



Productschap  
**Zuivel**

# *LTO International comparison of producer prices for milk*

[www.milkprices.nl](http://www.milkprices.nl)



Land- en Tuinbouworganisatie Nederland

Development of milk prices  
paid to producers in the  
past and future



**EAAP Annual meeting**

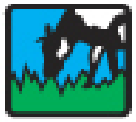
**August 27th 2013 Nantes (F)**

**Willem Koops**



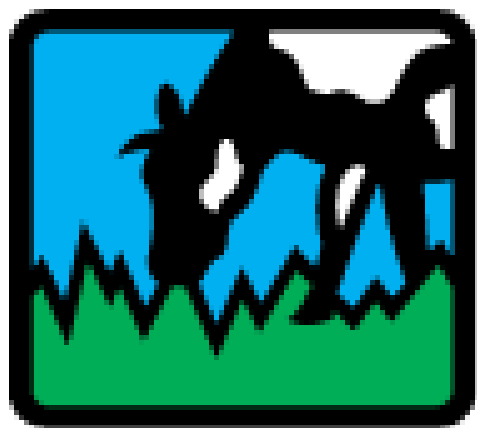
*prezzi di latte • melkprijzen • prix du lait • molkeprizen  
milch preise • milk prices • maelke priser • maidon hinnat*





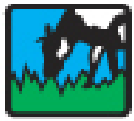
# Plan of presentation

- **Introduction**
  - **Dutch Dairy Board**
- **LTO International Milk Price Comparison**
- **Observations**
- **Risk management and milk pricing systems**



# Productschap Zuivel (PZ)





# Plan of presentation

- Introduction
- **LTO International Milk Price Comparison**
  - Introduction
  - Milk prices 2012 and 1999-2012
- Observations
- Risk management and Milk pricing systems



# LTO International Milk Price Comparison

- Initiated by the dairy farmers of LTO Nederland
- Reason: No good market indicator available
- Objective: Market transparency
- Farm gate milk prices of 17 large European Dairy companies
- Comparison of prices for standard milk (NOT average)  
(4.2% fat, 3.4% protein, 500,000 kg/yr, tbc 24,999/ml, scc 249,999/ml)
- Realised by PZ (calculations) in co-operation with EDF  
(copies of monthly milk statements)
- Monthly and annual

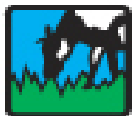


# 2012 (2011) milk prices

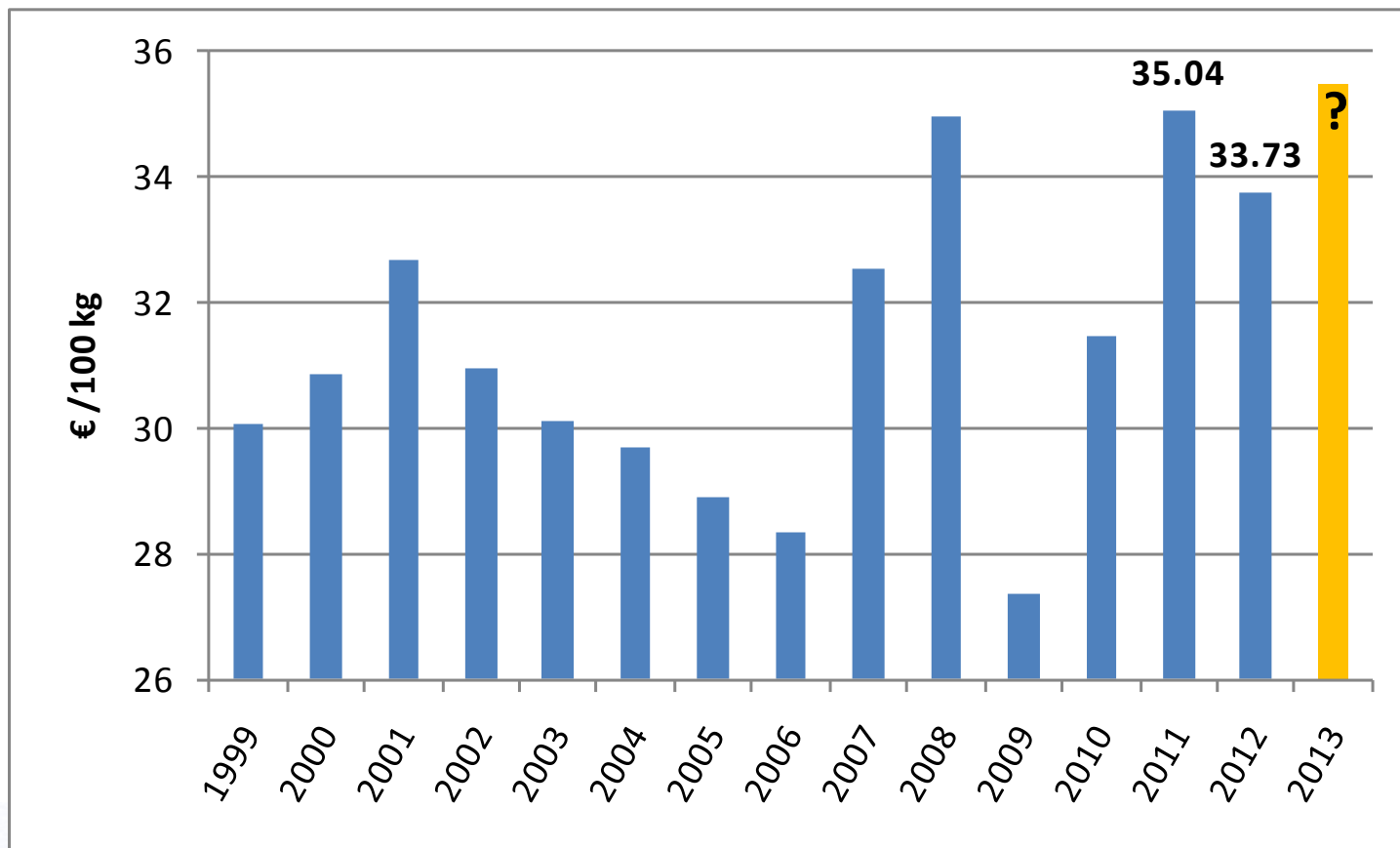


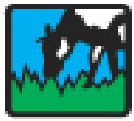
		2012		2011		2012-2011	2012/2011	National currency
Hämeenlinnan O.	FI	44.06	1	43.28	1	0.77	1.8%	
Granarolo (Noord)	IT	40.73	2	40.40	2	0.33	0.8%	
FrieslandCampina	NL	35.19	3	37.15	3	-1.96	-5.3%	
Dairy Crest (Davidstow)	UK	35.15	4	31.76	16	3.38	10.6%	3.7%
Arla Foods DK	DK	34.21	5	35.13	5	-0.92	-2.6%	-2.7%
Danone (Pas de Calais)	FR	33.66	6	34.55	7	-0.89	-2.6%	
Bongrain (Basse Normandie)	FR	33.48	7	34.34	8	-0.86	-2.5%	
DOC Kaas	NL	33.42	8	36.86	9	-3.44	-9.3%	
Sodiaal Union	FR	33.38	9	34.34	4	-0.97	-2.8%	
Lactalis (Pays de la Loire)	FR	32.82	10	34.17	11	-1.35	-4.0%	
First Milk	UK	31.92	11	28.83	17	3.09	10.7%	3.8%
Alois Müller	DE	31.22	12	35.04	6	-3.82	-10.9%	
Humana Milchunion eG	DE	31.20	13	34.08	13	-2.88	-8.5%	
Nordmilch	DE	31.04	14	33.75	14	-2.71	-8.0%	
Glanbia	IE	30.90	15	34.14	12	-3.24	-9.5%	
Milcobel	BE	30.63	16	34.18	10	-3.54	-10.4%	
Kerry Agribusiness	IE	30.45	17	33.61	15	-3.16	-9.4%	
<b>Average</b>		<b>33.73</b>		<b>35.04</b>		<b>-1.30</b>	<b>-3.7%</b>	
Emmi	NZ	46.64		48.56		-1.92	-4.0%	-6.1%
Fonterra	US	29.87		30.21		-0.35	-1.1%	-12.0%
USA class III	CH	33.36		32.70		0.67	2.0%	-10.0%





# Average milk prices EU dairies 1999 - 2012

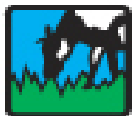




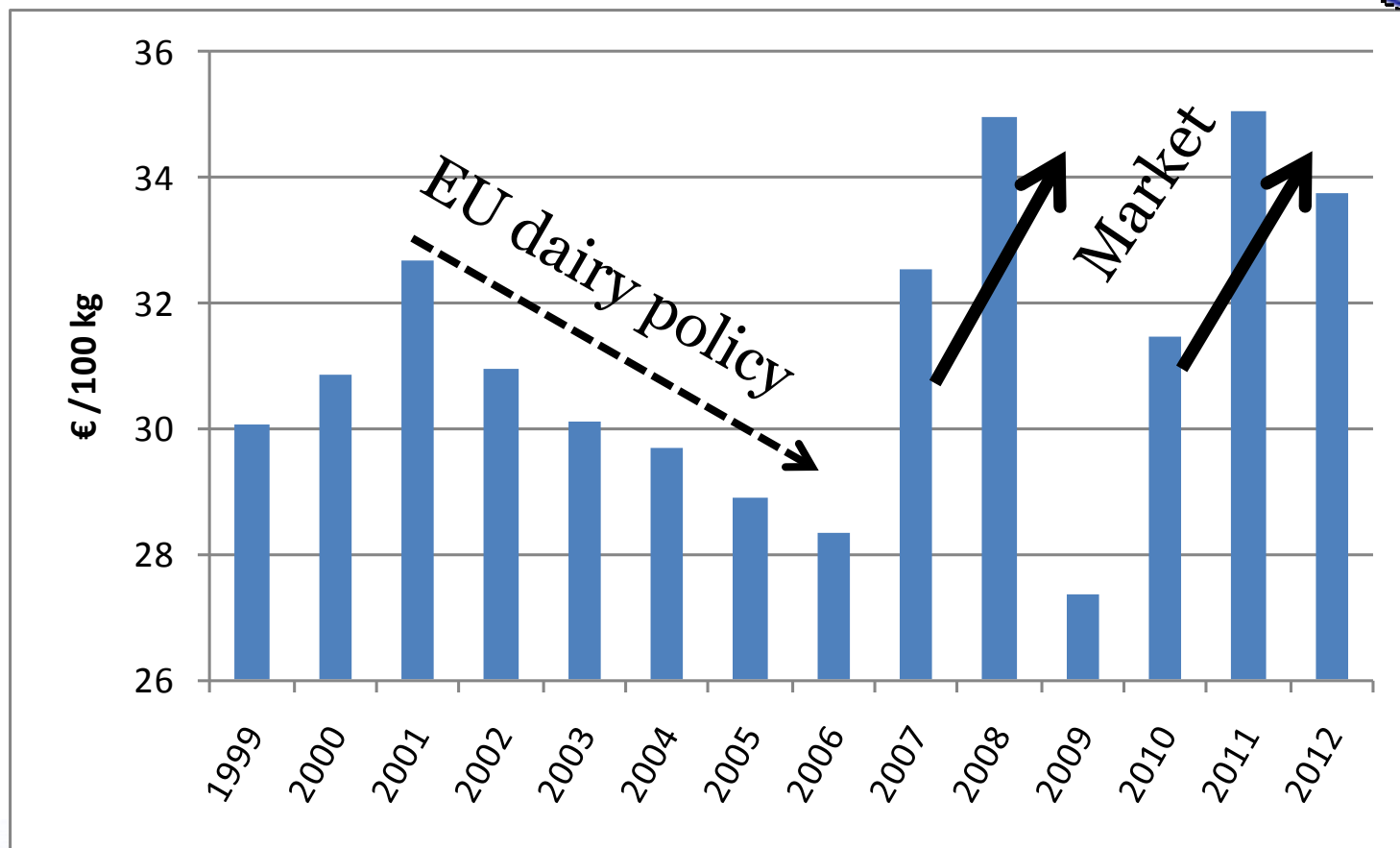
# Plan of presentation

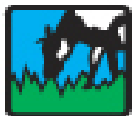
- Introduction
- LTO International Milk Price Comparison
- **Observations**
  - **More (world) market influence**
  - **More volatiliy**
  - **(Pork) cycle?**
- Risk management and Milk pricing systems



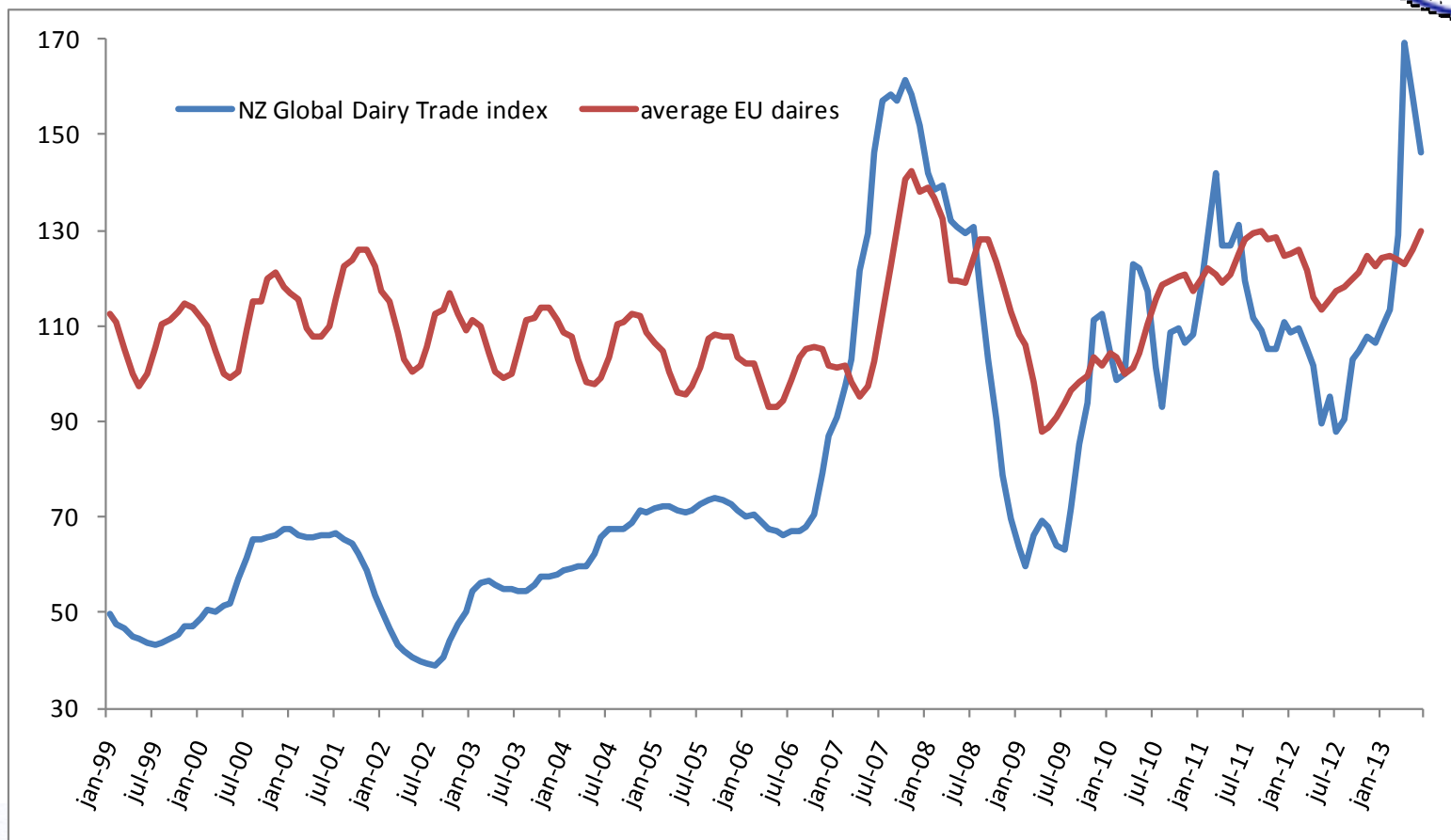


# More markets - > more ups



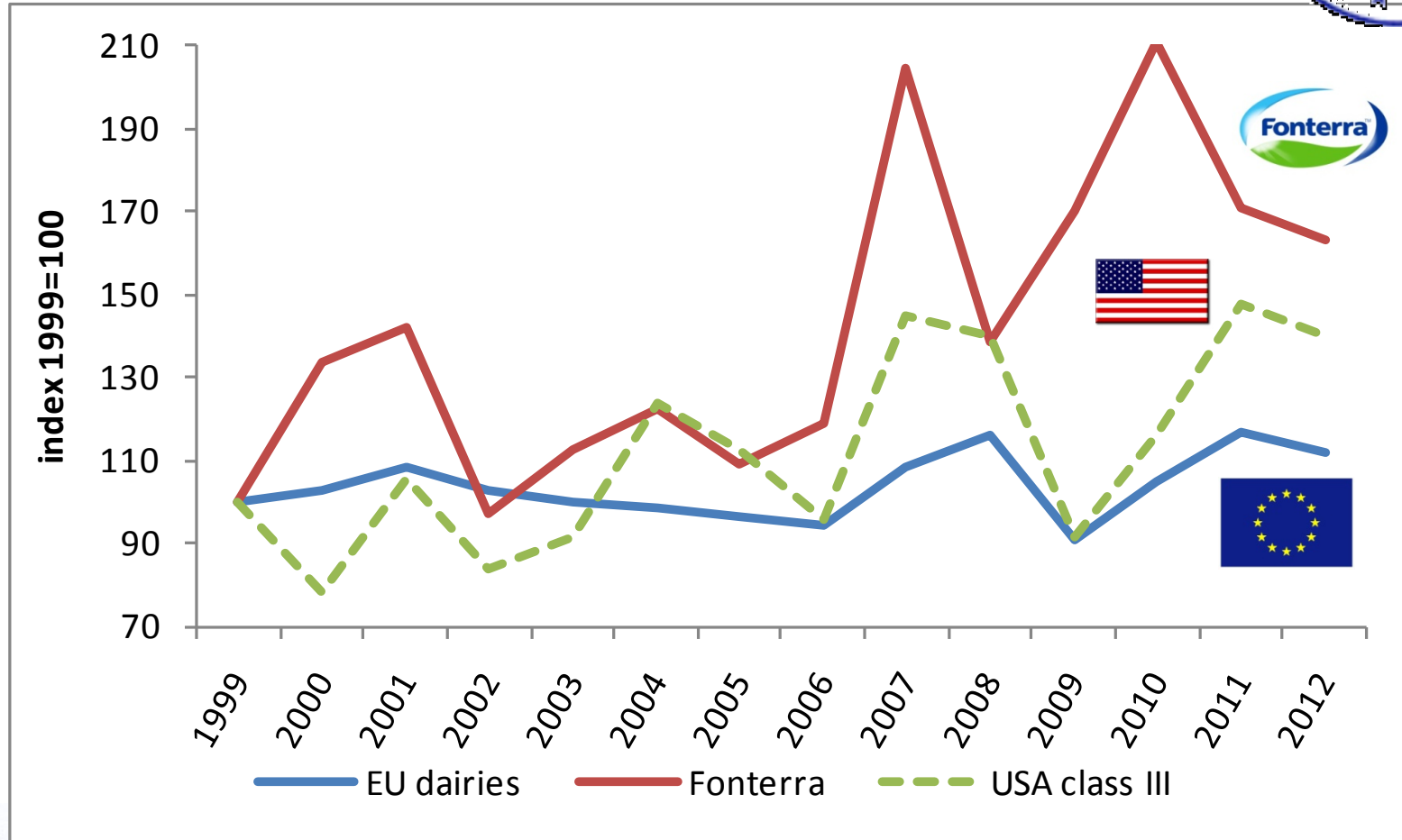


# More influence world market



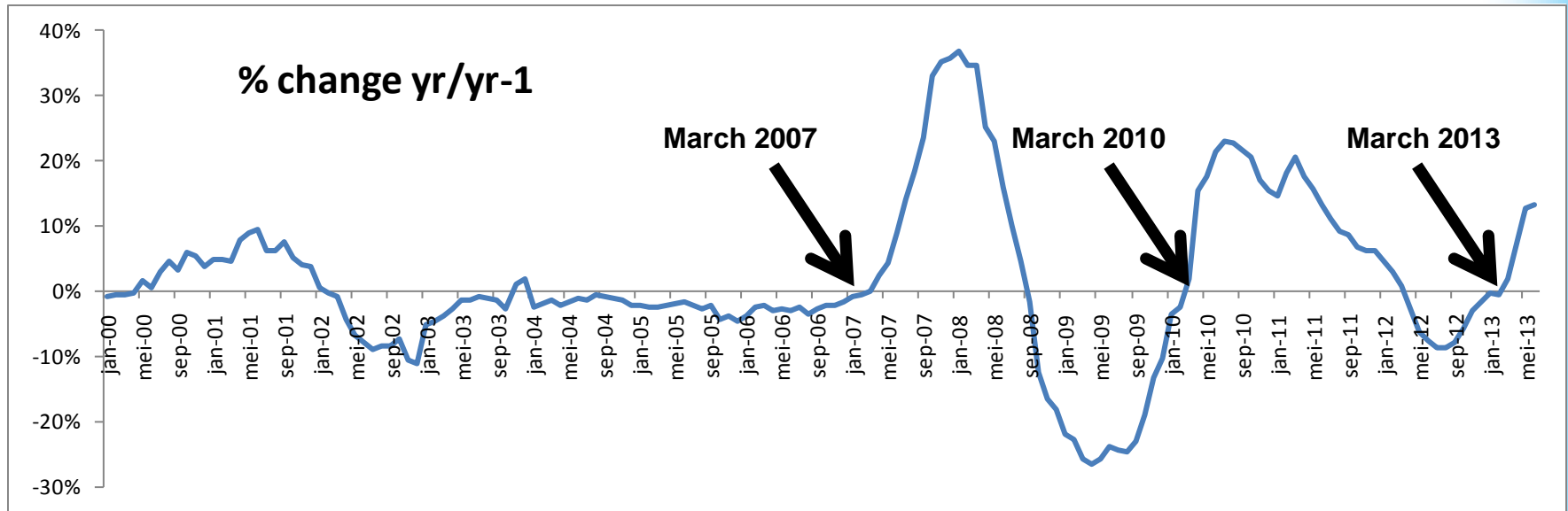


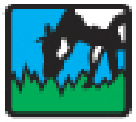
# More and more volatility





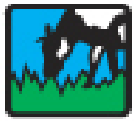
# (Pork) cycle ?





# Plan of presentation

- Introduction
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- **Risk management and milk pricing systems**



# Risk management

Dairy farmers may transfer milk price risk to third parties

- CME group Chicago (dairy products + Milk Class III/IV)
- Eurex Frankfurt (only dairy products)
- Milk price guarantee certificates DTO Netherlands

or share price risks with their milk buyer

- Fixed milk prices (Glanbia and Fonterra) -> less risk
- Linked to commodity markets (First Milk) -> more risk





# New milk pricing systems

## ■ Glanbia (IRL)

- Fixed milk price 28 cpl for 3 year 2011-2014
- Indexation farm input costs

## ■ Fonterra (NZ)

- Pilot 200 farmers (1%)
- Fixed milk price NZ\$ 7.00 per kg milk solids for 2013/14 season

## ■ First Milk (UK)

- International contract
- Milk price is linked to returns butter and milk powder



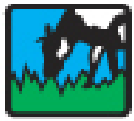
# Need for risk management tools?

- Farmers are used to risks?
  - Live animals, weather,...
  - Entrepreneurs take risks
- Dairy structure (coops, raw milk not storable)
- $\text{Income} = \text{revenues (milk prices)} - \text{costs}$ 
  - Inputs (like feed prices) also fluctuate
- Demand for understandable future contracts



# Plan of presentation

- Introduction
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- Observations
- Risk management and milk pricing systems
- **Concluding remarks**

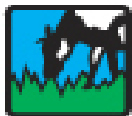


# Concluding remarks

- More milk price volatility
- More milk price differentiation
- Risk management by dairy farmers:

Make sure your farm can handle periods with very low milk prices and

choose the buyer/contract of milk that best suits you



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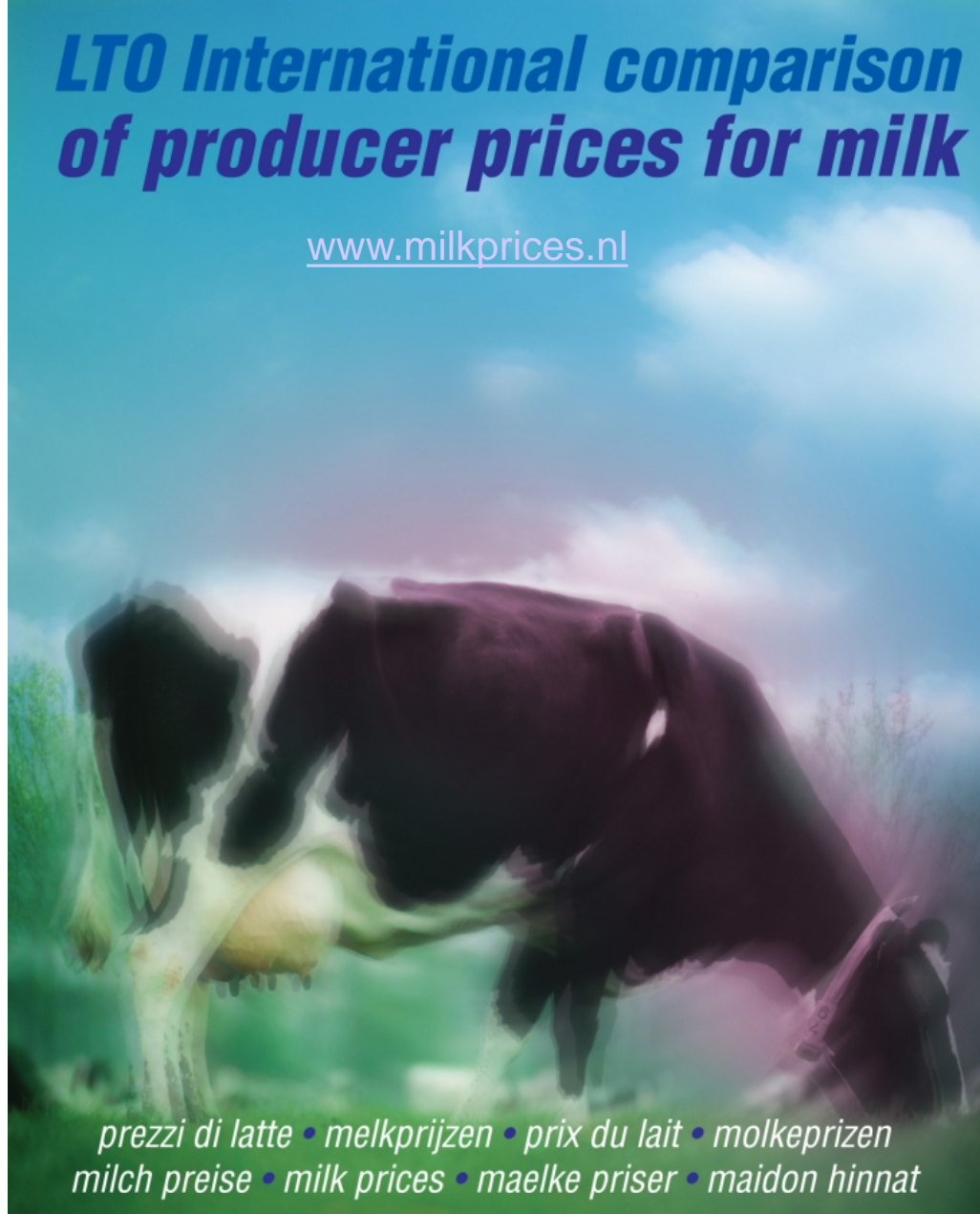


**Thank you for  
your attention**

**w.koops@pz.agro.nl**

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milch preise • milk prices • maelke priser • maidon hinnat*

