



# IFA DAIRY AND LIQUID MILK NEWSLETTER

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*The IFA Dairy and Liquid Milk Newsletter Goes Electronic!  
See article overleaf.*

## 2C/L FEBRUARY MILK PRICE LIFT NEEDED AND JUSTIFIED

### Manufacturing Milk Prices—January 2010

C/litre, 3.3%p, 3.6%f, ex VAT, collection and cond. bonuses

Co-op	Collection	Jan change	Jan price
Drinagh	0.40	+1.00	25.25
Bandon	0.00	+1.00	25.21
Barryroe	0.28	+1.00	24.93
Lissavaired	0.28	+1.00	24.87
Lakeland	0.39	No change	24.48
Arrabawn	0.50	No change	24.08
T. of Mon.	0.40	No change	24.00
Newmarket	0.00	No change	24.00
Wexford	0.00	No change	24.00
North Cork	0.00	No change	24.00
Dairygold	0.00	No change	23.77
Tipperary	(See below)	No change	23.76
Glanbia	0.00	No change	23.76
Kerry	0.00	No change	22.81
Con. Gold	(Incl. in -C)	No change	22.39

#### Conditional bonuses not included above:

**Glanbia:** 1.5c/l lactose-related bonus if June production <16%  
**Con Gold:** 0.44c/1 7-milk cap; 0.3c/1 <200k SCC, 0.3c/1 <30k TBC  
**West Cork Co-ops:** 0.88c/1 <200k SCC for Nov to Feb milk  
**Dairygold:** 0.4c/1 <200k SCC  
**Tipperary:** Coll free for capacity for 3-days' milk; 0.1c/1 <200K SCC  
**Bonus included above as it is paid to over 88% of suppliers:**  
**Lakeland:** Oct-Mar lactose bonus 0.27c/1 + VAT

### PADRAIG MULLIGAN ELECTED NEW IFA NATIONAL LIQUID MILK COMMITTEE CHAIRMAN

Padraig Mulligan, who succeeds Eamonn Bray, farms in Templeboy, Sligo, with wife Mary and son Padraig Og.

He is absolutely committed to defending specialist liquid milk producers. The erosion of wholesale prices by dairies seeking to secure market share and retailers protecting huge margins is the greatest threat to producers' livelihoods.

"Our industry can pay viable milk prices to allow farmers cover costs and make a decent income, but we have too many dairies only too willing to give away margins to retailers who play them up against one-another—at the expense of farmers, as proven by the recent Connaught Gold/Tesco deal. This is the road to bankruptcy. We need to see dairies co-operate, take costs out and strengthen producers' hand in the unequal relationship with retailers," he said.



Only the West Cork co-ops increased their January milk price by 1c/l, lifting the top of the price list to over 25c/l + VAT. More recently, Kerry have announced they would lift their February price by 0.95c/l to a more modest 23.76c/l + VAT.

With stabilised EU markets, rising world powder prices, constricting milk supplies and improving demand, the market outlook for 2010 is expected to be quite positive (see overleaf).

However, despite very limited milk price increases in late 2009 and early 2010, Irish dairy farmers still fall at least 3 to 4 c/l short of the minimum 28c/l they need to cover costs and pay themselves a very modest wage.

Speaking early this month, in advance of a series of Dairy Committee meetings with co-op board members, IFA President John Bryan said a 2c/l February milk price lift was both needed and justified. It is needed to come a bit of the way towards break even, boost the confidence and bank balance of farmers after the worse income crisis this generation has experienced, and to secure flagging milk supplies (see overleaf).

It is justified by a positive market outlook for 2010 and 2011.

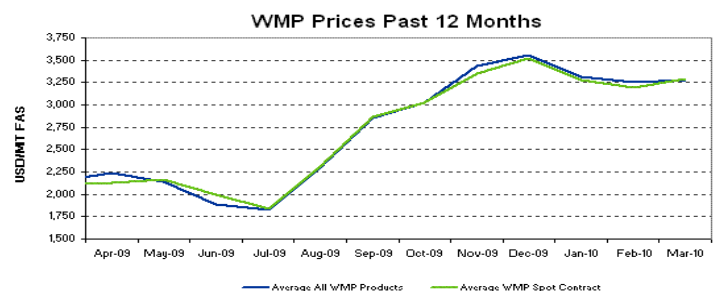
"To secure a return to profitability for farmers in 2010, co-ops must lift milk prices further before peak," Mr Bryan said.

### FONTERRA MARCH AUCTION SEES LIFT IN POWDER PRICES

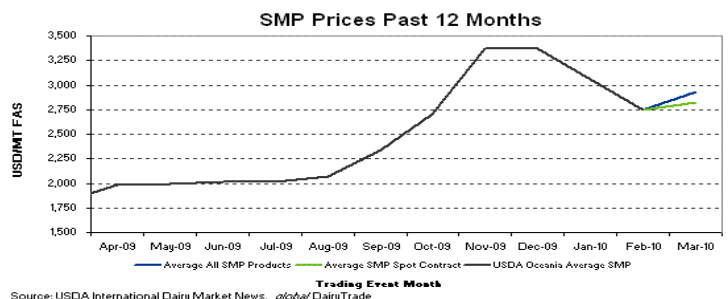
The March Fonterra auction on 2nd March was the first to feature SMP, as well as WMP and the recently added AMF (butteroil). From now on, the auction will sell 20% of all NZ sourced dairy products.

WMP prices, down slightly in Jan and Feb, lifted by an average of 0.8%, while SMP made its first appearance at an average price of US\$ 2927—a 6.4% lift over the mid-Feb USDA quote. AMF prices fell slightly by 5.4%. Dairy Chairman Kevin Kiersey said this was a clear signal of international protein markets stabilising, and even improving.

#### NZ/FONTERRA PRICE FOR WMP AND SMP—LAST 12 MONTHS



Source: [globe/DairyTrade](http://globe/DairyTrade)



Source: USDA International Dairy Market News, [globe/DairyTrade](http://globe/DairyTrade)

## INTERNATIONAL MARKETS STABILISE As 2010/11 OUTLOOK GLOBALLY POSITIVE

The Fonterra March auction showed a stabilisation for WMP and a significant lift for SMP prices, providing further evidence of improvement in the global market outlook for 2010.

At EU level, market prices have now stabilised 25% above intervention for butter, and 12% above for SMP. Markets have tightened, and no sales into intervention are anticipated for quite some time, now that it has re-opened, because current demand carries higher prices. Poor profitability and bad weather have constricted milk supplies around Europe, delaying the Spring peak, with France down 1 to 2% year on year. EU exports of SMP and cheese are flourishing; product is competitive without refunds—and the Fonterra SMP price increase could increase the price of EU SMP exports in coming months, too. The weaker Euro has further helped our competitiveness. Cheese currently yields better returns than SMP/butter, so could further tighten availability of supplies for those products, improving market balance further.

On the world market, supplies are back everywhere: NZ 2009/10 production is estimated 4% down on the previous season, while Australian supplies were down 6% in the second half of 2009. US milk supplies have been well back since last August, and expected to continue falling.

Demand for powder is good, and the EU the main source of SMP. An Algerian tender of 30,000 to 50,000 of powder for delivery in March-May is benefiting mostly EU exporters.

China is driving world demand, their NZ imports of SMP rising 59% and WMP over 140% in 09.

All this indicates a positive outturn for 2010/11, which can and must benefit Irish dairy farmers.

## Dairy Forum to Meet Minister

The Dairy Forum, convened by President John Bryan last month and including all stakeholders in the industry, will be meeting with Minister Smith on 23rd March to deal with the EU and national issues critical to the sector in 2010:

- The need for continued EU market management in 2010, especially the careful handling of intervention stocks and greater flexibility on export refunds;

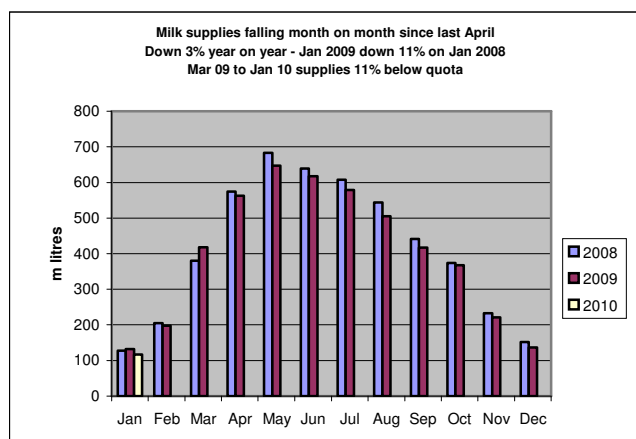
- The need to further reduce the cost of doing business at national level, on energy, labour, the cost of compliance, and especially on the new Carbon Tax.

## IRISH MILK SUPPLIES FALL DUE TO LACK OF PROFITABILITY

Poor milk prices and low profitability, not weather concerns, are what explains the dramatic fall in Irish milk supplies, Dairy Chairman Kevin Kiersey has explained. Milk supplies for January 2010 were down 11% on January 2009, and 12-month supplies for 2009 were 3% down on the previous year. Department of Agriculture statistics further indicate that by the end of Jan 2010, milk supplies were also 11% below quota.

“When the weather is unfavourable, but prices are profitable, farmers feed their animals and keep the milk flowing. Not so if profitability is in-existent as in 2009, and continuing into 2010,” he said.

“Co-ops cannot take milk supplies for granted: they must increase milk prices rapidly, before peak, and a 2c/l February lift would be a good start. Unless farmers return to the minimum 28c/l they need to break even and pay themselves a modest wage, supplies will continue running short as we get to peak”.



## MINISTER FOLLOWS IFA RECOMMENDATIONS FOR 2010 NEW ENTRANTS SCHEME

Thanks to strong IFA representations, the 2010 New Entrants' scheme will allow newcomers to dairying who had purchased milk quota through the Quota Trading Scheme over the last few years to apply for additional free milk quota on the same basis as total new entrants who hold no quota.

The scheme will allocate up to 50 lots of 200,000 litres to Brand New Entrants who do not hold any quota, and the balance could deliver over 40,000 litres to Recent Entrants who purchased quota through the Trading Scheme.

**Note:** Applicants who purchased quota but have not started production within 15 months must have secured a derogation for additional time to be eligible to apply under this scheme.

**Application deadline: 9th April 2010. Details on [www.ifa.ie](http://www.ifa.ie)**

## SPECIALIST CONTRACTS AND FAIR SHARE OF RETAIL PRICE NEEDED TO SECURE SUPPLIES

IFA National Liquid Milk Committee Chairman Pdraig Mulligan has called on all dairies and retailers to ensure that year-round and winter milk producers must receive adequate compensation for their higher costs of production. At the moment, liquid milk prices are at least 5c/l short of break even. Producers need a higher percentage of the current retail price of liquid milk to ensure the viability of year-round and winter specialist milk production.

Mr Mulligan urged processors to give their suppliers cast-iron assurances that they will not downgrade their supply contracts or pricing arrangements.

He said: “Historically, the significantly higher production costs during the winter and the fact that they allowed the co-op tap into the lucrative drinking market even when commodity prices were poor, has been reflected in a price premium to suppliers. The justification of those arrangements continues to this day, as shortages do arise in a system where the main natural advantage is grass-based, and therefore seasonal, milk production.”

In recent years, many of those contracts have been eroded, with too many dairies fighting for market share, and new competition from cheaper milk imports. Dairies have progressively given away value to the retail trade with falling wholesale prices, making it increasingly challenging to secure a viable price for producers.

“We now have too many dairies, too willing to undermine each other in a bid for market share, with retailers the sole beneficiaries. It is high time our dairies got their act together, and through co-operation and consolidation ensure that liquid milk supply arrangements deliver a viable, higher percentage of the current retail price back to farmers,” Mr Mulligan said.



## GET GOOD FEED VALUE FROM IRISH GRAIN

IFA President John Bryan has urged dairy farmers to consider Irish produced grain for value in feed. “This has been the harshest and longest winter in decades, with little or no grass growth yet. Milk supplies are well back, and protein performance has also suffered. Irish grown grain is good value at the moment, and could help dairy farmers lift supplies and constituents, and improve their milk cheques.”

## IFA DAIRY AND LIQUID MILK NEWSLETTER GOES ELECTRONIC!

This is the last newsletter to go out as hardcopy to all our readers. We will continue to post a physical newsletter to co-op Board Members and to a small number of readers who have specifically requested it. However, those who wish to continue receiving the newsletter and have not contacted us yet should email [catherinelascurettes@ifa.ie](mailto:catherinelascurettes@ifa.ie) with the following information:

**Name:**

**Postal address:**

**Email address:**

**Mobile phone number:**

**Name of co-op (if relevant):**