



# IFA DAIRY AND LIQUID MILK NEWSLETTER

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## NOVEMBER-DECEMBER MILK PRICES 24C/L

### Nov/Dec 2009 Manufacturing Milk Prices

In cent per litre, for milk at 3.3%*p*, 3.6%*f*, net of VAT and coll charge

Co-op	Nov chge	Nov price	Dec chge	Dec price
Lakeland	+0.95	24.50	+0.5 c/l*	24.98
Drinagh	+1.50	24.25	No change	24.25
Bandon	+1.50	24.21	No change	24.21
T of Mon	+0.95	24.08	No change	24.08
Arrabawn	+0.95	24.00	No change	24.00
Newmkt	+1.00	24.00	No change	24.00
Wexford	+1.00	24.00	No change	24.00
Nth Cork	+1.00	24.00	No change	24.00
Barryroe	+1.50	23.93	No change	23.93
Lissavaid	+1.50	23.87	No change	23.87
Dairygold	+0.96	23.77	No change	23.77
Tipperary	+0.46	23.76	No change	23.76
Glanbia	+0.95	23.76	No change	23.76
Kerry	No change	22.81	No change	22.81
C. Gold	+0.30	22.39	No change	22.39

*Lakeland:* Paid exceptional 0.5c/l for all Dec 09 supplies  
Also, Oct-Mar 0.27c/l + VAT lactose bonus to over 88% of farmers included  
**Conditional bonuses not included above:**  
*Glanbia:* 5c/l lactose-related bonus if June production <16%  
*Con. Gold:* 0.44c/l 17-milk cap; 0.3c/l <200K SCC; 0.3c/l <30K TBC  
*West Cork Co-ops:* 0.88c/l <200K SCC for Nov to Feb milk  
*Dairygold:* 0.4c/l <200K SCC  
*Tipperary:* Coll free for capacity for 3-days milk; 0.1c/l <200K SCC

## NO PRICE LIFT IN DECEMBER—MINI 28C/L NEEDED FOR 2010

Lakeland was the only co-op to make an additional payment for December milk supplies, amounting to 0.5c/l. "I commend the Lakeland board and hope they will be able to sustain this payment into 2010," Dairy Chairman Kevin Kiersey said. Global and EU dairy markets have plateaued at the end of 2009, and some uncertainty has crept in. However, returns remain high, with butter finishing the year at 30% above intervention price, and SMP at 15%. The 7% "correction" in the Fonterra January WMP auction price does not alter the fact that current prices are 95% above those 12 months ago, and the AMF price was up 4.4%.

Supplies in Oceania have been restricted by drought, while German and French production is down on last year. Rabobank has forecast a return to 2007 demand levels in 2010/11. Finally, while intervention stocks are high, the Commission has reiterated its commitment to avoid market disruption.

Milk producers need to return to profitability in 2010. Milk prices have lifted faster and more in some of the main EU dairy countries than for Irish farmers (see overleaf).

Kevin Kiersey said "Teagasc have stated that the improvement in dairy farmers' profitability for 2010 will crucially depend on the extent to which milk prices lift further before peak, because production costs are unlikely to decrease by more than 10% or so. President John Bryan has put it on the record at our AGM that dairy farmers will need an absolute minimum of 28c/l + VAT to just break even, and pay themselves a very modest wage in 2010. That's at least an extra 4c/l on top of what co-ops are paying in December. This is what our industry must strive towards".

### IFA-LED DAIRY FORUM RECONVENED

President John Bryan has recalled the Dairy Forum. All dairy co-ops and farm organisations have been invited to come together on 16th February to form a common front on EU supports, intervention management and national regulatory, trade and currency issues. "The dairy crisis is not over when farmers still get up to 4c/l short of breakeven" Mr Bryan said.

## KEVIN KIERSEY ELECTED NEW DAIRY COMMITTEE CHAIRMAN

Succeeding Richard Kennedy, Waterford dairy farmer Kevin Kiersey has been elected the new Chairman of the National Dairy Committee. Outlining his priorities for the next 4 years, Kevin Kiersey said:

"Milk prices are the single most important factor determining dairy farmers' incomes. The **consolidation and restructuring** of the Irish processing industry with the Irish Dairy Board at its core are crucial to secure viable milk prices. I intend to work hard, and co-operate with Discussion Groups, to keep co-ops under pressure to take action. Co-ops can deliver independently audited, central **milk testing** in 2010—farmers will see it as evidence that co-ops are capable of world class standards and efficiency. Finally, I want to see, before and after 2013, a **Common Agriculture Policy** which retains market management tools to support the dairy sector, capable of dealing with price volatility".



## Most commodities return close on 30c/l

Despite some weakening in recent weeks, spot EU commodity prices in mid-Jan returned the following:

- Avg EU butter/SMP	29.76c/l
- DDB butter/SMP	28.67c/l
- IDB butter/SMP*	30.10c/l
- UK cheddar/Whey P	28.21c/l
- Avg EU WMP	31.18c/l
- DDB WMP	30.74c/l

\* December index at 3.3%*p*rot, 3.6%*f*at is 30.80c/l

# MOST EUROPEAN MILK PRICES RISING FASTER THAN IRISH

The recovery in dairy market prices, which started last August, has yielded far greater producer price increases in Europe's main dairy countries than in Ireland. While Irish milk prices have come up by around 3 to 4c/l or 11% since August, Dutch prices have risen by well over 10c/kg, or 46% with Friesland Campina price up close on 12c/kg—see table below left.

Seen as commodity prices are leading this market recovery, our commodity-dominated product mix should not prevent us from receiving stronger prices. While seasonality has undoubtedly a part to play in explaining the difference, efficiency has to be one of the main factors. It is essential that the Irish dairy industry would address promptly its fragmentation, duplication and lack of co-ordination when it comes to marketing and R&D, as this is clearly costing farmers in lower milk prices, unnecessary undercutting and lost market opportunities. "Irish co-ops have all been involved in industry discussions under the auspices of ICOS for over a year now. In 2010, dairy farmers, the shareholders of those co-ops, want those discussions to yield a clear plan, for the consolidation of the industry, with firm decisions and actions to start before the year is out," Dairy Chairman Kevin Kiersey said.

## Average Milk Prices as per LTO Monthly Review\*

	May 09	Nov 09	% increase
<b>Belgium</b>	21.68c/kg	29.55c/kg	+36%
<b>Germany</b>	22.14c/kg	27.25c/kg	+23%
<b>Denmark</b>	24.52c/kg	25.84c/kg	+5%
<b>UK</b>	23.21c/kg	26.53c/kg	+14%
<b>Netherlands</b>	20.03c/kg	29.33c/kg	+46%
<b>Ireland</b>	21.96c/kg	24.51c/kg	+11%

\* LTO prices in c/kg based on 4.2% fat and 3.4% protein, <25K TBC and <250K SCC, based on a few milk buyers per country. 1c/kg of whole milk = 0.97c/litre of whole milk.

## MINISTER MUST PAY URGENTLY IRELAND'S SHARE OF €300M DAIRY FUND

At the IFA AGM, Minister for Agriculture Brendan Smith confirmed he would pay the €11.5m which is Ireland's share of the EU €300m dairy hardship fund, as recommended by IFA. This means that active farm households will receive around €600 a piece. "€11.5m is too little to solve any farmer's financial difficulties, but it can make a contribution towards the household, whose needs tend to be the same regardless of farm size," Kevin Kiersey said.

"What matters now is that this payment is made urgently, and I will continue to press the Minister to pay those sums just as soon as the EU legal process allows," he concluded.

## LIQUID PRODUCERS NEED HIGHER MILK PRICE AND FAIRER SHARE-OUT OF RETAIL RETURNS

An IFA comparison between liquid milk retail returns and producer prices (see graph right) has shown that while liquid milk retail prices had come back somewhat in recent months, they remained on average 21% above their level of three years ago.

By comparison, producer prices, which had increased to reflect only some of the retail price hikes in 2007 and 2008, had come back to a far greater degree, and were now 2% lower than they were three years ago.

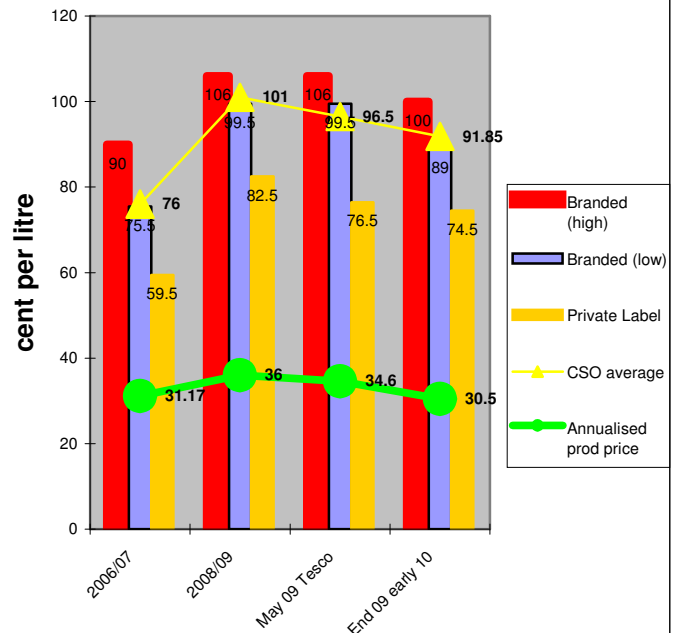
IFA analysis has shown that the average retail price of a litre of whole milk sold by multiple retailers in a 2 litre polybottle had increased by 33% from 76c/l to 101c/l between 2007 and early 2009. A move started by Tesco in May 09 to reduce private label retail prices started a slide in retail prices which came down on average by about 9%.

In the same period, producer prices rose 15.5% and have since fallen right back to a level 2% lower than in 06/07.

**"It is clear that our dairies have gobbled up our margins and given it away to retailers, and the consumer has seen very little of it. The same profit taking by dairies and retailers in the UK nearly destroyed dairy farming there—we need to learn the lesson before more liquid milk producers go out of business! The liquid milk producer price needs to rise 6c/l to cover production costs. There has to be a fairer shareout of retail returns,"** Liquid Chairman Mr Eamonn Bray said.

## Multiple Retailer v. Producer Milk Price

c/l for 2l full fat milk bottle  
 Producer price based on average of CG, Glanbia and Clona (best payers)



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