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Milk Price Analysis

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Following on from the success of last years analysis of milk prices for 2019 and 2020, the IFA dairy committee has decided to publish this analysis on an annual basis.

Once again, in 2021, there is a significant difference in the revenue received between the highest and lowest paying processor for a typical 500,000L spring calving herd.

IFA continues to lobby milk processors to deliver the best farmgate price for dairy farmers. An analysis such as this provides transparency to suppliers on the annual performance of their milk processor compared to several others in the country regarding milk price.

Stephen Arthur, IFA Dairy Chairman



Introduction

Building on the success of our initial milk price analysis completed last year, IFA have analysed milk price data from 12 of Irelands largest milk processors for 2021.

This analysis was completed through the use of data from monthly milk statements which farmers kindly shared with IFA. We would like to specifically thank each of these farmers for their vital contribution to this body of work.

To make an effective comparison across processors, we have calculated the revenue a dairy farmer would receive each month if they supplied 500,000 litres of milk per year through a spring calving system using the Teagasc Moorepark spring-calving supply profile.

We assumed the farmer produced milk with average solids each month. The monthly butterfat and protein percentages used are those recorded by the CSO for each month in 2021. Details are described in Appendix 1.

All milk processors have adopted the A+B-C methodology for calculating milk value. In addition to this, applicable bonuses and VAT were added to give the total milk value. Details of the bonuses applied are outlined in the Appendix 2. Any bonuses which were related to trading activity have been excluded from calculations. Also, no fixed or forward price contract milk has been included in the calculations. Where “13th payments” were paid, this was added to the total revenue for that particular processor.

In 2020, the average yield per cow was 5,647L (National Farm Survey). Thus, for this example we have assumed that 89 cows produce 500,000L per year to determine the Revenue per cow figure.

Effectively, we have taken the average spring-calving dairy herd and, based on average solids, calculated what that herd would generate in milk sales depending on which processor that herd’s milk was supplied to.

Total Milk Receipts

The table below outlines the milk sales received from each milk processor for our example dairy herd in 2021.

Processor	Total Revenue (€)	Revenue/cow (€)	Average milk price (c/L)
Drinagh ¹	207,868	2,336	41.57
Lisavaird ¹	207,075	2,327	41.42
Bandon ¹	206,894	2,325	41.38
Barryroe	204,252	2,295	40.85
Lakeland Dairies	203,777	2,290	40.76
Dairygold	203,673	2,288	40.73
Aurivo ²	203,070	2,282	40.61
Kerry	201,658	2,266	40.33
Arrabawn	201,284	2,262	40.26
Glanbia	201,268	2,261	40.25
Tipperary Co-op	200,661	2,255	40.13
North Cork Co-Op	200,482	2,253	40.10

The analysis shows that there is a €7,386 gap between the top and bottom processor in 2021.

1 The Carbery Bonus for 2021 was added to the total revenue received for Drinagh, Lisavaird and Bandon Co-op in 2021.

2 A spring bonus paid in December 2021 by Aurivo was added to the total revenue for 2021. See further details in the Appendix 2.

IFA Milk Pricing Guidelines

- Milk prices should continue to be quoted at 3.3% Protein and 3.6% Fat. Alternatively, milk processors should quote the €/kg fat and protein to ensure greater transparency.
- All milk prices should be quoted excluding VAT.
- Milk prices and Bonuses should be agreed excluding VAT to ensure any rise in VAT rate is paid directly back to the farmer.
- Base price should be quoted strictly on an A+B-C basis. The inclusion of bonuses adds complexity and infers that all farmers receive this price when this is not the case.
- Bonuses should not discriminate against herd size.
- The milk price or any bonuses paid by a milk processor should not be conditional on trade with the processor's agribusiness division.

Appendix 1

Description of Assumptions used in the Analysis

The average SCC across the country in 2020 was 178,000 cells/ml. Accordingly, where bonuses conditional on SCC were paid, this was the figure used to deem whether the bonuses were included in the analysis.

It was assumed that all other criteria for milk quality bonuses (TBC, thermoturics etc.) were achieved in the analysis and bonuses relating to same were included.

Monthly milk solids and supply profile

2020	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
%supply	4.19	9.93	14.69	13.51	12.16	11.5	10.76	9.43	8.12	5.03	0.68
Litres	20933	49659	73431	67544	60801	57521	53770	47155	40635	25148	3403
kg	21561	51149	75633	69570	62625	59247	55383	48570	41854	25903	3505
Fat %	4.45	4.32	3.98	3.94	3.97	3.99	4.19	4.43	4.76	4.90	4.74
Protein %	3.44	3.33	3.45	3.49	3.47	3.43	3.54	3.74	3.96	3.89	3.71

Appendix 2

Bonuses applied

All bonuses described below are quoted exclusive of VAT. Any bonuses conditional on trade were not included in the analysis. The bonuses described below is not an exhaustive list of the bonuses paid by each processor but a description of the bonuses that were included in the analysis.

Glanbia

- All bonuses paid by Glanbia are adjusted for solids. Thus, in this example relevant bonuses were adjusted accordingly for the applicable monthly solids.
- A seasonality payment of 2.84c/L and 1.89c/L was paid on all milk supplied in February and December 2021, respectively.
- A Co-op bonus of 0.4c/L was paid each month at base price.

Kerry

- Kerry paid a bonus of 0.1c/L to farmers that are Bord Bia SDAS approved and a 0.4 c/l bonus for supplying milk with a SCC below 200,000 cells/mL each month.
- Kerry paid a 0.95c/L bonus on all milk supplied in July 2021.

Lakeland Dairies

- Lakeland Dairies paid a 1c/L bonus on all milk supplied in February, March and April 2021.

Aurivo

- Aurivo paid an early calving bonus of 1.5c/L and 1.4c/L on all milk supplied in February and March 2021, respectively.
- Aurivo paid a storage bonus of 0.44 c/l each month on all milk supplied from February to August 2021. This bonus was removed in September and the volume charge was reduced from 4.253c/L to 3.813c/L
- Though quoted in the base price by Aurivo, the protein bonus was not applicable for this example and so was excluded in the analysis.
- In December of 2021, Aurivo paid 1.42c/L bonus on all milk supplied in January, February and March of 2021. For this example, this was worth €1,004 which was added to the total revenue earned within Aurivo for 2021.

Tipperary Co-op

- Tipperary Co-op paid a bonus of 0.25c/L on all milk supplied each month with an SCC less than 250,000 cells/ml.
- A winter milk bonus of 3c/L is offered from November to February. In this example, milk supplied in February and November satisfied the conditions of the bonus.

Co-operatives supplying Carbery

- Drinagh, Barryroe, Lisavaired and Bandon all paid a bonus of 0.5c/l on milk supplied with a SCC below 200,000 cells/ml from March to October. From November to February this bonus is increased to 0.88c/L.
- In January 2022, Carbery paid a bonus of 0.5c/l on all milk supplied in 2021. This equated to €2,500 for the given example. This was added to the total income for Drinagh, Lisavaired and Bandon but not for Barryroe as the payment of the bonus in Barryroe is dependent on trade with the Co-op.

Arrabawn

- Arrabawn paid a bonus each month of 0.2c/L for milk supplied with a SCC below 250,000cells/mL.

Dairygold

- Dairygold paid three bonuses each month; 0.4c/l for obtaining more than 50 points on the balanced scorecard (milk quality specifications for SCC, TBC, Lactose, Sediment, Thermodurics and Inhibitors), 0.1c/L for maintaining SDAS certification, 0.1c/L for milk recording four times a year and a further 0.05c/L if you complete a Munster Bovine Herd Health Scheme.
- Dairygold paid an early calving bonus of 2c/L and 1c/L on all milk supplied in February and March 2021, respectively.

North Cork

- North Cork paid a bonus each month of 0.1c/L for milk supplied with a SCC below 200,000cells/mL.
- North Cork paid a supplementary bonus of 0.5c/L on all milk supplied from February to July and 1c/L on all milk supplied from August to December 2021.



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