



IFA DAIRY AND LIQUID MILK NEWSLETTER



Issue 1
Volume 7

December
2009



OCTOBER PRICES LIFT PAST 23C/L.

NOVEMBER PRICE INCREASE JUSTIFIED AND NECESSARY

Manufacturing Milk Prices—October 2009

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

Co-op	Collection	Oct change	Oct price
Tipperary	(see below)	2.90	23.30
Lakeland	0.39	1.75	23.29
Arrabawn	0.50	2.25	23.13
T. of Mon	0.40	2.00	23.04
Newmarket	0.00	1.00	23.00
Wexford	0.00	1.00	23.00
Kerry	0.00	1.90	22.81
Glanbia	0.00	0.80	22.81
Dairygold	0.00	1.06	22.81
Barryroe	0.28	No change	22.43
Drinagh	0.40	No change	22.35
Bandon	0.00	No change	22.21
Lissavaired	0.28	No change	22.07
Con. Gold	(incl. in -C)	1.50	22.03

Conditional bonuses not included above:

Glanbia: 1.5c/l lactose related bonus if June production <16% of total

Con Gold: 0.44c/l 7-milk cap; 0.3c/l <200k SCC; 0.3c/l <30k TBC

West Cork Co-ops: 0.4c/l <200k SCC

Dairygold: 0.4c/l <200k SCC

Tipperary: Coll free for capacity for 3 days' milk; 0.1c/l <200k SCC

Dairy Chairman Richard Kennedy said continued lifts in dairy prices, including UK cheddar cheese, justified a further price increase for November milk. "We must not forget that October milk prices at 23c/l still leave dairy farmers at least 4c/l short of costs, having incurred major incomes losses during 2009".

The Irish Dairy Board will lift its butter and SMP index for November with extra top-ups, having already revised the base prices respectively by 12.8% and 10%. With EU November commodity returns all over 30c/l (see below), there is little doubt the IDB index will rise at least a couple of cents per litre above the 28.55c/l October level.

Richard Kennedy said "Whether your co-op trades through the Irish Dairy Board or not, gross commodity returns on the EU market place at the end of November were as follows:"

Dutch Dairy Board butter + food grade SMP	33.94c/l
Average EU butter + food grade SMP	32.37c/l
Average EU Whole Milk Powder	30.60c/l
Dutch Dairy Board Whole Milk Powder	31.74c/l

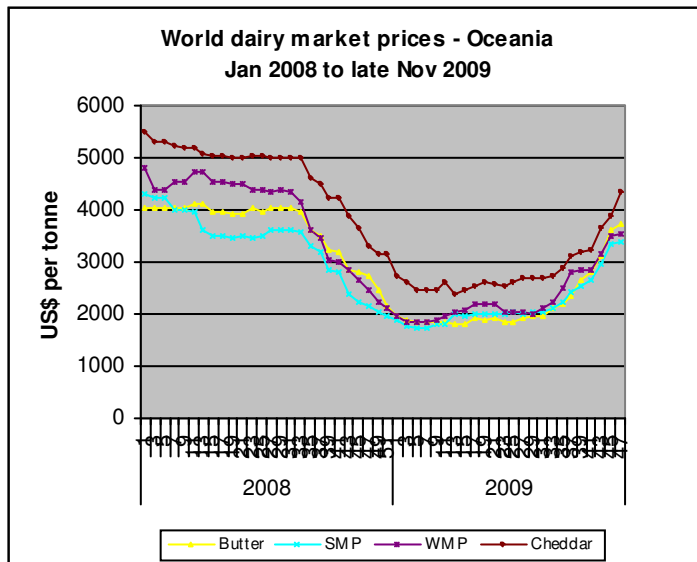
Global outlook positive: production falls and Fonterra WMP auction up

The zeroing of all EU dairy export refunds, while affecting EU competitiveness, has boosted world market prices (see left). The 1st December Fonterra auction yielded an average WMP price increase of 3.6% to US\$ 3560/t, with prices for the Jun-Aug 2010 period higher again. EU SMP remains competitive on the world market, but butter is not—however EU demand remains strong and prices high. The Commission are minded to hold intervention stocks, so that for the short term, there are few negative pressures on EU dairy markets.

The global outlook remains quite positive, with US production expected to be down 1% in 2009, with at least another 1% fall next year as cow numbers fall. This is despite strong price increases in recent months, and is due to economic pressures on farms. New Zealand supplies have fallen by 2%, after bad weather affected the early and main season. NZ milk prices have also lifted, with the Fonterra 09/10 payout of NZ\$6.05/kg DM. Australian milk deliveries are down 4% for the season, due in part to drought, and in part to poor on-farm profitability.

Minister must pay dairy hardship fund before Christmas

Richard Kennedy has urged Minister Brendan Smith to pay urgently Ireland's €11.5m share of the recently announced EU €300m dairy hardship fund. He said while the money will not solve dairy farmers' income problems, it should be paid in a flat €600 to €700 to each active dairy farm family to make a valuable contribution to the household coming up to Christmas.



INDUSTRY CONSOLIDATION ESSENTIAL: INEFFICIENCY CAUSES LOW MILK PRICES!

During the lowest ebb of the dairy crisis, milk prices in the most important milk producing EU countries had tended to converge to the low 20's (cents per litre), recent EU wide milk price increases have resulted in much faster and sizeable improvements for farmers in the main EU milk producing countries such as the Netherlands, Finland, the UK and Germany than in Ireland. Only France and Denmark have registered lower price increases as of yet. Between May and October, Irish milk prices have increased by around 2c/l, while prices in the EU's main milk producing countries have lifted substantially more, by up to 6.35c/kg (6.5c/l) (see table right).

Quite apart from the relatively low price increases for Irish milk producers, Irish milk prices are now, yet again, firmly in the lower levels of the European milk price league. It is fair to say that this is due to the inefficiencies in our industry structure, not just to our product mix, seen as commodity prices have increased most substantially of all in the last few months.

Inefficiencies cost farmers money by causing low milk prices!

EU MILK PRICE CHANGES MAY 09/OCT 09

€/100kgs	May 09	Oct 09	Difference
Netherlands	20.30	26.38	6.35
Finland	35.05	39.44	4.39
UK	23.22	26.40	3.19
Germany	22.14	24.95	2.80
Italy	32.52	34.95	2.43
Ireland	21.97	23.93	1.97
Denmark	24.52	25.83	1.31
France	26.87	27.85	0.98

Above based on LTO Netherlands price league, for milk at 3.4% protein, 4.2% butterfat, under 250,000 SCC and under 25,000 TBC, with 500,000 kgs deliveries. Prices are in € per 100kgs, or c/kg (1 kg milk = 1.02l milk)

NDC "Farmed in the RoI" campaign shakes up liquid market

The launch of the NDC's Milk Mark campaign, featuring Ireland and Munster rugby star Paul O'Connell and various other high profile Irish personalities, and promoting milk farmed and processed in the Republic of Ireland, has taken the retail liquid milk market by storm.

The public feed back from the intensive ad campaign which started in November has been extremely positive, but most interesting have been the different reactions in the trade.

Many retailers have shown keen interest in sourcing milk which would allow them use the mark. Aldi, who until now were importing 100% of their milk, will shortly be selling, in addition to their own brand of imported milk, a locally produced offering, featuring the NDC Mark. IFA has urged retailers such as Lidl and Dunnes Stores, who import all the Private Label milk they sell, to also offer consumers the choice to support local milk, local farmers and local jobs.

"The NDC campaign has the benefit of giving consumers information as to the origin of their milk, and the opportunity to make an informed choice," Liquid Milk Committee Chairman Eamonn Bray said. Contrary to some perceptions, the consumer choice is not all about retail prices either: "You can walk into Dunnes Stores or Lidl and buy 2 litres of private label, imported milk for around €1.49, or you can walk into Tesco and many other stores and buy private label, Republic of Ireland milk with the NDC mark for the same price," he said.

It is clear that the NDC campaign has come at the right time, and captured the mood of the times among Irish consumers.

A survey published this month by the Food Safety Authority of Ireland (FSAI) found that 74% of consumers surveyed out of a representative sample of 1,021 thought that it should be compulsory for an indication of origin to be given for all foods – both pre-packaged and loose. The survey also makes several references to an increased level of scrutiny of labels by Irish consumers since the FSAI's similar 2002 survey.

"In these tough times, consumers clearly understand that supporting locally produced food is essential to support jobs and the economy," Mr Bray concluded.



On-Farm efficiencies focus of new scheme

Announced last July by Minister for Agriculture Brendan Smith, a new scheme will be designed and launched in the New Year, which aims at encouraging dairy farmers to adopt more efficient farm management practices, probably through membership of Discussion Groups. It will make available €6m per year for 3 years, from unspent SFP funds.

Richard Kennedy said "IFA is very supportive of a scheme which can help dairy farmers to improve their cost performance, and put money into their pocket even in hard times".

"IFA had made detailed proposals for a Dairy Herd Improvement Scheme, and is generally supportive of the move. However, IFA has clearly stated all funds must be used to make payments to the participating farmers, and not to prop up administration or bureaucracy," Mr Kennedy said.

"We have also highlighted the importance to include animal husbandry and herd health management as part of the areas the scheme should cover, in addition to the usual grass management and profit, accounts and cost monitoring which Discussion Groups tend to focus on", he added.

As it is intended that the scheme would be open for application from 2010, it is expected that the full details of the scheme will be announced early in the New Year, and opened for application promptly thereafter.

NEW ENTRANTS SCHEME MUST INCLUDE QUOTA PURCHASERS

Earlier this year, 70 out of 130 applicants, total newcomers to the dairy sector, who had satisfied a number of stringent criteria, including the production of a detailed 5-year business plan, were allocated 200,000 litres of quota each in an innovative new entrant scheme, made possible by the milk quota increases decided under the Health Check.

However, new entrants who had previously acquired milk quota were ruled ineligible.

As another 1% additional milk quota will be available from 1st April 2010, the opportunity will arise to correct this unfairness. IFA has urged Minister for Agriculture Brendan Smith to ensure farmers who had proven their commitment to the sector by purchasing quota in the last couple of years should be eligible for allocations under any new scheme.

