Creamery league

Co-op August 2011	A	B	C	€ / kg MS	Cash price net of VAT, transport and conditional bonuses @ 3.6 BF and 3.3 PR	Avg co-op protein %	Avg co-op butterfat %	Protein diff per each 0.10%	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	Aug milk payment for farmer supplying 12% of 230,000 quota €/kg price paid
Division 1												
Boherbue				4.5690	32.50	3.45	4.00	0.49	0.45	35.04	2	€8,593.90
Dairygold	7.354	3.057	0.04	4.5381	32.42	3.46	3.94	0.76	0.31	35.00	4	€8,535.72
Drinagh Co-op	6.10145	4.06763	0.037	4.5192	32.11	3.45	3.89	0.63	0.42	34.67	5	€8,500.31
Bandon Co-op	6.14986	4.09991	0.04	4.5187	32.31	3.42	3.86	0.63	0.42	34.56	6	€8,499.29
Barryroe Co-op	6.1485	4.099	0.04	4.5176	32.37	3.47	3.88	0.63	0.42	35.02	3	€8,497.18
Division 2												
Glanbia	7.2307	3.1455	0.04	4.5143	32.32	3.38	3.94	0.74	0.32	34.02	8	€8,490.94
North Cork				4.5131	32.45	3.35	3.83	0.50	0.30	33.39	14	€8,488.78
Kerry Group				4.5118	32.32	3.40	3.83	0.63	0.31	33.67	10	€8,486.24
Arrabawn	7.4984	2.8623	0.0335	4.5084	32.34	3.34	3.85	0.67	0.29	33.37	15	€8,479.87
Lisavaird Co-op	6.10145	4.06763	0.038	4.5058	32.30	3.47	3.92	0.63	0.42	35.11	1	€8,475.01
Lakeland Dairies	7.46761	2.88191	0.035	4.5045	32.21	3.41	3.97	0.77	0.30	34.17	7	€8,472.50
Division 3												
Tipperary Co-op				4.4779	32.22	3.42	3.90	0.63	0.25	33.73	9	€8,422.45
Monaghan Co-op				4.4760	32.07	3.30	3.70	0.51	0.34	32.42	13	€8,418.93
Centenary/Thurles				4.4710	32.32	3.41	3.86	0.60	0.20	33.50	11	€8,409.57
Connacht Gold	7.1331	3.0601	0.04253	4.3891	31.33	3.34	3.84	0.73	0.32	33.42	12	€8,255.59
Wexford				4.2005	30.00	3.45	4.05	0.54	0.34	32.30	16	€7,900.68
Donegal				4.1656	29.73	3.35	3.86	0.56	0.34	30.95	17	€7,835.06

Cork co-ops are first division players

JOHN BOYLAN
IRISH FARMERS JOURNAL

Boherbue co-op topped the first division in the August milk league, with a total solids milk price of €4.5690/kg, followed by Dairygold in second place with a price of €4.5381/kg. The west Cork co-ops of Drinagh, Bandon and Barryroe complete the first division, paying between €4.5192/kg and €4.5176/kg.

Glanbia led the second division with a milk price of €4.5143/kg followed by North Cork, Kerry, Arrabawn, Lisavaird and Lakeland, all paying between €4.5131/kg and €4.5045/kg.

Tipperary paid €4.4779/kg to top division three, followed by Monaghan, Centenary/Thurles, Connacht Gold, Wexford and Donegal, paying between €4.4760/kg and €4.1656/kg.

An average farmer with a quota of 230,000 litres supplying Boherbue in Cork would have an additional €758 in his pocket from his August milk cheque over his counterpart supplying Donegal.

EXPLANATORY FOOT NOTES

- Milk collected ex farm.
- Cash price is as follows: A+B-C, prices paid for each kg of fat and protein minus costs –C (processing cost)
- SCC: 400,000.
- TBC: 50,000.
- Dairy Board and State levies deducted by co-op will not be deducted from league prices.
- Centenary/Thurles also pay an additional 0.2c/l bonus for all milk supplied under 200,000 cell count.
- Tipperary also pays a bonus of 0.1c/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.
- Dairygold has 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 0.3 c/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 0.40c/l for milk supplied below 200,000 SCC. The four west Cork co-ops pay 0.56c/l for milk under 50,000 TBC.
- Wexford has a 0.35c/l levy to partially fund its buyback from Dairy Crest.
- All quality related conditional bonuses that are available to producers are included in the creamery average price.
- For an introductory period, the A+B-C will be on the left 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.
- The A is the protein value, B the fat value and the –C is the processing cost.
- 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.

INBRIEF

NZ has free trade agreement with China

CHINA chose New Zealand to be the first country in the developed world with which to sign a Free Trade Agreement in 2008. Tariffs on butter, cheese, yoghurt and liquid milk are being phased out over a 10-year period and milk powders are being phased out over 12 years from the date of the agreement.

A further scheduled phase-down of tariffs under this NZ-China Free Trade Agreement takes place on 1 January 2012. Next year, the duty free extends to 91% of the tariff lines covered in this agreement.

This gives NZ exporters of dairy products a major advantage over their competitors from the EU.

Meanwhile, Taiwan has extended tariff reductions on milk powder for a further six months to February 2012. New Zealand is the biggest supplier of milk powder to Taiwan, holding 54% market share for WMP and 77.4% for SMP. Tariffs on these products are to remain at 7.5%, which is a 25% reduction.

NZ dairy exports give trade surplus

FOR the first time in 20 years, New Zealand achieved a trade surplus in July 2011, driven by increased export quantity, higher prices for dairy products and a slight drop in import prices.

This was the seventh consecutive quarterly rise to the highest level since 1974.

There is a positive medium-term outlook for the New Zealand economy, but there are also signs that prices are close to a near time peak and will moderate slightly over the next two years as current high prices retreat from these levels.

Fonterra/First Milk's joint venture

FONTERRA, the world's biggest dairy exporter, and First Milk, Britain's biggest farmer co-op, are coming together to form a joint venture to dry liquid whey.

Using Fonterra's technology, the joint venture will concentrate and process the whey into higher value protein ingredients. The plant will be located at First Milk's cheese factory in Cumbria, from where most of the whey supply for the project will be sourced.

Fonterra has changed its strategy from being an importer of butter and cheese to the EU to developing new protein products for use in the food industry.

Sourcing whey from New Zealand would incur import penalties when imported to the EU and, also, NZ needs its own supply for the Asian markets.

The premium whey products from the First Milk Lake District creamery will be utilised in Fonterra's functional and cultures ingredients, like Power Protein and Elevate Protein. It is expected that this link-up will enhance First Milk's milk price, which languishes at the bottom of the LTO milk league.

Russia importing less butter

RUSSIAN demand for New Zealand butter has fallen in recent months. Although the volume of butter imported from January to July 2011 was up by 37% from the same period in 2010, this has decreased steadily as the year progressed.

US milk production forecast increased

IN its latest report, WASDE (World Agricultural Supply and Demand Estimate) has forecast its highest level of milk production in the US for 2011 (*Figure 1*). The new report has raised its forecast to 97,850 tonnes, up by 1.5% from the 2010 level. This is due to cow numbers expanding faster than anticipated.

Milk production in Britain is also 3% higher for the first seven months of this year but it has slowed since. Deliveries in the EU between January and July are 2.4 % above 2010 levels.

Production in western Europe has slowed as the year progressed. Production in Ireland was up by 11% on last year's levels, with France up by 5.4%, Germany by 2.6% and the Netherlands by 2.5%.

In Eastern Europe, milk production is declining seasonally, although good weather has extended its season.

New Zealand milk production volumes are higher than this time last year and are heading for a record peak.

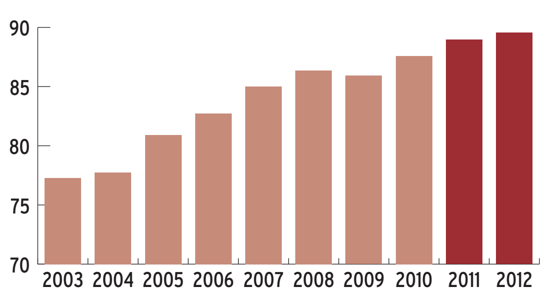
PREDICTIONS

Supplies are 13% higher than this time last year and predictions of a 5% annual increase are on the cards if they don't have a weather event, as grass growth conditions are favourable.

Australian milk production is also increasing and is expected to peak in late October.

Milk production from the four biggest exporters — the EU, US, NZ and Australia — is up by 2.2% in the January to July period. Argentinian milk production is up by 14% year to date, but Brazil is still lower.

Figure 1
US milk production, actual and forecast (million tonnes)



Butter production increases in US

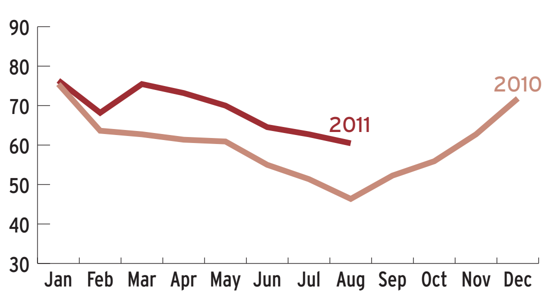
US butter production in August increased by 31.5% (14,320 tonnes) to 60,454 tonnes from August 2010. So far this year, butter production is 75,909 tonnes higher than production for the same period in 2010 (*Figure 2*).

Non-fat dry milk production declined in August but skim milk production increased. When combined, there was an increase of 13% to 69,136 tonnes of NFDM and SMP from August 2010.

US cheese production was lower for the fifth consecutive month.

Total cheese production was down by 0.3% to 394,545 tonnes in August compared with August 2010.

Figure 2
US monthly butter production (tonnes)



US milk price declines

ACCORDING to the USDA's (US Department of Agriculture) agricultural report, the 'all milk' price declined for the first time in four months to $20.90/100lbs (34.13c/l). This is a drop of 5% from August but it is still $3.20/100lbs (18.1%) higher than September 2010.

Table 1: LTO international milk league at 3.6% fat and 3.3% protein (c/litre)

Company	Quality adjustment	Quantity adjustment	Seasonal adjustment	Milk price August	Most recent supplementary payment	Rolling avg for last 12 months
Milcobel BE	**0.73**	**1.37**		**31.83**	**0.42**	**33.20**
Alois Müller DE	0.51			34.61	0.23	33.47
Humana Milch Union eG DE				**32.99**	**-0.15**	**31.60**
Nordmilch DE		0.15		33.15	0	32.32
Arla Foods DK	**0.64**			**33.15**	**2.56**	**34.05**
Hämeenlinnan Osuusmeijeri FI	2.14		1.94	44.61	3.59	43.74
Bongrain CLE (Basse Normandie) FR	**0.74**			**35.99**	**0**	**32.47**
Danone (Pas de Calais) FR				36.22	0	32.86
Lactalis (Pays de la Loire) FR				**36.06**	**0**	**32.56**
Sodiaal FR	0.58			36.67	0	32.32
Dairy Crest (Davidstow) GB		**0.33**		**31.22**	**0**	**29.81**
First Milk GB	0.55	2.08		28.49	0	26.46
Glanbia IE				**32.25**	**0**	**31.55**
Kerry IE				32.32	0	30.95
Granarolo (North) IT	**1.15**	**3.42**		**38.12**	**0**	**36.79**
DOC Kaas NL	0.05	0.34		33.41	2.64	34.98
Friesland Campina NL	**0.05**	**0.75**	**2.45**	**35.90**	**1.84**	**34.60**
AVERAGE MILK PRICE THIS MONTH				34.53		33.16
Fonterra (5) NZ				**29.35**	**0**	**30.83**
United States of America (3) US	0.16			35.72	0	29.52

Kerry and Glanbia hold their prices in LTO league

FINNISH co-op Hameenlinnan Osuusmeijeri has increased its milk price in August to the equivalent of an Irish milk price of 44.61c/l at 3.6% fat and 3.3% protein in the LTO milk league (*Table 1*).

Granarolo co-op in Northern Italy remained in second place as they paid 38.12c/l — a similar figure to last month.

Kerry and Glanbia are holding their prices at 32.32c/l and 32.25c/l, respectively, while British processor First Milk remains at the bottom of the league, even though it raised its prices by 0.8 c/l.

On the international scene, the New Zealand milk price is down slightly, while the price in the US is up slightly.

INBRIEF

British butter sales set to increase

SALES of butter in Britain had value growth of 63% between 2006 and 2011 to an estimated £680m in 2011, according to market research company, Mintel.

Mintel has also indicated that the market should continue to see significant investment and product development from major branded operators.

They are forecasting retail sales of butter to rise from £680 in 2011 to £915 over the next five years.

Looking at the wider fats market to include spreads, it is heavily dominated by brands, with Lurpac, Flora, Anchor, Clover and Country representing 60% of sales.

Own-label brands represent less than 20% of the butter and spreads sales and this is declining because of heavy discounting from branded products.

Granarolo buys Lat Bri business

ITALIAN co-op Granarolo has upped its turnover to over €1bn from its present turnover of €885m with the purchase of Italian cheesemaker Lat Bri.

Granarolo has five manufacturing plants in Italy and is the biggest fresh milk producer in the country. It is also the biggest yoghurt manufacturer in Italy.

Lat Bri, Italy's third cheese producer, and Granarolo have announced that the purchase will double cheese sales from €150m to €300m. The cost of the acquisition is said to be about €60m.