.76				3.722509126
Lisavaird Co-op	26.57	1.01		3.21	3.67	0.48	0.29	26.74	2	€7,943.69	€7,994.82				3.713039358
Drinagh Co-op	26.53	1.00		3.18	3.62	0.53	0.32	26.36	6	€7,933.39	€7,882.50				3.721742124
Boherbue	26.50	1.10		3.10	3.73	0.44	0.27	25.97	10	€7,922.48	€7,764.31				3.694788871
<b>Division 2</b>															
Kerry Group	26.46	0.95		3.12	3.63	0.52	0.26	25.61	17	€7,910.33	€7,656.06				3.68938578
Bandon Co-op	26.39	0.99		3.20	3.62	0.34	0.23	26.50	4	€7,891.84	€7,923.53				3.66253839
Monaghan Co-op	26.39	1.42		3.10	3.75	0.46	0.30	25.92	13	€7,890.99	€7,750.46				3.691364205
Newmarket	26.33	0.96		3.08	3.62	0.39	0.36	25.55	18	€7,874.16	€7,638.37				3.698846432
Arrabawn	26.33	0.95		3.16	3.64	0.50	0.30	25.75	14	€7,872.45	€7,699.03				3.685146328
Dairygold	26.32	0.97		3.19	3.63	0.64	0.27	26.07	9	€7,868.54	€7,795.89	6.2	2.58	0.04	3.63104
Glanbia	26.32	0.96		3.20	3.65	0.51	0.27	25.94	11	€7,868.47	€7,756.35	6.0948	2.6491	0.04	3.670449627
Oldcastle Co-op	26.32	0.96		3.19	3.84	0.51	0.27	26.40	5	€7,868.47	€7,894.49				3.674150373
Centenary /Thurles Co-op	26.32	0.96		3.16	3.71	0.60	0.20	25.70	16	€7,868.47	€7,683.09				3.656298916
North Cork	26.32	0.96		3.14	3.52	0.50	0.30	25.28	19	€7,868.47	€7,557.51				3.683346578
Tipperary Co-op	26.08	1.00		3.16	3.70	0.52	0.21	25.73	15	€7,797.42	€7,692.77				3.623078627
<b>Division 3</b>															
Lakeland Dairies	25.98	0.69		3.24	3.82	0.69	0.24	26.10	8	€7,766.81	€7,802.99	6.40081	2.25687	0.035	3.677408722
Wexford	25.50	1.50		3.32	3.85	0.47	0.28	26.29	7	€7,624.50	€7,861.91				3.56488193
Donegal	25.43	1.00		3.15	3.92	0.40	0.34	25.92	12	€7,604.83	€7,750.74				3.57167367
Connacht Gold	25.28	0.75		3.26	3.84	0.65	0.22	26.58	3	€7,557.51	€7,948.55	6.505	2.15	0.04253	3.419475625

# Barryroe Co-op retains top position for April



**JOHN BOYLAN**  
IRISH FARMERS JOURNAL

BARRYROE took first place once more in the April milk price league, with a price of 26.61c/l plus VAT. They were followed closely by Lisavaird and Drinagh, paying 26.57c/l

and 26.53c/l respectively. Boherbue completes the first division with a price of 26.5c/l.

Kerry top the second division with 26.46c/l. They are followed by Bandon, Monaghan, Newmarket, Arrabawn, Dairygold, Glanbia, Oldcastle, Centenary/Thurles, North Cork and Tipperary, all paying over 26c/l.

Lakeland has slipped into the third division for the first time since last September. All co-ops have increased their prices from March to April by between 1.5c/l and 0.75c/l.

### EXPLANATORY FOOT NOTES

- Milk collected ex-farm.
- Cash price is as follows: no volume conditions, 3.6% butterfat, and 3.3% protein.
- SCC: 400,000
- TBC: 50,000
- Dairy board and State levies deducted by co-op.
- Glanbia have a two-year interest-free supplier loan in place, where suppliers are given 2c/l for April supply and 2c/l for May, paid out with the May cheque, and 1c/l to be given out with the June cheque. This

is to help their suppliers with cashflow over this loss-making period, and is due to be repaid over the same period in 2011.

- Centenary/Thurles also pay an additional 0.2c/l bonus for all milk supplied under 200,000 cell count.
- Dairygold have a quality bonus points system where suppliers can achieve an additional 0.4c/l for 55 points. They claim that 70% of their suppliers are achieving a 0.2 c/l bonus for

45 points. Connacht Gold also pays 0.3c/l extra for milk under 200,000 SCC, an additional 0.3c/l for milk under 50,000 TBC and an additional 0.4c/l for suppliers with a tank capacity for seven milkings.

- Bandon, Barryroe, Lisavaird, and Drinagh also pay 0.4c/l for milk supplied below 200,000 SCC.
- All quality-related conditional bonuses that are available to all producers are included in the cream-

ery average price.

• For an introductory period, the 'A+B+C' figures can be seen on the right side of the table above. 'A' refers to protein value, 'B' the fat value and 'C' is the handling charge.

• The next column displays the value of a kg of milk solids calculated at the published price, and using the national average protein and fat levels as per CSO, which will be updated each year.

## Increased demand and lower supply driving worldwide prices up

THE stability in dairy product prices is set to continue or even increase. It is being driven by increased demand from China, India, Russia and the Middle East, together with a falling milk supply in most parts of the world.

The inevitable rise in European temperatures has fuelled an increase in production, but the peak will be lower than last year. The dramatic increase in milk production in Ireland in re-

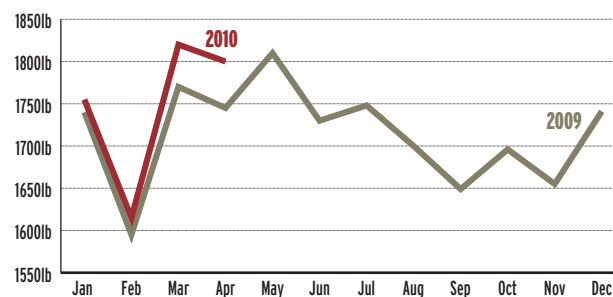
cent weeks will only cut into the 10% drop over the past 12 months.

In Australia, there has also been a slight rise in production, but the year total there is expected to be 4% below last season. New Zealand's drought cut this season's production short, and will probably leave supply at or just above last year's level. A heat wave in India decreased production in March and April, which led to more imports.

The US seems to be the only part of the world where there has been any real increase in milk production. April figures from the US Department of Agriculture (USDA) show an increase of 237 million lbs (1.5%) from April 2009 and a 0.6% increase year-on-year for March. The increase is a result of higher milk yield per cow (see Figure 1) because the total number of cows in the US is 9.096 million

head, a decline of 186,000 (2%) from last year. This decline has been reversed since year-end; cow numbers are up by 3,000 since March, and by 10,000 from the beginning of 2010. Many analysts were surprised by the strength of the increase, but markets absorbed the rise. The markets have shown stronger prices since April, suggesting that the worldwide demand for dairy commodities is growing faster than milk production.

**Figure 1**  
Monthly milk production per cow in USA



## WORLD REPORT

# World commodity prices on the rise

## WORLD SMP PRICES

Export prices for SMP continue to improve. World supply is short, with New Zealand putting more milk into WMP and the EU making more cheese.

EU exports of SMP were up 111% for the first two months of this year when compared with January and February last year, and NZ exports increased by 26% for the same period.

The sudden release of SMP from Intervention is the only thing that will upset this trade, but some commentators feel that the effect of this is already factored into the market.

The US market is firming; it is up by about \$240 (€195) per tonne to \$2,800 (€2,287), which is still below EU and Oceania, where prices are about \$3,300 (€2,695) and \$4,000 (€3,267), respectively.

Dairy processors in the EU are moving from butter and SMP manufacture to producing more cheese products. They say that the domestic market is still weak, but world demand is recovering, and, with the help of the weaker euro, cheese exports have begun to rise.

The processors believe that cheese, particularly branded cheese, will be the main dairy product that can compete on the world market.

## EU MILK PRICES

Milk prices in the EU have yet to move higher in response to the higher commodity prices (see Table 1).

The average price paid for milk in western Europe for March was 24.09c/l. Granarolo in Northern Italy paid the highest price of 29.96c/l when converted to c/l at 3.6% fat and 3.3% protein in the LTO Netherlands milk price league.

Britain's First Milk is bottom of the league, with a price of 20.33c/l, and FrieslandCampina are only paying a slightly higher price of 21.15c/l.

## COMMODITY PRICES

According to the USDA's most recent *International Dairy Market News*, the average world prices for butter, SMP, WMP and cheddar cheese increased, while whey prices decreased.

The average price for butter on the world market increased by \$337 (€275 or 7.8%) per tonne to \$4,653 (€3,805) since the last report in April.

The SMP average world price has increased for the last six reports, and is now estimated at \$3,387 (€2,770) per tonne. This is \$1,297 (€1,060 or 62%) higher than the corresponding week in 2009.

Table 1: International milk price comparisons

Company	Country	March milk price (c/l converted to 3.6% butterfat and 3.3% protein)	March milk price this month in c/kg at 4.2% butterfat and 3.3% protein	12 month rolling average converted to 3.6% butterfat and 3.3% protein	Rolling average last 12 months c/kg at 4.2% butterfat and 3.3% protein
Milcobel	BE	26.06	29.55	23.42	26.56
Alois Müller	DE	24.34	27.6	21.83	24.75
Humana Milch Union eG	DE	23.67	26.84	22.09	25.05
Nordmilch	DE	23.67	26.84	21.36	24.22
Arla Foods	DK	23.95	27.16	24.38	27.65
Hämeenlinnan Osuusmeijeri	FI	27.22	30.87	33.24	37.69
Bongrain CLE (Basse Normandie)	FR	25.63	29.06	25.06	28.42
Danone (Pas de Calais)	FR	25.35	28.75	25.55	28.97
Lactalis (Pays de la Loire)	FR	25.91	29.38	24.80	28.12
Sodiaal	FR	25.23	28.61	25.79	29.25
Dairy Crest (Davidstow)	GB	23.57	26.73	24.11	27.34
First Milk	GB	20.33	23.05	20.87	23.67
Glanbia	IE	22.91	25.98	20.11	22.81
Kerry	IE	23.68	26.85	20.26	22.98
DOC Kaas	NL	22.79	25.84	21.37	24.23
Friesland Campina	NL	21.15	23.98	23.48	26.63
<b>Average milk price</b>		<b>24.09</b>	<b>27.32</b>	<b>23.61</b>	<b>26.77</b>
Granarolo (North)	IT	29.96	33.98	29.82	33.82
Fonterra (5)	NZ	22.58	25.61	19.95	22.62
United States of America (3)	US	20.69	23.46	18.76	21.27

The average world WMP price was \$3,892 (€3,183) per tonne, up \$137 (€112 or 3.65%) from the last report, and 65% higher than the corresponding week last year.

Average world cheddar cheese prices are up by \$88 (€72) per tonne to \$4,080 (€3,338) and 56% above the same week in 2009.

The average price of whey is down \$22 (€18) since the previous report to \$1,080

(€884), but the average world whey price increased by \$528 (€432 or 101%) from the corresponding report in 2009.

## FONTERRA FORECAST NZ\$8 FOR 2010/11

Fonterra have announced an opening milk price of NZ\$6.90 to \$7.10 per kg (25.75c to 26.50c/l) for the 2010/11 season.

This comprises of a payout of \$6.60 per kg (24.62c/l) of milk solids and a distributable profit of \$0.30 to \$0.50 (16c to 27c) per share. This represents an increase of \$0.50 on the forecasted milk price for the current season.

Chairman Henry van der Heyden said: "The board was forecasting a distributable profit for 2010/11 of \$0.30 to \$0.50 a share, although an updated forecast will follow the group's annual budgeting process in late July.

"The board currently intends to make retentions from this distributable profit, in line with Fonterra's dividend policy, which is to retain \$0.25 to \$0.35 of total distributable profit from the co-op."

If international dairy prices and foreign exchange rates were to hold at current levels for most of the coming year, there is a possibility the

payout could be well over \$8 (30c/l). However, the chairman cautioned that the present volatility of both the dairy and financial world means that farmers doing their budgets should base their planning around a payout broadly in line with this year.

New Zealand milk production has grown by an average of 4.6% a year over the last 20 years, lifted by productivity improvements and the doubling of the cow herd to 4.4 million cows.

However, analysts believe the growth rate will slow to 2.3% in the near to medium term, curbed by weighty debts. There are concerns about the profitability of dairy farming; high debt levels, high input costs, and new costs associated with the implementation of NZ's emissions trading scheme are all affecting profitability.

Operating conditions have been particularly difficult lately in the North Island, struck by a drought that cut April production by 25% in Waikato, which accounts for 30% of national production.

The North Island is expected to continue losing market share to the South Island, where there is greater potential for conversion to dairying, and where yields are higher.

## MILK PRICES IN NI

The milk price of 26.53p/l (30.5 c/l) at the May United Dairy Farmers auction was the highest May auction price for the past 10 years, and was 38.2% higher than last year. It was also 0.445p/l (0.51c/l) above the April price.

Prices in the auction moved up to reflect higher prices in Britain, EU and world markets for most of the main dairy products.

Within Britain, there is growing optimism, with milk cheddar cheese prices moving up and market commentators expecting mature cheddar prices to follow in summer.

It is likely that competition for milk supplies was strong in the auction because buyers were seeking to fill manufacturing plants and take advantage of market opportunities.

Monaghan topped the April milk league in Northern Ireland, with a milk price of 24.35p/l (27.85c/l) plus VAT.

Donegal and Lakeland came second and third with milk prices of 24.27p/l (27.76c/l) and 24.10p/l (27.56c/l), respectively, followed by Glanbia Milk and Glanbia Cheese, paying 24.04p/l (27.49c/l) and 23.94p/l (27.38c/l). United paid out 23.36p/l (26.72c/l).

## Dairy market summer outlook

ERHART Richarts, the chairman of IFE in Germany, believes milk supplies will fall and prices will rise this summer.

In his projection, it is assumed that milk supplies in the EU will be reduced by half a million tonnes, and possibly more than that before year-end, because of low prices at the start of this year.

There is little growth in milk production anywhere in the world at present. The New Zealand season ended prematurely because of low rainfall, especially in the North Island, and Australia's production to date is also 5.8% behind last year. Production is likely to fall

in Ukraine, and there is little prospect of any increase in Russia. There may be a slight increase in production in some countries in South America, but the main exception is the US, where milk production has stopped falling and is increasing each month now.

## DEMAND

Long-term projections for milk demand worldwide point to an increase of 12 to 14 million tonnes annually. If the EU fails to raise production, this milk will be produced in the US and New Zealand. This may change, though, because with the help of the weaker euro, the EU is more com-

petitive in exporting dairy products than it has been for some time. There is also an increase in demand for cheese on the domestic EU market.

Exports of butter and cheese are higher this year, and SMP exports have doubled since last year.

With reduced milk supplies and a stable demand for all dairy products, there is less milk available for butter and SMP manufacture, and it looks at this stage that it will take all the SMP in Intervention to keep markets supplied.

There are only 50,000 tonnes of butter in intervention, and a small quantity in PSA storage.

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