



IFA

# Milk Price Analysis 2023

A comparative  
analysis of farm-  
gate milk price

April 2024





# IFA



Last year was a difficult year for farmers. While input costs remained high, milk price fell by approximately 30% and weather conditions proved very troublesome resulting in significantly lower farm incomes. For the first time since 2012 total annual milk production declined. Global dairy markets are cautiously optimistic that milk price will improve in Q1 and Q2 of 2024 but predictions beyond that are too difficult to ascertain.

Stephen Arthur, IFA Dairy Chairman



## Introduction

IFA have analysed milk price data from 13 of Ireland's largest milk processors for 2023. 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.

To make an effective comparison across processors, we made the following assumptions:

- 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.
- Used the Teagasc Moorepark spring calving supply curve to apportion the annual milk supply across each month.
- The constituents used to calculate milk price are those recorded by the CSO for each month in 2023.

Details are described in Appendix 1.

In 2022, the average yield per cow was 5,716L (National Farm Survey). Thus, for this example we have assumed that 87 cows produce 500,000L per year to determine the revenue per cow figure.

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. Where "13<sup>th</sup> payments" were paid, this was added to the total revenue for that particular processor.

Any bonuses which were related to trading activity or sustainability actions have been excluded from calculations. Also, no fixed or forward price contract milk has been included in the calculations.

Effectively, we have taken the average spring-calving dairy herd and, based on average solids, and 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 2023.

Processor	Total Revenue (€)	Revenue/cow (€)	Average milk price (c/L)
Bandon	223,779	2572	44.76
Drinagh	223,733	2572	44.75
Barryroe	223,318	2567	44.66
Strathroy Dairies	223,081	2564	44.62
Lisavaird	222,942	2563	44.59
Arrabawn	218,651	2513	43.73
Kerry <sup>1</sup>	216,441	2488	43.29
North Cork Co-Op	212,755	2445	42.55
Tipperary Co-Op	212,399	2441	42.48
Aurivo <sup>2</sup>	211,877	2435	42.38
Dairygold <sup>3</sup>	211,764	2434	42.35
Tirlan	209,447	2407	41.89
Lakeland Dairies	209,399	2407	41.88

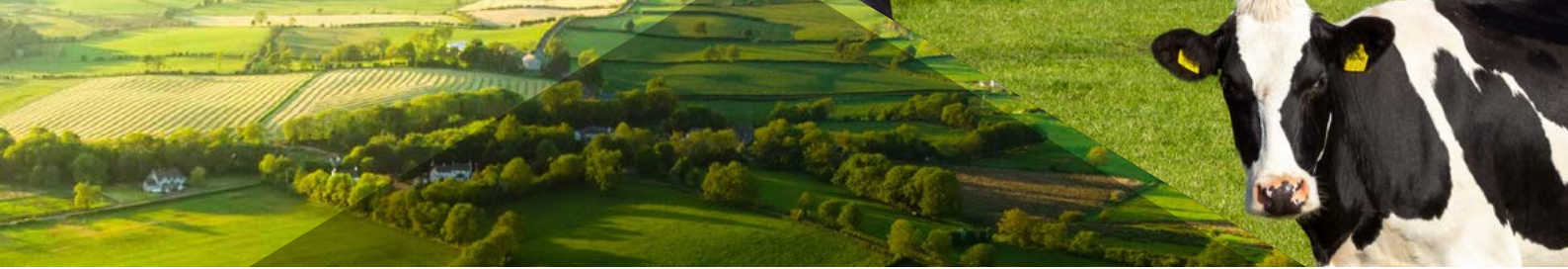
<sup>1</sup> Includes two retrospective payments from Kerry worth based on milk supplied from January to March and July to December.

<sup>2</sup> Includes a 13<sup>th</sup> Payment from Aurivo.

<sup>3</sup> Includes a 13<sup>th</sup> Payment from Dairygold.

The analysis shows that there is a €14,380 gap between the top and bottom processor in 2023.





## 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.
- Sustainability bonuses should not form part of the milk price as they are conditional upon the farmer undertaking further actions on the farm. Incentives for the completion of such actions should be paid independent of milk price.

## Appendix 1

### Description of Assumptions used in the Analysis

The average SCC across the country in 2022 (most recent national average) was 183,000 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 or not.

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

2023	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 %	4.46	4.35	4.13	3.96	3.98	4.14	4.31	4.55	4.92	5.00	4.79
Protein %	3.50	3.31	3.36	3.40	3.39	3.47	3.62	3.78	3.93	3.89	3.70



## 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 2.86c/L and 3.81c/L was paid on all milk supplied in February and December 2023, respectively.

An agri-input support payment of 6.19c/L was paid on all milk supplied in February and March 2023.

A weather-related payment of 0.95c/L was paid on all milk supplied in March 2023.

### 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.

In April, Kerry paid an additional 1.9cpL on all milk delivered between January and March which was solids adjusted at 3.3/3.6%.

In January, Kerry paid an additional 1.9cpL on all milk delivered between July and December which was solids adjusted at Kerry average solids of 4.37% butterfat and 3.65% protein.

### Lakeland Dairies

Lakeland Dairies paid a 1.43c/L bonus on all milk supplied from February to April 2023.

An early calving bonus of 1.91c/L on all milk supplied in February 2023.

### Aurivo

Aurivo paid an early calving bonus of 3.0c/L and 1.4c/L on all milk supplied in February and March.

A stability fund support payment of 2c/L was paid on all milk supplied in March and April. A stability fund support payment of 2.2c/L was paid on all milk supplied in May, June and July. A stability fund support payment of 1.5c/L was paid on all milk supplied in August and September.

Though quoted in the base price by Aurivo, the protein bonus was not applicable in this analysis and was excluded.

In February 2024, Aurivo paid a 13<sup>th</sup> payment of 0.24cpl for all milk supplied in 2023.

### 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 2.99 c/L, 3c/L and 3c/L was paid in February, November and December, respectively. Previously this was conditional on supply but is now a flat rate payment on any milk supplied from November to February inclusive.

An input support payment of 1.905c/L was paid on all milk delivered in March and April. An input support payment of 0.952c/L was paid in May, June and July.

### 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.

### Arrabawn

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

A supplier input support subsidy of 1.429c/L was paid on all milk delivered in February. A winter bonus of 1.908c/L was paid on all milk delivered in December.

### Dairygold

Dairygold paid a bonus on all milk delivered each month 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.

Dairygold paid an early calving bonus of 2c/L and 1c/L on all milk delivered in February and March 2023, respectively.

In January 2024, Dairygold paid a 13<sup>th</sup> payment of 0.48c/L for all milk supplied in 2023.

### North Cork

North Cork paid a bonus each month of 0.2c/L for milk supplied with a SCC below 200,000cells/mL.

A supplementary payment of 2c/L was paid on all milk delivered in February and March.

Payments from the stability fund were issued in 2023 but because they were based on the quantity of milk delivered 2021, they were excluded. In total 2.5cpl was paid out in 2023 based on the total annual milk supplied in 2021. For this particular example, the payment would have been worth an additional €13,125 (including VAT).

### Strathroy

A TBC bonus of 0.25c/L was paid on milk supplied with a TBC less than 10,000 cells/mL and an SCC bonus of 0.25c/L was paid on milk supplied with an SCC less than 200,000cells/mL in each month.

## Appendix 3

### Sustainability Schemes

As per the IFA dairy milk price policy, sustainability bonuses are not applied in this analysis as they commit the farmer to undertaking further actions beyond the parlour to draw them down. In 2023 there were 7 milk processors offering sustainability bonuses. It is likely that more processors will introduce sustainability bonuses in 2024.

For information purposes only we have provided the detail of the bonuses offered in 2023 below. All bonuses are quoted exclusive of VAT.

### Carbery Future Proof Programme

- Available to Drinagh, Lisavaird, Bandon and Barryroe Co-Op suppliers
- 1c/L was available to all suppliers who undertook the following actions:
  - > On-farm ASSAP assessment
  - > Use of protected urea
  - > At least 4 milk recordings
  - > Use of EBI for genetic gain
- For a 500,000L herd the bonus would be worth €5,000 (ex VAT).

### Dairygold Grassroots bonus

- 0.65c/L was available to all suppliers who undertook the following actions:
  - > On-farm water quality visit
  - > Participation in Dairygold Greengrow Soil Health Programme
  - > Completion of training modules and farm plan
  - > At least 4 milk recordings
  - > Participation in a herd health programme
- While a rebate on the purchase of protected urea is described in the grassroots programme it is not applied to the milk price.
- For a 500,000L herd the bonus would be worth €3,250 (ex VAT)

### Kerry Evolve Programme

- In 2023 the programme offered a suite of 16 actions to its suppliers for selection.
- Upon completion of a selected action an incentive payment was paid to suppliers that was independent of milk price.
- As an example, the value of the incentives ranged from €100/herd for the completion of a Nutrient Management Plan to €20/sample for up to 5 slurry samples submitted for nutrient analysis.
- In addition, suppliers had access to free trees for planting and the opportunity to participate in a UCC Sustainable Dairy Development Course for free.
- Excluding actions linked to trade we estimate that the maximum drawdown for a 500,000L herd in 2023 was €1,696.

### Tirlan Sustainability Action Payment

- To qualify for this bonus, suppliers must adhere to a minimum of 7 measures from a suite of 18.
- It is worth noting that many of the measures are linked to trade with the co-op.
- For this example of a 500,000L herd the bonus would be worth €2,652 (ex VAT, solids adjusted).