

## Creamery league

Co-op Sep 2010	Cash Price net 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 including conditional bonuses net of levies and transport using co-op fat and protein	Ranking on avg Cr fat & protein	Sep milk payment for farmer supplying 8% of 230,000 quota at 3.6bf and 3.3pr	May milk payment for farmer supplying 14% of 230,000 Quota creamery avg bf and pr	A	B	C	€/kg MS
<b>Division 1</b>															
Boherbue	28.70	0.00	2.22	3.57	4.06	0.44	0.27	31.15	6	€9,242.01	€10,029.25				3.99
Barryroe Co-op	28.60	0.00	1.99	3.55	4.07	0.50	0.30	31.69	3	€9,209.76	€10,204.31				3.99
Lisavaird Co-op	28.57	0.00	2	3.57	4.12	0.51	0.32	32.04	2	€9,200.58	€10,317.81				4.00
Drinagh Co-op	28.53	0.00	2	3.54	4.07	0.52	0.32	31.68	4	€9,186.43	€10,201.85				3.99
Bandon Co-op	28.39	0.00	2	3.52	4.08	0.36	0.23	30.70	12	€9,142.90	€9,886.99				3.93
Kerry Group	28.36	0.00	1.9	3.56	3.98	0.55	0.28	30.85	9	€9,130.99	€9,934.37				3.95
North Cork	28.32	0.00	2	3.56	3.97	0.50	0.30	30.75	10	€9,119.58	€9,900.37				3.95
Dairygold	28.32	0.00	2	3.62	4.14	0.68	0.28	32.32	1	€9,117.86	€10,408.19	6.58	2.74	0.04	3.96
Arrabawn	28.23	0.00	1.9	3.52	4.01	0.56	0.28	30.65	13	€9,090.19	€9,869.29				3.94
Newmarket	28.23	0.00	1.9	3.54	3.98	0.42	0.39	30.71	11	€9,088.97	€9,888.63				3.96
Glanbia	28.22	0.00	1.9	3.57	4.01	0.54	0.29	30.88	8	€9,085.91	€9,943.02	6.4744	2.8137	0.04	3.94
Centenary/Thurles	28.22	0.00	1.9	3.53	4	0.60	0.20	30.41	14	€9,085.91	€9,792.64				3.91
Lakeland Dairies	28.14	0.25	2.15	3.54	4.04	0.74	0.26	31.09	7	€9,062.13	€10,010.47	6.86167	2.41926	0.035	3.93
Monaghan Co-op	27.97	0.00	1.28	3.41	3.86	0.46	0.30	29.28	17	€9,005.41	€9,428.26				3.90
Tipperary Co-op	27.20	-0.80	1.12	3.54	4.04	0.55	0.21	29.56	16	€8,759.87	€9,519.41				3.78
Connacht Gold	27.18	0.00	1.9	3.58	4.03	0.78	0.25	31.49	5	€8,751.03	€10,140.08	7.068	2.336	0.04253	3.80
Donegal	26.93	0.00	1.5	3.46	3.95	0.41	0.27	28.61	18	€8,670.37	€9,211.36				3.75
Wexford	26.65	0.00	1.15	3.585	4.11	0.50	0.30	29.64	15	€8,581.30	€9,543.16				3.73

# Boherbue retains top spot for September



**JOHN BOYLAN**  
IRISH FARMERS JOURNAL

**B**oherbue is top of the league again in September, paying the same price of 28.7c/l as it paid in August. Barryroe, Lisavaird and Drinagh complete the first divi-

sion with prices of 28.6c/l, 28.57c/l and 28.53c/l respectively.

Bandon remains top of the second division, paying 28.39c/l followed by Kerry, North Cork, Dairygold, Arrabawn, Newmarket, Glanbia, Centenary/Thurles all paying between 28.36c/l and 28.22c/l.

Lakeland has climbed into the second division as it paid its winter lactose bonus one month earlier in September.

Monaghan are top of the third division with a price of 27.97c/l followed by Tipperary, which fell from the sec-

ond division as a result of its milk price cut, with Donegal and Wexford at the bottom, below 27c/l.

Dairygold's high constituents take it to the number one position in the creamery average league with a price of 32.32c/l.

There was 37 million litres of milk sold at the United Farmers auction on 21 October at a price of 29ppl (33.14c/l).

This was up by 3.2ppl (3.66c/l) from the September auction and it was 0.71ppl (0.8c/l) above last month's price.

their production is exported.

The water authority, which drafted the plan, said that the basin is under enormous stress as a result of past water allocation decisions, prolonged drought, natural climate variability and emerging climate change.

Meanwhile, at Lincoln University's dairy farm in New Zealand, there is a new computer-controlled technology programme that maps soil types and crop needs, promising to significantly increase production, with no extra water use.

### More baking in China

A BEIJING bakery chain using Fonterra's dairy ingredients plans to double its 180 stores over the next two years.

The family-owned business began in 1996 with one store and has grown rapidly on the back of increasing westerni-

sation of the Chinese diet.

Their aim is to have between 300 and 360 stores in Beijing in the next one to two years and to then expand into other areas. The Chinese are eating bakery goods and also want clean and safe food products.

Fonterra has been supplying food ingredients such as cream, butter and mozzarella to the company for the past 10 years.

Fonterra's food service sales are rising by close to 30% per year in China.

### Welsh dairy industry to reduce greenhouse gas

WELSH dairy farmers, processors and retailers have reached agreement to further reduce the environmental effects of milk and dairy products. The industry published a dairy roadmap

#### EXPLANATORY FOOT NOTES

- Milk collected ex farm.
- Cash price is as follows: no volume conditions 3.6% butterfat and 3.3%.
- SCC 400,000.
- TBC 50,000.
- Dairy Board and state levies deducted by co-op.
- Centenary/Thurles also pays an additional 0.2c/l bonus for all milk supplied under 200,000-cell count.
- Tipperary also pays bonus of 1c/l, plus VAT, for less than 200,000 SCC. This would leave 1.68c/l of their attainable bonus available at 50,000 TBC and 400,000 SCC.
- Arrabawn has reverted from 300,000 to 400,000 for their SCC bonus.
- Dairygold have a quality bonus points system where suppliers can achieve an additional 0.4c/l for 55

points. They pay 0.1c/l of that for milk at 50,000 and 400,000 SCC. 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 also an additional 0.4c/l for suppliers with a tank capacity for seven milkings.

• Bandon, Barryroe, Lisavaird, and Drinagh also pays 0.4c/l for milk supplied below 200,000 SCC. The four West Cork co-ops pay 0.56 c/l for milk under 50,000 TBC.

• Wexford has introduced a .35c/l levy to partially fund their buyback from Dairy Crest.

• Monaghan has reduced their cartage charge to 0.25c/l from 1 July.

• All quality related condi-

tional bonuses that are available to all producers are included in the creamery average price.

• For an introductory period, the A+B+C will be on the right side of the table.

• The A is the protein value, B the fat value and the C is the handling charge.

• The next column displays the value of a kilo 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.

• Suppliers to Oldcastle co-op have merged their milk pool with Glanbia and will be paid directly by Glanbia from 1 September, so Oldcastle milk price will no longer be published in the league.

for Wales, which sets out targets for reducing the industry's environmental footprint over the next 10 years.

The targets for the roadmap are:

- Farmers will recycle or reuse 70% of their waste.
- Farmers will use 40% renewable energy.
- Farms will reduce greenhouse gases by 20% to 30% compared with 1990 levels.
- Processors will reduce water consumption by 20%.
- Processors will have 10% of their non-transport energy come from renewable sources.
- Retailers will ensure that all new stores emit less carbon than existing ones.
- Mandatory energy benchmarking for processors.

The Dairy Roadmap for Wales builds on work already undertaken in England with targets on the same level as the England Roadmap.

The document will be reviewed in 2012 and at regular

intervals thereafter to allow progress towards targets to be monitored and to take on board new technology and changes in legislation.

### Biodegradable styrofoam made from milk

US scientists have used the protein in milk and clay to develop a new lightweight biodegradable styrofoam material, which can be used as a substitute for traditional foamed plastics.

The result of the study, recently published in *Biomacromolecules*, shows that a material using cows' milk is both biodegradable and strong enough for commercial use and almost a third of the material will break down within 30 days.

Scientists blended in a small amount of clay and a reactive molecule called gly-

ceraldedhhyde, which links all the ingredients together. This makes the casein more resilient and boosts its resistance to water.

The mixture is then freeze-dried removing the water to produce a spongy aerogel, a lightweight material. It is cured in an oven to make the foam stronger and more durable.

### Intervention stocks for the deprived

IT has been announced that 48% of the SMP stocks in intervention as well as the remaining 1,500 tonnes of butter is being allocated to the EU's Most Deprived Persons Scheme. There is also €12.5m set aside to purchase butter-based products in the market.

This will leave just 103,000 tonnes of SMP to be sold from intervention next year.

### Australia water cuts will reduce exports

THE Murray-Darling Basin Authority has announced plans to cut water allocations by as much as 4,000 gigalitres, (4,000 billion litres) — almost 45% on some river systems in the basin, which stretches from Victoria to Queensland.

Australian farmers reacted furiously to the proposal, which would cut milk production by one billion litres. This would reduce Australia's exports and drive up international dairy prices as half of

# Australian milk production unlikely to reach expected highs this year

THE huge increase in milk production that was expected in Australia this year is not likely to happen, as a result of unfavourable weather in the early part of the season and a fear that the locust plague will wreak havoc on crops.

In New Zealand, peak production has not reached the production highs expected, so the increase there may be lower than earlier predictions, probably between 1% and 2%.

The high temperatures hit milk production in the EU in mid-summer, but most of the larger producing countries, such as France, Germany and the Netherlands, have since recovered to above last year's levels. Supplies are lower in eastern countries.

The US is where real production increases are taking place. Over 24 million tonnes

was produced in the third quarter — an increase of 2.7% when compared with the same period in 2009. Production in the US is up by 1.5 million tonnes (1.5%) so far this year, with most of this increase taking place in the third quarter.

The extra cost of feed is likely to limit production somewhat on this front and the higher cull rate of late will offset the higher number of heifers coming in.

There was a decline of 222,000 tonnes (2.11%) in Argentina for January to August when compared with 2009. The high temperatures of 2010 also affected Ukraine milk production, leading to a reduction of 405,000 tonnes (3.51%) for the same period.

Milk production in Japan was down by almost 120,000 tonnes (1.5%).

On the other hand, Brazil's production increased by over 78,000 tonnes (10%) and in Chile, where after a fall in production in 2009, production was back up to 2.55 million tonnes an increase of 7.2%. Smaller increases of 2.2% and 0.6% took place in Uruguay and Mexico, respectively.

Production in Russia was up by 0.7% until August, but the high temperatures and drought could slow growth for the remainder of this year.

In India, the NDDB (National Dairy Development Board) has started work on a scientifically planned programme to increase total milk production from the current figure of 112 million tonnes to the forecast domestic demand of 180 million by 2020.



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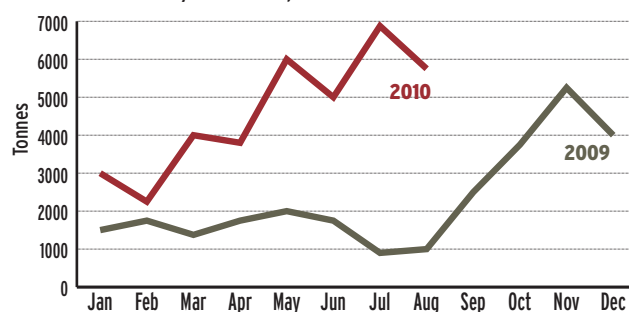
## Weak dollar makes US cheese competitive on world market

CWT (Cooperatives Working Together) has accepted bids from DFA and Land O'Lakes for assistance in selling 1,350 tonnes of American cheese to customers in the Middle East and Asia for delivery before April 2011.

Since CWT reactivated the export assistance programme in March, it has helped members with export sales of cheddar, Monterey Jack and Gouda, totalling 25,250 tonnes to 23 countries, as well as 16,500 tonnes of butter and anhydrous milk-fat to nine countries.

US exporters also have the advantage of a weak dollar, which makes them more competitive on the world market.

**Figure 1**  
US monthly butter exports



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## Commodity prices raise concerns

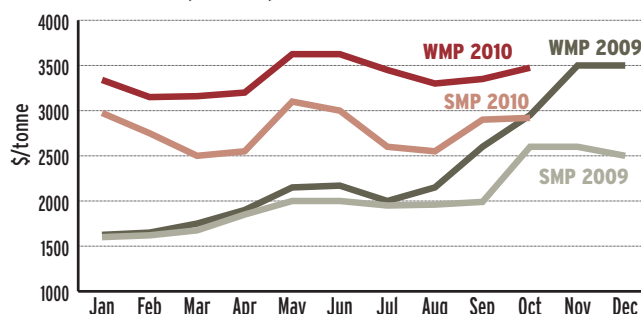
THERE is some concern in dairy markets that the extra production in the US and the strong euro may put some pressure on prices into next year.

Butter prices are still relatively strong on both EU and world markets. The Dutch Dairy Board is quoting €3,750 per tonne for butter, which is down by €30 per tonne from last week.

The EU powder market is suffering even more from the strong euro with quotes for WMP at €2,640 down by €40 per tonne and SMP down to €2,100 from €2,180.

EU whey powder output is up by 10% this year and is quoted at €620, which is down from €660 last week.

**Figure 2**  
World milk powder prices 2008-2010



**Table 1: Dutch Dairy Board prices**

	20 October 2010	27 October 2010
Butter	€3,770	€3,750
WMP	€2,680	€2,640
SMP	€2,180	€2,100
Whey powder	€660	€620

## British retailers increase gross margin on liquid milk sales

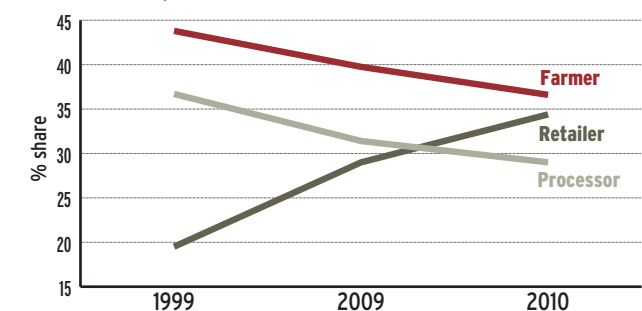
LOOKING through the annual Dairy Supply Chain Margins report by Datum (British milk supplier funded information service for dairy farmers), we see that retailers have increased their gross margins on liquid milk, and cheese from 29% to 34% from the previous year.

At processor level, gross margins fell for the same products. At farmgate, the milk price fell for the 2009/10 year by 2ppl (7.8%) to 23.8 ppl (27c/l) compared with the previous year.

All this may change, as the larger supermarkets have had to decrease their prices as they have experienced a steady decline in sales, with market research company, Kanter Worldpanel, showing their market share down from 75% to 72% year on year.

Both Tesco and Sainsbury have followed Asda in dropping the standard price of fresh milk to 125p for four pints. The question now is: will these supermarkets fund the cuts from their increased margin or will they push them further down the chain?

**Figure 3**  
Farmer, processor and retailer share of litre of milk



History for the last 10 years suggests the latter (Figure 3).

As it is, the dedicated suppliers to these chains have had cost related increases paid in the last two months, but neither these increases, nor the price cuts, have been dealt with by the supermarkets.

Robert Wiseman Dairies — one of the largest suppliers of fresh milk to supermarkets — has announced a profit warning, suggesting their profits could be down by £16m (32%) for year-end 2012, if they can't improve their margin in the meantime.

This is not good news for

milk producers, particularly those on non-aligned liquid contracts who haven't benefited from the increases that the dedicated producers received in recent months.

The situation in Ireland is much worse, where the dairies are busy undercutting one another in a race to see which of them can give the biggest margin to the retailers.

The farmer in some cases is receiving just 28% of the retail price with the processor taking 27% and the supermarket that gets the milk left on the shelf is now getting up to 45%.

## Walmart promotes sustainability

WALMART has launched its new strategy for global agriculture.

Mike Duke, president and CEO of Walmart, noted that globally food production would have to increase by 70% to feed the world's population by 2050 with all the

implications, which that has for the environment.

Walmart will sign agreements with more small and medium-sized farmers. At least US\$1bn worth of goods sold at its stores will come from these smaller operations, which will increase

the income of these farmers by 10% to 15% per annum.

The company will launch a sustainable produce assessment for its top food producers next year, and invest US\$1bn to revamp its global supply chain over the next five years.