



IFA

Milk Price Analysis 2022

A comparative
analysis of farm-
gate milk price

April 2023



IFA



The global dairy market and farm-gate prices for milk were very strong in 2022. The IFA milk price analysis demonstrates an increase in total milk receipts for an average spring-based supplier compared to previous years. Yet it is important to state that farmers with fixed milk price contracts had significantly lower incomes which is not captured in this analysis.

This is the fourth year of the analysis which has now become a robust indicator of milk processor performance in terms of farm-gate price. We will continue to use this analysis to lobby milk processors to deliver better prices for their suppliers.

Stephen Arthur, IFA Dairy Chairman



Introduction

IFA have analysed milk price data from 13 of Ireland's largest milk processors for 2022. This analysis was completed using 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.

This year's analysis includes milk receipts from Strathroy which have not been captured in previous years' analyses.

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 from a spring calving herd. We used the Teagasc Moorepark spring calving supply curve to apportion the annual milk supply across each month.

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 2022. 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. Sustainability bonuses that required farmers to undertake further action on their farm were excluded.

In 2021, the average yield per cow was 5,790L (National Farm Survey). Thus, for this example we have assumed that 86 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 the milk was supplied to.

Total Milk Receipts

The table below outlines the milk sales received from each milk processor, including VAT, for our example dairy herd in 2022.

Processor	Total Revenue (€)	Revenue/cow (€)	Average milk price (c/L)
Drinagh Co-op ¹	310,802	3614	62.16
Lisavaird Co-op ¹	310,000	3605	62.00
Bandon Co-op ¹	309,705	3601	61.94
Dairygold ²	309,184	3595	61.84
Tirlan ³	308,451	3587	61.69
Lakeland Dairies ⁴	307,481	3575	61.50
Arrabawn	306,015	3558	61.20
Aurivo	305,243	3549	61.05
Kerry	304,938	3546	60.99
Barryroe Co-op	304,753	3544	60.95
Strathroy Dairies	303,680	3531	60.74
Tipperary Co-op	300,888	3499	60.18
North Cork Co-op ⁵	295,585	3437	59.12

¹ The Carbery Bonus for 2022 was added to the total revenue received for Drinagh, Lisavaird and Bandon Co-op in 2022 and was worth €5000 (VAT inclusive).

² Includes a 13th Payment from Dairygold worth €5000 (VAT Inclusive).

³ Includes a top up payment from Tirlan worth €5000 (VAT Inclusive).

⁴ Includes a top up payment from Lakelands worth €3165 (VAT Inclusive).

⁵ Includes an end of season SCC bonus from North Cork Co-op worth €500 (VAT Inclusive).

The analysis shows that there is a €15,217 gap between the top and bottom processor in 2022.



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.
- 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 2021 was 167,000 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, thermodurics etc.) were achieved in the analysis and bonuses relating to same were included.

Monthly milk solids and supply profile

2022	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
% supply	4.19	9.93	14.69	13.51	12.16	11.51	10.76	9.43	8.13	5.03	0.68
Litres	20933	49659	73431	67544	60801	57521	53770	47155	40635	25148	3403
Fat %	4.44	4.33	4.04	3.95	4.00	4.03	4.21	4.56	4.84	4.98	4.85
Protein %	3.42	3.33	3.44	3.45	3.47	3.47	3.53	3.75	3.98	3.9	3.76

Appendix 2

Bonuses applied

All bonuses described below are quoted exclusive of VAT. Any bonuses conditional on trade were not included in the analysis. Any sustainability bonuses that require a commitment from the farmer to undertake further action on their farm were also excluded from 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. Rationale is also provided for the exclusion of certain bonuses.

Tirlan

- All bonuses paid by Tirlan 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 3.81c/L was paid on all milk supplied in February and December 2022, respectively.
- From April to December an agri-input support payment was paid. In April this was worth 2.84c/L, in May and June it was worth 4.74c/L, in July and August it was worth 5.69c/L, in September, October and November it was worth 6.16c/L and in December it was worth 6.19c/L.
- A sustainability action payment of 0.47c/L was paid in all months and is included in the analysis as it was an unconditional payment paid to all suppliers in 2022. In 2023 this bonus will be conditional on the farmer undertaking further action on their farm.
- In January 2023, a flat rate 13th payment of 0.95c/L was paid on all milk supplied in 2022.

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.
- From February to June, Kerry paid a bonus of 0.6c/L which was adjusted for solids. Kerry paid a milk contract payment worth 1.42c/L in August, 1.90c/L in September and 0.95c/L in October, November and December. These bonuses were also adjusted for solids.

Lakeland Dairies

- Lakeland Dairies paid a 1.42c/L bonus on all milk supplied from August to December.
- In January 2023, they paid a bonus of 0.6c/L on all milk supplied in 2022.

Aurivo

- Aurivo paid an early calving bonus of 1.5c/L and 1.4c/L on all milk supplied in February and March 2022, respectively.
- Though quoted in the base price by Aurivo, the protein bonus was not applicable in this analysis and was excluded.

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 was paid in February, November and December. Previously this was conditional on supply but is now a flat rate payment on any milk supplied from November to February inclusive.

Co-operatives supplying Carbery

- Drinagh, Barryroe, Lisavaird 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 2023, Carbery paid a bonus of 0.95/l on all milk supplied in 2022. This bonus is received by all suppliers Drinagh, Lisavaird and Bandon Co-op. The bonus is conditional on trade for Barryroe Co-op suppliers and therefore was not included in the analysis.
- In 2022, Carbery announced a new sustainability scheme worth 0.5c/L per month. Since this is conditional upon the farmer undertaking further action on their farm it was not included in the analysis.

Arrabawn

- Arrabawn paid a bonus each month of 0.2c/L for milk supplied with a SCC below 250,000cells/mL.
- From August to December a support payment was paid which was worth 1.42c/L in August, September, October and November and worth 1.43c/L in December.

Dairygold

- Dairygold paid a bonus worth 0.4c/l for obtaining more than 50 points on the balanced scorecard (milk quality specifications for SCC, TBC, Lactose, Sediment, Thermodurics and Inhibitors) and 0.1c/L for maintaining SDAS certification. The bonuses for milk recording and for completing a Munster Bovine Herd Health Scheme are excluded since they require a commitment from the farmer to take further action on their farm.
- Dairygold paid an early calving bonus of 2c/L and 1c/L on all milk supplied in February and March 2022, respectively.
- A 13th payment of 0.95c/L was issued in January 2023 and paid on all milk supplied in 2022.

North Cork

- North Cork paid a bonus each month of 0.2c/L for milk supplied with a SCC below 200,000cells/mL.
- In 2022, a supplementary payment of 2c/L was paid each month. From August to December an income support payment was paid of 1c/L.
- An end of season SCC bonus of 0.1c/L was paid on all milk supplied in 2022 that had an SCC less than 200,000 cells/mL.
- While a 13th payment of 1.5c/L was paid on all milk supplied in 2022, it was dependent on trade with the Co-op so this bonus was excluded from the analysis. A 1c/L payment from the stability fund was issued in February 2023 but this was based on milk supplied in 2021 and therefore is not included in this analysis.

Strathroy

- A TBC bonus of 0.25c/L is paid on milk supplied with a TBC less than 10,000 cells/mL and an SCC bonus of 0.25c/L is paid on milk supplied with an SCC less than 150,000cells/mL in each month. Since the national average SCC is 167,000 cells/mL which was assumed to be the average SCC of the milk supplied in this analysis, the SCC bonus was excluded.



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