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Milk Price Analysis

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In recent years, the milk price paid to farmers by processors has become increasingly complex, making it difficult to compare prices paid by different processors.

To address this issue, IFA has analysed milk prices across 11 of the country's largest milk processors on a like-for-like basis.

Tim Cullinan, IFA President



Introduction

IFA completed this analysis by using data from monthly milk statements, which farmers 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 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 average butterfat and protein percentages are those reported by the CSO for each month in 2019 and 2020. Details are described in Appendix 1.

All milk processors have adopted the A+B-C methodology for calculating milk value. In addition to this, we have added applicable bonuses and VAT to give the total milk value. Details of the bonuses applied are described in Appendix 2.

Any bonuses related to trading activity were excluded from calculations. For clarity, fixed price schemes and forward price contracts were also excluded from the analysis.

In 2019, the average yield per cow was 5,608L (National Farm Survey). Thus, we have assumed that 89 cows produce 500,000L per year to determine the revenue per cow figure in this analysis.

In summary, this analysis compares what a spring calving herd with average solids would earn in milk sales across 11 of the largest milk processors in Ireland.

Total Milk Receipts

The table below outlines the milk sales received from each milk processor for our example in 2019 and 2020.

Processor	2019		2020	
	Total Revenue (€)	Revenue/cow (€)	Total Revenue (€)	Revenue/cow (€)
Drinagh ¹	183,562	2,062	185,987	2,090
Bandon Co-op ¹	182,884	2,055	185,400	2,083
Lisavaid ¹	182,772	2,054	185,202	2,081
Barryroe Co-op	182,734	2,053	182,651	2,052
Kerry ²	174,440	1,960	174,725	1,963
Aurivo ³	168,161	1,889	172,489	1,938
Lakeland Dairies	172,034	1,933	171,344	1,925
Dairygold ⁴	170,727	1,918	171,575	1,928
Arrabawn	167,081	1,877	170,073	1,911
Tipperary Co-op	168,723	1,896	169,142	1,900
Glanbia	167,101	1,878	169,091	1,900

For our example, the difference between the highest and lowest paying processor was €16,481 in 2019, and €16,896 in 2020

See further details in Appendix 2.

1. The Carbery Bonus was added to the total revenue received for Drinagh, Lisavaid and Bandon Co-op in 2020.

2. Total revenue for Kerry Agribusiness in 2019 includes a portion of the 2015-2019 Goodwill payment made to suppliers.

3. A spring bonus announced in 2021 by Aurivo was added to the total revenue for 2020.

4. A milk bonus payment was paid by Dairygold on all milk supplied in 2019.

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 upon, excluding VAT, to ensure any VAT rate rise is paid directly back to the farmer.

Co-ops should quote base price 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 of milk produced in Ireland in 2019 was 176,000 cells/ml. Accordingly, where bonuses conditional on SCC were paid, this figure was used to determine whether the bonuses were included in the analysis. The analysis assumed that all other criteria for milk quality bonuses (TBC, thermoduric etc.) were achieved in the study and bonuses relating to the same were included.

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Monthly milk solids and supply profile

2019	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 %	4.32	4.23	3.94	3.85	3.92	3.96	4.16	4.42	4.74	4.84	4.58
Protein %	3.47	3.32	3.4	3.44	3.46	3.46	3.55	3.79	3.94	3.85	3.62

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
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kg	21561	51149	75633	69570	62625	59247	55383	48570	41854	25903	3505
Fat %	4.29	4.27	3.97	3.87	3.97	4.04	4.17	4.43	4.71	4.85	4.66
Protein %	3.38	3.29	3.43	3.46	3.45	3.51	3.57	3.78	3.99	3.85	3.65

Appendix 2: Bonuses applied

All bonuses described below exclude VAT. The analysis did not include any bonuses conditional on trade. The bonuses described below are not an exhaustive list from each processor. Instead, it is a description of the bonuses that were included in the analysis.

Glanbia

- Glanbia paid various bonuses for each month of the analysis. Almost all bonuses paid by Glanbia are adjusted for solids. Thus, in this example, we adjusted relevant bonuses accordingly for the applicable monthly solids.
- From February to August of 2019, a co-op bonus was paid of 0.474c/l at base price.
- In February 2019, Glanbia paid an Interim Market Payment of 0.95c/l (flat-rate) on all milk supplied in February.
- From September to December 2019, a co-op bonus was paid of 0.949c/l at base price.
- In February 2020, an early calving bonus of 2.846c/l and a co-op bonus was paid of 0.398c/l at base price.
- From March to July 2020, a co-op bonus was paid of 0.398c/l at base price.
- In May of 2020, a weather-related payment of 0.19c/l was paid at base price.
- In September and October 2020, a co-op share of GI profit of 0.398c/l and a Co-op bonus of 0.380c/l was paid at base price.
- In November 2020, three bonuses were paid at base price, a Co-op share of GI profit of 0.398c/l, a Co-op bonus of 0.380c/l and a biodiversity payment of 0.474c/l.
- In December 2020, three bonuses were paid at base price, a Co-op share of GI profit of 0.398c/L, a Co-op bonus of 0.380c/l and a Late Supply Bonus of 1.894c/l.
- The VAT rate changed on payments by the processor to 5.6% for December milk. The milk purchasing terms and conditions for Glanbia clearly state that bonuses are paid inclusive of VAT. Therefore, farmers do not receive this additional rate.



Kerry

- Kerry pay 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 2020 a goodwill payment was paid to farmers based on the average milk supplied in the previous five years at a rate of 3c/l. Given that most herds expanded from 2015 to 2019, we assumed the farmer grew from approximately 380,000l in 2015 to 500,000l in 2019, reflecting the average expansion nationally seen across those years. Thus, the payment for this given example was estimated to be €13,215. This was divided by five to reflect the amount received for milk produced in 2019 (€2643) and added to the total revenue within Kerry Agribusiness.



Lakeland Dairies

- In November and December of 2020, Lakeland paid suppliers a bonus of 1c/l.



Aurivo

- Aurivo pays a storage bonus of 0.44 c/l each month. Suppliers must supply more than 160,000 litres of milk per year and have enough storage to hold milk for seven milkings at peak. To avail of this, suppliers accept that milk can be collected at any time.
- For milk supplied in February each year, an early calving bonus of 1.5c/l is paid.
- For milk supplied in March each year, an early calving bonus of 1.4c/l is paid.
- Though quoted in the base price for Aurivo, the protein bonus was not applicable for this example and was excluded in the analysis.
- In February of 2021, Aurivo announced a 1c/l bonus on all milk supplied in January, February and March 2020. For this example, this was worth €705, which was added to the total revenue earned within Aurivo for 2020.



Tipperary Co-op

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



Co-operatives supplying Carbery

- Drinagh, Barryroe, Lisavaird and Bandon all pay a bonus of 0.5c/l on milk supplied with an SCC below 200,000 cells/ml from March to October. From November to February, this bonus is increased to 0.88c/l.
- In January 2021, Carbery paid a bonus of 0.5c/l on all milk supplied in 2020. This equated to €2,500 for the given example. This was added to the total income for Drinagh, Lisavaird and Bandon but not for Barryroe. The bonus in Barryroe depends on trade with the co-op.



Arrabawn

- Arrabawn pays a bonus each month of 0.2c/l for milk supplied with an SCC below 250,000cells/ml.



Dairygold

- Dairygold pay 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.
- In January 2020, Dairygold paid a milk bonus payment of 0.5c/l on all milk supplied in 2019.
- In February and March of 2020, Dairygold paid an early calving bonus of 2c/l and 1c/l, respectively.







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