

Connacht Gold retain top spot for 12-month rolling average



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Connacht Gold have held first place in the November/December liquid milk league, paying a price of 31.19c/l, plus VAT.

This is a major achievement for them in the cut

throat market in which they are competing.

Clona, Glanbia and Dairygold complete the first division, all paying in excess of 30c/l.

Centenary/Thurles tops the second division, just ahead of Donegal, with a milk price of 29.09c/l and 29.02c/l, respectively. Kerry, Arrabawn, Monaghan and Wexford are all in division three, with prices ranging from 27.53c/l for Kerry down to 26.16c/l for Wexford.

Centenary/Thurles, delivering a price of 40.8c/l, comes first for November/December.

November/December milk league

	12-month rolling average	Nov price	December price	League position for av. Sept/Oct	12-month rolling avg. milk payment for avg. farmer supplying 230,000 ltrs
DIVISION ONE					
Connacht Gold	31.19	37.70	40	2	€71,737.00
Clona Dawn	30.63	35.61	35.73	4	€70,449.00
Glanbia	30.05	34.62	34.62	6	€69,115.00
Dairygold	30.05	34.62	34.62	6	€69,115.00
DIVISION TWO					
Centenary/Thurles	29.09	40.08	40.08	1	€66,907.00
Donegal	29.02	36.95	36.95	3	€66,746.00
DIVISION THREE					
Kerry	27.53	33.17	32.87	8	€63,319.00
Arrabawn	26.77	35.88	35.88	5	€61,571.00
Monaghan Co-op	26.31	30.81	30.81	10	€60,513.00
Wexford	26.16	32.51	32.20	9	€60,168.00

EXPLANATORY FOOT NOTES

- The liquid milk league first column is based on the rolling average of each co-op for the past 12 months.
- The format takes into account the higher winter prices for shorter periods that some processors use, and vice versa.
- Prices quoted are for milk supplied to fill liquid quota.
- Prices are VAT exclusive.
- Compulsory levies and any transport charges have been deducted.
- Minimum hygiene re-

quirements: 50,000 TBC, and 400,000 SCC.

• July and August prices are listed in the next two columns and their position for the combined two months is ranked in the column headed league position.

• The last column shows the yearly payment made by each processor for the full year for the average farmer with a quota of 230,000 litres.

Fonterra to expand dairy operation in China

FONTERRA is returning to dairy manufacturing in China after their disastrous debut in San Lu, saying they are relaunching two of their premium brands, Anlene and Annum there.

The two flagship WMP export brands will be processed from milk produced in New Zealand for now but they will eventually incorporate milk

from China, where they are also expanding milk production.

After the successful establishment of its pilot farm in Hangu in 2007, Fonterra is planning to build two new dairy farms in China as it struggles to keep up with increasing demand.

The pilot farm has already reached full production

ahead of schedule and they are looking for new sites to facilitate future growth.

As China's dairy industry continues to develop, the current supply of fresh milk cannot keep up with demand. It is also expected to have double-digit growth over the next 10 years to become the biggest dairy market in the world.

Fonterra is interested in entering a partnership for the two farms but will retain full management.

The two farms will each be of similar size to the Hangu, with 3,300 milking cows in an enclosed complex of around 35ha of land. This enterprise will create employment for about 350 people directly and indirectly.

Milk supplies to remain subdued

MILK output for the entire EU was down by 0.2% for the calendar year compared with the previous year. It looks as if could be 5.5% below the new enlarged quota by 31 March.

The exception was the Netherlands, where milk output was up by 1.4% to 11.085 billion kg, but their fat and protein was down by 0.01% and 0.02%, respectively.

They will have to limit production between now and April to avoid a superlevy.

According to Erhard Richarts, German dairy consultant and formerly of ZMP, there is no evidence that milk supplies in the EU will increase over the next few months, which means that the EU will come in at six million tonnes below quota.

It will also be hard to increase milk supplies later in the year because conditions across mainland Eur-

ope were excellent in 2009 and, since September, milk supplies were lower than the previous year and this trend has continued.

The main reason for this is the low milk price, which does not give incentives to feed concentrates at higher levels.

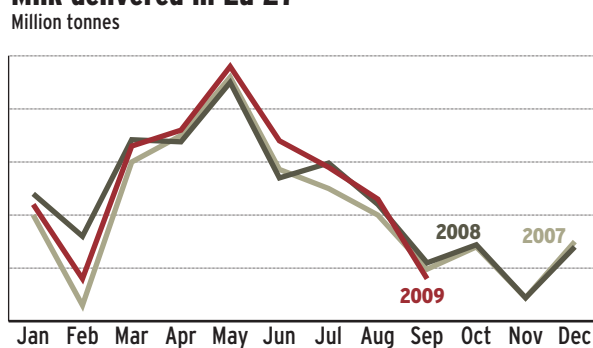
In other parts of the world, milk supplies are also reduced, production is still falling in Australia, while in New Zealand and Latin America, supplies are behind expectations.

Stagnation is reported from Russia and there is an ongoing decline in the Ukraine.

The US expects a decline in milk production for the first time in many years, but this could be short-lived as it can be seen elsewhere that replacement stock are coming back into the system very quickly.

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Milk delivered in Eu 27



Demand growth

There are signs of a return to growth again in many markets.

The long-term growth had been hindered in the period between 2007 and 2009 first by the price spike and then by the economic crisis.

There is an underlying trend of changing consumer habits in favour of dairy products, even in markets with already high consumption levels, and this is relatively independent of the economic situation.

Although unemployment is still a feature in the US and EU, a modest increase in demand can be expected as long as prices are only mod-

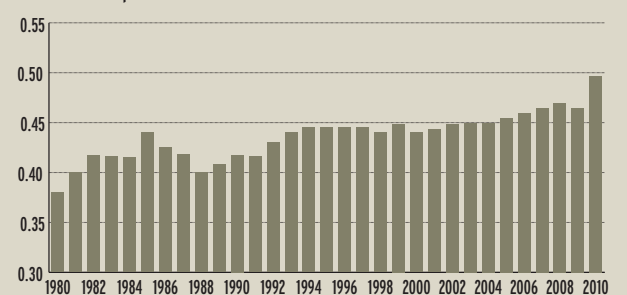
estly rising and there is also an ongoing population growth in the US.

Several of the emerging markets for dairy products are now back to the earlier economic growth rates, notably China, so the demand for dairy products on a worldwide scale is expected to start growing again.

Even if the total growth in 2010 does not reach the 2007 level, a shortage of some products on the world market seems likely. This should create extra export opportunities for butter, WMP and cheese for the EU, especially if the euro continues to weaken.

Increase in heifer replacement in the US

Heifers per cow



Increase in replacement heifers in US

DAIRY heifers bred for replacement in the US increased dramatically towards the end of 2009.

USDA estimates that the number is up by 106,000 (2.4%) to 4.5 million head, the highest increase since 1986.

REPLACEMENTS

Also, replacement heifers expected to calve this year grew by 32,000 head to 2.9 million compared with last year.

As it stands, the ratio of cows to heifers is 2:1, the highest ratio on record.

The impact of increasing cow numbers in 2007 and 2008, combined with new technology, like sexed semen, have contributed to the high heifer inventory.

Unless the high culling rate continues in 2010, there may be over production there again before the end of this year because of the extra stock and, also, the drop in feed costs.

Recovery in EU milk prices

THE average price for all milk in Europe for December was 24.47c/l, when converted to the comparable Irish standard of 3.6bf and 3.3pr.

Hameenlinnen Osuusmeijeri in Finland are top of the league again, paying a price of 33.93c/l and a rolling average of 36.39c/l for 2009. Glanorolo, in northern Italy, came second, with a price of 30.82c/l.

First Milk in Britain came last, paying just 20.44c/l.

It can be seen that Fonterra has made the biggest recovery in milk price from a year ago (Table 1).

The upward trend in commodity prices in Europe in the final quarter of 2009 took a modest dip early in 2010.

Until now, the price recovery was driven by supply, but for the recovery to continue, a more structured demand in both the EU and the wider world is required.

Dairy product prices took a hit in January when traders stayed out of the market. Butter prices came down by 7% from its high at the end of last year to €2,930. WMP dropped by 5% but has probably stabilised after the February Fonterra auction and the weaker euro. SMP slipped 4% to €1,950 in the Dutch quotes but is trading higher across Europe. Whey also dropped by 4% but has since recovered, sending a positive signal that dairy markets are, in fact, going to rise.

Table 1: Average price for milk in Europe

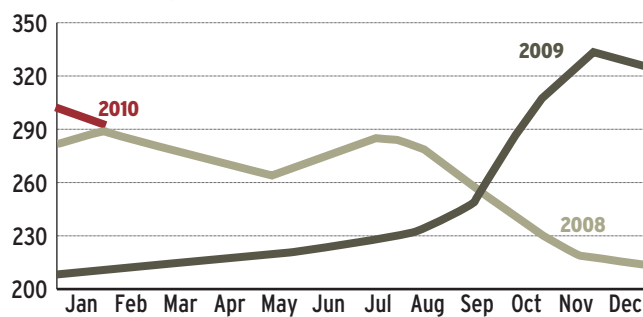
Company	Country	Milk price Dec '09	Rolling av last 12 months
Milcobel	BE	26.06	21.67
Alois Müller	DE	23.90	21.25
Humana Milch			
Union eG	DE	23.67	22.08
Nordmilch	DE	23.67	20.53
Arla Foods	DK	23.94	23.09
Hämeenlinnan Osuusmeijeri	FI	33.93	36.39
Bongrain CLE (Basse Normandie)	FR	24.01	26.08
Danone (Pas de Calais)	FR	24.36	26.15
Lactalis (Pays de la Loire)	FR	23.86	25.87
Sodiaal	FR	23.84	25.99
Dairy Crest (Davidstow)	GB	25.04	24.59
First Milk	GB	20.44	21.38
Glanbia	IE	22.03	19.96
Kerry	IE	21.05	20.02
DOC Kaas	NL	24.43	20.26
Friesland Campina	NL	28.13	23.51
AVG MILK PRICE			
THIS MONTH (2)	24.47	23.68	
Granarolo (North)	IT	30.82	30.64
Fonterra (5)	NZ	19.91	17.71
USA (3)	US	22.40	17.85

Prices courtesy LTO Netherlands and converted to cent/litre @ 3.6bf and 3.3pr

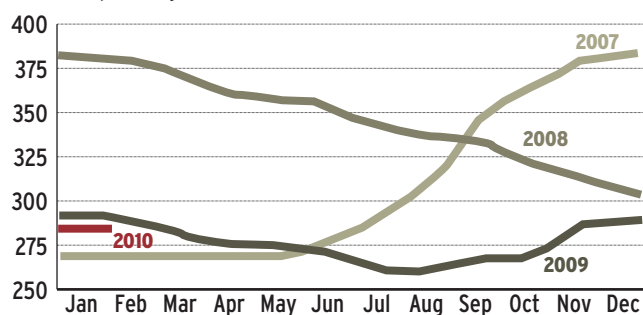
Table 2: Dutch quotations (€ per tonne)

	1 Jan 2009	5 Feb 2010	
Butter	3,150	2,930	-7%
Whole milkpowder	2,520	2,390	-5%
Skimmed milkpowder	2,030	1,950	-4%
Wheypowder	700	670	-4%
Gouda cheese	2,900	2,900	=

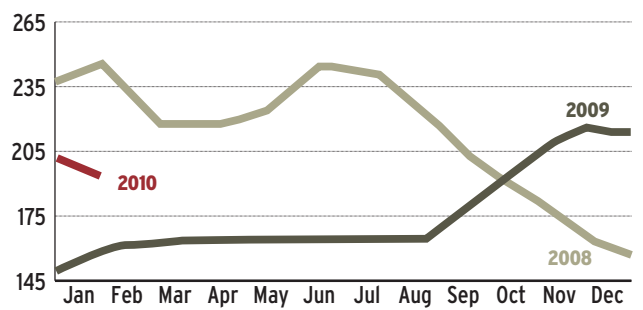
Dutch butter euro per 100kg ex factory



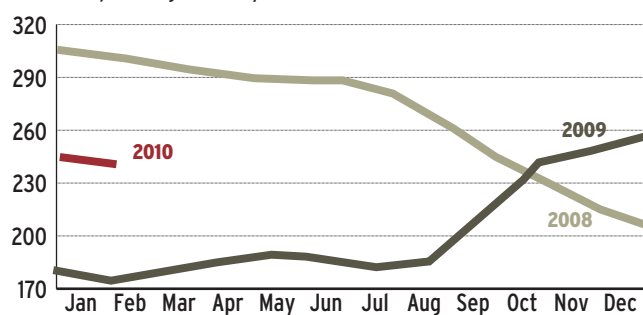
Dutch Gouda cheese euro per 100kg



Dutch SMP price ADPI extra euro per 100kg ex factory



Dutch whole milk powder euro per 100kg ex factory

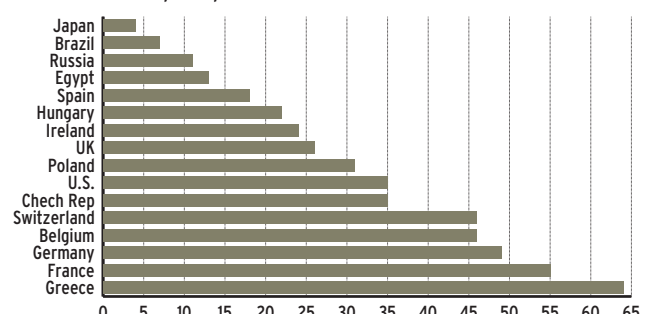


US cheese production

US cheese production of 10.105 million lbs for 2009 was up by 170.3 billion lbs (1.7%) to reach a record high and it was also the first time that US cheese topped the 10 billion lb mark. This was the eighteenth year that US

cheese production set a new record high. Cheese production in Britain fell by 24,710 tonnes (6.5%) to 357,910 tonnes during the same period and, in Europe, cheese production slipped by 0.2% to 6,848,000.

Cheese consumption in 2008 Pounds per capita



Growth in consumption

IN a comprehensive report released by Global Industry Analysts (GIA) on the cheese markets across the world, growth in the global cheese market is expected to be driven by strengthening consumer confidence, easing propensity to spend and an increase in the adoption of western-style food across Asian countries.

Even in the current economic recession, the future outlook for the global cheese market still remains bright, with consumption of cheese projected to grow by more than 20% to 46 billion lbs by 2015.

The product mix is anticipated to change from traditional types of cheese to new cheeses in an effort to fill

demand in developing countries, such as China and India.

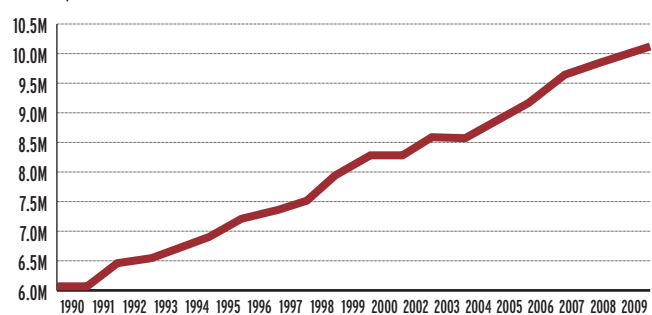
Developing countries will be looking for the most nutritional dairy products, for example, half-fat and reduced fat cheeses.

CHEESE MARKET

The cheese market is near saturation in countries like the US and the EU and the industry is now focused on getting cheese into the diets of people in developing countries in Asia-Pacific and Latin America.

Larger incomes and rising populations in these nations will prove to be a major driving force for exceptional growth in dairy consumption.

Total cheese production in US 1,000lb



LELY WEST

LELY ROBOTICS HAVE TOUCHED DOWN



innovators in agriculture

LELY Industries, which manufacture and supply an extensive range of dairy and agricultural products, will open their doors on a double robot farm, located in Tipperary, on Thursday 25 February. The name LELY has been synonymous with products, services and solutions that are relevant and meaningful to dairy farmers, simply because they have been developed to meet their specific requirements. Consequently, Lely is the uncontested market leader in sales and servicing of automated milking systems.

The company has already installed over 9000 robotic milking units worldwide. This open day will herald a new era of milking dairy cows in Ireland.

The Astronaut A3 Next milking robot offers:

- Labour saving for the dairy farmer
- Increased milkings per day; increased production

- Improvement in animal health and welfare
- Minimal building alterations required
- Correct individual provision of feed according to production
- Sophisticated mastitis detection
- Accurate heat detection
- Fat & Protein indication
- Easy installation
- Decrease in energy and water consumption.

"We see Ireland as our largest potential market," said Andy Stewart, Lely West Manager of UK & Ireland. "It is our successful operation, in conjunction with grazing, which has opened the market for us. The Lely Astronaut A3 milking system is quite simply the cheapest way to milk your cows on a grass-based system."

Lely will also use the open day to introduce CK Farmtech to the Irish

dairy industry. CK Farmtech is the company responsible for setting up the two new Lely Centre facilities in Killorglin, Co Kerry and Dunmanway, Co Cork.

The company is a joint venture between the Crowley brothers, Sean and Donagh, in Killorglin, and Sam Kingston and his son, Sam Kingston (Jnr), in Dunmanway. On display at the open day will be two Astronaut A3 milking robots which have been installed for three months; the Juno feed pusher and the Discovery slat cleaner.

Also on show will be the Lely Calm calf feeder. At the open day will be an array of Lely specialists from the UK and Holland on hand to answer any questions. The farm is located in Ashley Park, Co Tipperary, approximately midway between Nenagh and Borrisokane on the N52. Signs will be located on the N52. Contact Donagh Crowley of CK Farmtech on 086 7739830 for more information.