IFA DAIRY AND LIQUID MILK NEWSLETTER

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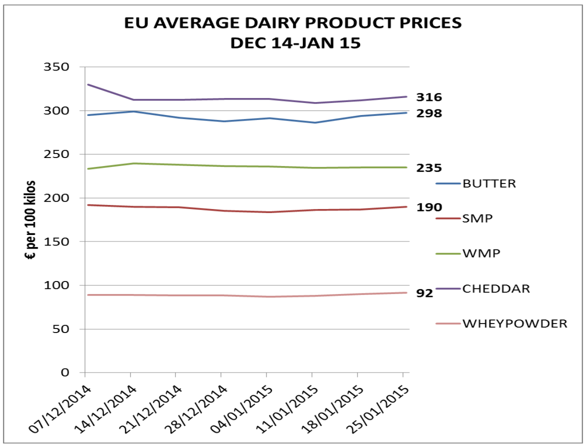
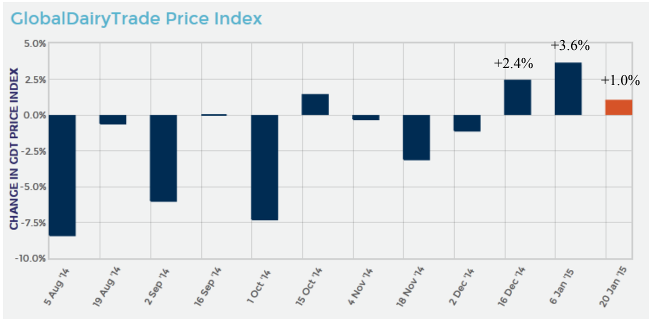
As EU dairy product prices start to inch up, and after three consecutive positive GDT auctions reflected in global product price quotes, the gloomiest predictions for 2015 may yet prove somewhat wide of the mark.
There is no denying that the Irish milk price has fallen nearly 8c/l or 21 % from last May's peak, leaving little margin, if any, for most dairy farmers, and that the prospects of prices improving at farm level are poor until the second half of the year. It is also clear that current returns from EU markets remain weak at around 32-33c/l before processing costs.
However, in the last two weeks (to 25th Jan 2015), EU dairy returns have firmed by nearly 1c/l, and all dairy product prices have shown modest increases.
EU commodity markets have benefited from increased export volumes, boosted by lower prices, a weak Euro and the strength of the US Dollar.
On the global scene, there are also clear signs of markets bottoming out as world prices reflect the trend of the last three GDT auctions—the last five in the case of butterfat.
US supplies continue to grow almost unabated (US dairy prices having held out longer than any other, and farmers having been able to lock in margins). NZ's late season drought had Fonterra revise production forecasts: 14/15 output could be 3.3% below last season's. EU supplies are also moderating because of superlevy concerns and cold weather. Irish milk supplies fell back over 17% in December 2014 compared to December 2013.
While Chinese buyers are still to return, and the Russian ban is not resolved, demand in Africa, the Mid East and SE Asia is being boosted by more competitive EU products.
Finally, APS, the only really tangible measure introduced in the wake of the Russian ban, has been extended for SMP and butter to allow product to be put into storage till the end of September next. With 26,749t of butter and 17,970t of SMP in APS at 18th Jan, the option of adding to those stocks for 7 more months should reassure sellers and confirm to buyers that the era of ever cheaper EU dairy products is now firmly at an end.
Yes, dairy returns remain poor, but they have now bottomed out, and look set to recover over the coming months. Irish farmers will unfortunately miss out on their peak milk, but the green shoots should reduce considerably the likelihood of further milk price cuts.





IFA SPRING SEMINARS: "A FRAMEWORK FOR DAIRY GROWTH"

IFA will hold **5 regional seminars in March and April 15**. Speakers from the **banks**, the local **co-ops**, both as milk purchasers and input/merchant credit providers, and **Teagasc** will outline how they will provide a framework of services to support farmers through periods of volatility in 2015 and future years.
All meetings will start at **8pm sharp**, and finish by 11pm. All farmers welcome to come and make their voices heard as to what they need and expect from those service providers.

DATES	VENUES (to be confirmed)
19th March	Cork – Oriel House Hotel, Ballincollig
23rd March	Carrick on Shannon – Bush Hotel
26th March	Kilkenny – Hotel Kilkenny
2nd April	Adare – Dunraven Arms Hotel
8th April	Navan – Ardboyne Hotel

WE MUST LEARN FROM UK LIQUID MILK EXPERIENCE

Some British farmers are currently without contract or milk purchasers, and have to take rock bottom spot prices of 20 to 27c/l or sell their cows. Farmers with "aligned" liquid milk supply contracts with retailers such as Tesco and Sainsbury's currently receive 38 to 40c/l, while others get 27 to 33c/l from their milk purchasers, or unsustainable spot prices.
British retailers have had to recognise that securing quality fresh milk supplies for consumers required commitment to remunerating suppliers for their costs. "The Irish liquid milk sector needs to learn from the British dairy crisis", said Teddy Cashman.

HAS YOUR CO-OP PASSED BACK HIGHER VAT?

Last month, we flagged the change in VAT refund from 1st Jan, from 5% to 5.2% - worth approx. 0.06c on current prices. Not a lot, but better in your pocket. This new rate applies to all payments made from 1st Jan, and therefore to your Dec 14 milk cheque. Despite our warning, it seems not all co-ops have passed this back fully… We are reliably informed Aurivo Co-op has. Has yours?

30 YEARS OF SUPERLEVY: A BRIEF OVERVIEW

Period	B/fat adjust	Total milk intake (million litres)	Excess production (million litres)	Amount of superlevy paid (million €)	Superlevy rate per litre (€ cents)	% Over quota
1984/85	N	5423.44	11.27	0.16	26.91	n/a
1985/86	N	5425.33	10.49	0.53	27.31	n/a
1986/87	N	5350.92			46.29	
1987/88	N	5127.59	10.00	3.03	30.29	n/a
1988/89	N	5024.51	32.83	10.10	30.75	n/a
1989/90	N	5134.36			31.19	
1990/91	N	5138.17			35.43	
1991/92	N	5052.41			35.43	
1992/93	N	5083.19	28.96	11.18	38.59	n/a
1993/94	N	5062.36			39.37	
1994/95	N	5100.81	13.35	5.16	38.65	0.3
1995/96	N	5135.13	47.01	18.17	38.65	0.9
1996/97	N	5116.73	28.71	10.12	35.25	0.6
1997/98	Y	5126.22	36.48	13.54	37.11	0.7
1998/99	Y	5071.73			36.69	
1999/2000	Y	5105.22	16.37	6.01	36.69	0.3
2000/01	Y	5164.96			36.69	
2001/02	Y	5241.51	8.55	3.14	36.69	0.16
2002/03	Y	5221.71			36.69	
2003/04	Y	5262.01	26.11	9.58	36.69	0.5
2004/05	Y	5280.33	44.18	15.14	34.26	0.84
2005/06	Y	5143.83			31.83	
2006/07	Y	5224.24			29.39	
2007/08	Y	5277.37	39.01	11.18	28.66	0.74
2008/09	Y	5208.26			28.66	
2009/10	Y	4838.54			28.66	
2010/11	Y	5429.93			28.66	
2011/12	Y	5562.81	57.94	16.60	28.66	1.1
2012/13	Y	5394.64			28.66	
2013/14	Y	5650.87	35.00	10.03	28.66	0.62
2014/15	Y	?	?	?		?
Total				144		

Over the last 30 years, Irish farmers have paid a total of €144m worth of superlevy (table right) – and the record bill expected for this, the 31st and last year, will increase that substantially.

Irish farmers have paid superlevy, on average, every second year.

In the early years of the regime, because Irish farmers were producing less butterfat than the reference they were allocated, significant amounts of milk were produced with limited or no superlevy. After 1997/98, the first year in which the butterfat reference was triggered, because butterfat production exceeded the reference, it is clear from the table that the scope for volume was significantly reduced.

Our largest ever superlevy fine, at over €18m, was incurred on 1995/96 production, before the introduction of the butterfat adjustment. However, it reflected a higher per litre fine of 38.65c/l, and less milk than the next highest, incurred in 2011/12. This was the largest oversupply todate at nearly 58m litres after butterfat adjustment, and with today's fine of 28.66c/l, it totalled just over €16m.

The variations in the intervention prices are part of the reason for the significant variations in the superlevy rate payable.

I has remained unchanged at 28.66c/l – close enough on the current before VAT milk price paid by most milk purchasers - since the implementation of the Health Check began in 2007/08.

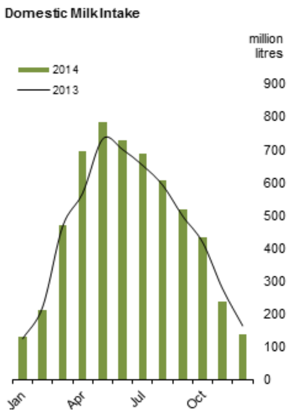
So, what will happen on 31st March 2015? Will our fine reach or exceed €100m – over 2/3 of what farmers have paid in total since 1984? Farmers and co-ops are working hard to reduce exposure. Every 1% of milk produced over quota adds €16m to our fine, and we are ending 2014 6% over quota.

Farmers in 8 to 10 other EU member states will also incur their highest bill ever. They too have ambitions to expand to respond to world market demand, and find it hard to understand why the massive costs of superlevy fines must be let beggar them long after the 30-year regime comes to an end. But in countries where supplies have always been under quota and barely cover domestic needs the view is that over-producers are flouting the rules, contribute to market imbalance, and must take the consequences. Though IFA continues to lobby for a reduction of farmers' fines, concerns over weaker dairy markets and political pressures, mean the prospects for concessions are poor. There has been some talk that the EU Commission may consider giving farmers longer payment periods after 31st March. IFA has raised this with Minister Simon Coveney and Commissioner Phil Hogan, and got a good hearing. They must now both work hard to overcome political hostilities and state aid concerns, and deliver an extended payment schedule for liable farmers.

CSO DECEMBER MILK STATISTICS

December 14 milk supplies were 17.1% down on December 2013, proof of major work by dairy farmers to minimise superlevy. Total milk supplies for the year were a massive 4.2% or 230 m litres up on previous year, however, so the prospect of a major superlevy remains.

DAFF quota figures suggest we ended 2014 5.93% over quota.



EMB PROPOSES NEW PRODUCTION MANAGEMENT POST 2015

The European Milk Board - an alternative farm organisation opposed to the end of quotas—have put forward a new production management system. Dubbed the "Market Responsibility Programme", the scheme provides for market supports to kick in when a market index (dairy prices) falls by 7%. When it falls by 15% - crisis level - a voluntary, incentivised restraint on supplies of at least 5% is introduced, and a penalty on farmers increasing production. When prices fall by 25%, a compulsory 2 to 3% production cut is imposed on all. All above ceases when the crisis period is over. Funding for the scheme would be a mix of the crisis fund, penalties imposed on expanding farmers and a producer levy limited to the year of the crisis.

This scheme is unlikely to be adopted by the EU Commission or Ag. Council, as it lacks political support just like the "softer landing" proposals did. But it is telling of the views of some farm unions and politicians in the EU today!

CellCheck Tip of the Month: Healthy Heifers

Teagasc says producing a replacement heifer can cost €1,451, and she takes two lactations before generating income. This means you need to ensure these animals will produce top quality milk, for as long as possible in the herd. Don't assume 1st lactation animals are mastitis-free. 23% of 1st lactation animals recorded within the 1st month of calving had an SCC over 200,000, suggesting at least 1 infected quarter, while 13% had an SCC over 400,000. Also, the 1st lactation animals milk yield with a first SCC over 400,000 cells/mL was reduced by 102 litres, and by 839 litres over their lifetime.

Tips:

Check all heifers' quarters with a California Mastitis Test (CMT) before milking into the bulk tank, to identify high SCC quarters.

Take a sample from any heifer calving with mastitis, label it and freeze it. You then have a bank of samples that can be cultured to identify the common bacteria. This will help you investigate and prevent the problem recurring in the future.

New Zealand research has shown that teat spraying in-calf heifers three times a week, for at least 3 weeks before calving, significantly reduced the incidence of mastitis caused by *Strep. uberis* at calving.

For more information see the *CellCheck Farm Guidelines for Mastitis Control*

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