

**The Impact of Milk Solids on Irish Milk Processors versus their New  
Zealand Counterparts**

**By Kevin Coffey**

## **Background**

I have been very fortunate in my agricultural career to date. Having completed my degree in Agriculture from University College Dublin(UCD) in 2002, I decided to become a Farm Manager and entered the industry as a Dairy Farm Manager. During this time I worked for two different Nuffield Scholars, Peter Baker and Seamus Quigley, who taught me how to put what I had learned in college into practice and operate low cost, sustainable, profitable dairy units in Ireland for three years. From there I became a dairy specialist for South Western Services (SWS), a Cork based company who had an advisory contract with Connacht Gold Co-Op, a dairy processor in the west of Ireland, for its farmers at the time. From that position I entered the Co-Op in 2006 as their Farm Services Manager overseeing the Co-Ops operations in farm services incl advisory, laboratory, transport and member relations.

This path has exposed me to the 3 key sides of the industry, farm production, farm advisory and finally the processors point of view. Having experienced each of these 3 sides of dairying, the single biggest thing I have noticed in Ireland is how little any of the first two ie, the farmer and the dairy advisor understand the final partner in the relationship, the processor. This is concerning and unacceptable if the overall industry is to move forward and become more efficient.

Dairy Farming produces a raw material that through secondary processing is put onto the world market. In dairying this product tends to be a commodity that is placed on the world market and unfortunately the processor tends to be a price taker as is typical with commodities, the market forces supply and demand dictate prices. The farm side of the business must understand the basic returns that the processor on average receives from the market and must adjust their production costs and farming styles accordingly. Commodity production requires high levels of efficiency at least cost and this paper focuses on where the supplier of the raw material, i.e. the farmer can help reduce the overall cost of producing the commodity that there is a market for.

## **Introduction**

“Oil hit an all time record of \$147 a barrel in trading today with Industry experts predicting \$200 a barrel within 2years....” This is a quote from an article in a leading Irish newspaper in June 2008. Although it could be any day during my study with oil price records seemingly set on a daily basis during the two years of my study. This more than any other factor has shaped and evolved my attitude during my scholarship.

Milk processing in its simplest form is the dehydration or taking the water out of milk. The way it is taken out decides the product that is made. When processing milk for powder and butter, the main cost outside of the raw material, the milk is energy. Hence the cost of oil has a massive impact on the costs incurred in the Industry. In the Irish dairy industry the majority of the fuel source used is either heavy fuel oil, a by-product of aviation fuel production and/or gas. Both of these fuel sources are commodities with prices linked to world market forces.

## **My Study**

My study began like my fellow scholars from Ireland and the UK, in Canada as part of the Nuffield tour. This tour consisted of visits to various grain facilities and Ranchers Beef, a beef processor in Alberta. This part of the study was informative and as it emerges in the paper sets the background for the study based on the experiences there. However my main area of study was in New Zealand with visits to Fonterra and to various dairy units in the Canterbury region.

### *Canada- Alberta spring 2007*

Did you know that that Alberta has some of the largest oil, coal and tar oil reserves in the world? This makes it one of the largest fossil fuel producers at the moment. Even though this is the case, whilst visiting various grain traders on the tour, it was evident that bio-fuels were where all the hype in agriculture within the country was placed particularly surrounding ethanol production. This was mainly down to a new trend where a large portion of Canadian grain was now being exported to the United States for Ethanol production, driving the price of grain to unprecedented levels. Apparently at the time in spring 2007, based on grain prices of \$180 at the time, it was costing \$80 a barrel to produce ethanol. In an environment where oil prices were increasing on a daily basis, it was now economic to start producing ethanol on a large scale. This was particularly relevant in the US, as we learned that huge government grants were being offered in order to assist an increase in the capacity for production of ethanol there. This had resulted in a significant increase in capacity in the US and ethanol plants were continuing to be constructed there at the time.

This has resulted in a debate amongst food experts as to whether the Ethanol industry is sustainable. As the whole food versus fuel debate started up, whether using food resources as a fuel source was ethically correct was creating divide amongst the pioneers of the industry.

However, it did occur to me that ethanol production may put a base on the price of oil at circa \$80 a barrel into the future. This was significantly below what the price of oil was at the time, however oil is a commodity and commodity markets tend to suffer a lot of volatility with significant price fluctuations. If this was the case it would have serious implications for the dairy industry in Ireland. This was going to lead to a permanent shift in the cost of processing as a base of \$80 was almost twice the average price that oil had been for the previous number of years.

## ***New Zealand***

I picked New Zealand for the bulk of my tour for three reasons.

- Firstly it is very similar to Ireland in its industry structure. It is a seasonal business, based on grass based production relying heavily on exporting powders and butter onto the world market.
- Secondly it was doing just that, trading on the world market without subsidies and it was exposed completely to the volatility of that environment, something that the EU countries are just beginning to come to terms with.
- Thirdly it has a reputation for being one of the most efficient dairy industries in the world.

In order better understand world dairy product trade I have included the two tables below to better understand the domain that Irish dairying is entering into. World production of milk is outlined in Table 1 below:

**Table 1**

**World Dairy Production at a glance**

	2007	2008	2009	Change: 2009 over 2008	
		<i>Estim</i>	<i>f'cast</i>		
<b>WORLD BALANCE</b>	<i>million tonnes milk equivalent</i>			%	
<b>Total world milk production of products</b>	<b>677.7</b>	<b>692.7</b>	<b>709.7</b>	<b>2.5</b>	
Skim Milk Powder (SMP)	24.1	24.6	25	1.6	
Whole Milk Powder (WMP)	22	23.5	24	2.2	
Butter	61.4	63.3	64.5	1.9	
Cheese	84.2	85.4	83.3	-2.5	
Other products	486.1	495.9	512.9	3.4	
<b>Total Internationally traded</b>	<b>39.3</b>	<b>40.4</b>	<b>41</b>	<b>1.6</b>	
<b>SUPPLY AND DEMAND INDICATORS</b>					
Per caput food consumption:					
World	(kg/year)	102.6	103.8	105.1	1.3
Developed countries	(kg/year)	245.4	246.9	249.6	1.1
Developing countries	(kg/year)	64	65.5	66.9	2.1
<b>Trade – share of prod (%) product</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>		
* Jan-Sept 2008					

Source FAO <http://www.fao.org/docrep/011/ai474e/ai474e10.htm#TopOfPage>

As can be seen from Table 1, global milk production was expected to be in the region of 710 million tonnes in 2009, a growth of approximately 2.5%. However, although total production is expected to exceed the 700 million tonne mark actual dairy exports and world trade is only approx 41 million tonnes which is equivalent to about 5.8% of world production. This is extremely important as it highlights how small the international markets for traded milk products are. The impact on trading countries is that small changes in world production or consumption can cause severe volatility of milk product markets. The breakdown of the key international trading

countries and the main commodities that are traded are highlighted in Table 2 below:

**Table 2**

	<i>Thousand tonnes</i>		
	<b>2007</b>	<b>2008</b>	<b>2009*</b>
<b>WHOLE MILK POWDER</b>			
World	1 772	1 856	1 900
<b>New Zealand</b>	<b>678</b>	<b>688</b>	<b>710</b>
<b>European Union *</b>	<b>362</b>	<b>432</b>	<b>440</b>
Argentina	102	110	115
Australia	116	107	114
<b>SKIM MILK POWDER</b>			
World	1 150	1 263	1 254
United States	255	400	450
<b>New Zealand</b>	<b>282</b>	<b>257</b>	<b>231</b>
<b>European Union *</b>	<b>196</b>	<b>190</b>	<b>141</b>
Australia	134	112	108
<b>BUTTER</b>			
World	857	806	818
New Zealand	360	334	340
European Union *	210	150	135
Australia	66	56	48
Belarus	50	55	60
<b>CHEESE</b>			
World	1 813	1 829	1 880
<b>European Union *</b>	<b>595</b>	<b>570</b>	<b>551</b>
<b>New Zealand</b>	<b>310</b>	<b>310</b>	<b>320</b>
Australia	218	211	220
Belarus	92	101	110
1 Excluding trade between the European Union member states.			

Source FAO <http://www.fao.org/docrep/011/ai474e/ai474e10.htm#TopOfPage>

What can be seen from the above tables is the Oceania countries, particularly New Zealand, are the key players in world trade of dairy products accounting for approximately 40% of world exports particular powders and butter. 95% of the milk produced in New Zealand is purchased and marketed by the one Co-Operative, Fonterra.

An argument that is made in Ireland is that farming cannot compete with New Zealand from a cost point of view and at first glance that cannot be argued

with. However as the above tables highlight they are the dominant player on the world market. Ireland's domestic market for milk products is small with a population of 4-5million people consuming only 9% of the total milk production, the remainder having to be exported. This means that Ireland's direct competitor on the world market, Fonterra has a 40% share of the market place. As the dominant market shareholder and with the relaxing of milk quotas unfortunately we are going to have to compete with them both now and in the future if output in Ireland increases.

### *Fonterra- The Initial focus*

Fonterra processes over 95% of the milk in New Zealand. I visited one of their facilities in Christchurch in the South Island. Here they highlighted their approach to efficiency, particularly in the transport area. There I was introduced to the latest innovation in milk transport that Fonterra had introduced. They had named this the "Genesis" programme, a route planning programme for their tankers. It unusually was a "live" system and updates tanker routing as collections occur through a GPRS module on the truck. The routing is based on the volumes collected at each collection and the next collection is predicted based on the three previous collections that occurred. This data is constantly updated through the GPRS unit on the tanker and the routing may change several times during the collection. The tankers also run 24hrs a day in a three shift cycle. Each driver genuinely doesn't know where he is going until he sits into the truck and is told by his GPS unit. The routing for the tanker is constantly being optimized to ensure the milk is collected covering the least amount of kilometres and delivered directly to processing plants or bulked at collection centres.

The programme has not been without some resistance from suppliers when it was first introduced as the programme is set up to collect the milk in the most efficient way possible, often leaving 2 or 3 tankers required to complete a milk collection on an individual farm. However the proof is in the results with a 10% cut in the tanker fleet required at the time of the visit only 6mths after it was first launched

Whether this is repeatable in Ireland without a significant culture change is debatable. Issues of farm layout, bulk tank size, outlet size, cleaning systems etc. Add further complications. Driving a tanker in New Zealand is relatively easy with the farm layout inspected every 12mths to ensure the tanker is free from obstructions and delays on farm. Fonterra owns most of the bulk tanks itself and they are mounted approximately 1metre off the ground to ensure there is a positive feed of milk to prime the milk pump on the tanker. Along with this all tanks are bottom filled as they are silos and they have a standard 3 inch outlet on the tank. This allows for high speed pumping with tankers averaging 2000l per minute. How many farm yards and dairies have been designed with the milk tanker in mind in Ireland?

Typically the milk in Ireland is hauled by private haulers contracted to the processors. The milk is collected in set routes and regardless of the seasonality of the business the same routes are used. There may be some optimization of the routes in the early and late parts of the year, however very few, if any processor would go to a fraction of the route optimization that Fonterra are applying. One argument that will be presented is why don't processors work closer to optimize routes on their peripheries? At first glance this would seem logical however further investigation complicates the matter.

The New Zealand dairy Industry has a significant advantage over the Irish industry. The scale of the factories, the approach to improving efficiencies, transport systems etc, are certainly a significant factor in how their industry is operating at lower costs than the Irish industry is.

### *The real challenge*

However, I learned in Fonterra that the very basics of the industry improve efficiency, i.e. the milk itself. Fonterra's average protein for the previous season, 2007/2008, was 3.7% and the butterfat was 4.9%. The Irish average milk solids for the same season were 3.3% and 3.8% respectively.

Put simply before scale or transport systems etc are taking into account at those solids the New Zealand dairy industry has a minimum 25% lower cost base than Ireland in milk transport/processing. This is because less water has to be collected, cooled, evaporated and disposed of in effluent processes to make one tonne of powder or butter compared to Fonterra. Applying this to an Irish model it is quite conceivable that a farm with high milk solids a significant distance from the factory is actually cheaper to collect than a farm much closer to the factory. If the concentration of fat and protein is higher in the farm further away, then the cost per KG MS hauled could be less. This is one of the reasons that milk processors in Ireland are often protective of the suppliers on their peripheries as they may actually be cheaper collect and process than those closer to the factory depending on their scale and milk solids concentration.

This level of solids and potential competitive advantage is alarming as Fonterra controls 40% of the world market for powder and butter and is one of the Irish Dairy Board direct competitors on these markets. I felt it was important at that stage to move my focus away from the processor towards the primary producer, the farmer to better understand why the milk in New Zealand was much higher in solids on average than Irish milk.

### *Milk Pricing*

The first area that I turned my focus to was the way milk is paid for in New Zealand. In discussions with Fonterra I found this to be very different to the Irish systems operating at the time. Milk pricing in New Zealand is very different to Ireland. It is not set on a monthly basis and a medium term approach is taken to the price. Traditionally Fonterra tries to forward sell the majority of its product at the start of the season to be able set a base price for milk which is quoted on a \$/kg milk solid basis using an A+B-C formula with a heavy negative weighting towards volume. This C weighting is calculated independently. Connacht Gold introduced a similar pricing system to Ireland in 2006, however it still quotes in milk price in c/lt.

The aim of this pricing system is to have two effects on the milk supplier. Firstly it gives the producer a clear price to work from for the season, allowing him/her to do his/her financial budgets and work out their margins for the bank each year. This is necessary as the New Zealand industry is heavily geared with high levels of borrowings, as farms tend to be sold to offspring rather than inherited as practiced in the Irish industry. This price is often topped up during the year and a final payout made at the end of the season.

Secondly it tells the milk supplier exactly what to produce. Looking at the formula again, the A represents 1kg of protein, the B represents 1kg of butterfat and the C represents volume, or the water component of the milk. The formula tells the supplier that Fonterra rewards the production of milk solids and penalises the production of excess volume. Therefore the higher the concentration of the milk solids per litre of milk the higher the milk price per litre. This has helped milk suppliers focus their breeding strategies coupled with their farm systems to ensure the production of high milk solids milk.

This has a significant impact on the processor. This extra volume is not transported, cooled, stored, evaporated or disposed of resulting in direct savings in variable costs like fuel, power and wages. However it also has a significant impact on fixed costs like depreciation and most importantly has a significant impact on capital costs with less tankers, silos and cooling equipment required. This is essential into the future in what is already a very capital intensive business.

### *New Zealand Farms*

Walking onto a dairy farm in New Zealand is a strange experience for an Irish person. In Ireland traditionally there is a large farmyard with various wintering facilities and sheds. These can include grain stores, slatted shed, silage pits, along with the milking parlour. Plenty of concrete is also present in the yards themselves. The opposite is the case in New Zealand. The only shed present on most farms is the milking shed. The focus is on the farm itself and very quickly the emphasis on layout, simplicity and efficiency becomes evident.

### *Relationship Management- Fonterra Style*

To understand the link between processor and farmer I visited some dairy operations just outside Rakaia, in Canterbury in the South Island. Canterbury is approximately an hour from Christchurch, the largest city in the south island of New Zealand. An explosion in the number of conversion units that has occurred in the last number of years has occurred. Here large sheep, tillage and beef units are being converted into dairy units. In some cases even forestry is being reclaimed as the dairy industry expands. These units tend to be large scale, in excess of 500 cows and virtually all farms have to irrigate for 6-7 months of the year. I found this quite surprising, however, very little rain falls on the Canterbury plains from October to April (the NZ summer months) as the southern Alps that run down the centre of the island catches the rainfall.

Russell Whyte, a supplier Relationship Manager with Fonterra explained Fonterra's approach to new farm conversions. They were very positive about conversions, and felt it was important to have a good relationship with the new supplier from day one. To this extent any person expressing an interest in becoming a new supplier is visited by Russell. He goes through the mechanics of a conversion with the supplier. He outlines what Fonterra expects of the supplier, along with being prepared to give advice on farm layouts, shed design, water requirements etc. Fonterra believes that by taking care of the supplier from the outset, the supplier has a better chance of being a success and ultimately becoming an important supplier to the business. It also allows the processor guide the supplier on important things like milk solids, milk quality and simpler things like farm access etc. making sure there is a good relationship with the supplier.

I found this approach enlightening and quite different to what typically happens in Ireland. There always seems to be significant animosity with suppliers in Ireland and any changes or guidance provided by the processor is not treated with the same enthusiastic approach that I witnessed with Russell.

### *Sue and Roger Bates Canterbury*

Sue and Roger were farming outside Darfield about 40 minutes from Christchurch. They were originally from the North Island of New Zealand and had moved to the South Island in 1999. They had sold a 200 cow farm in the North Island and became share-milkers on a 1000cow unit just outside Dunsandel. They bought a beef and sheep farm just outside Darfield the following year and converted it to a 600 cow dairy farm. It started producing milk in 2002. They gave up the share-milking position that they had in Dunsandel and over the next 5 years expanded into another 3 farms.

Roger explained to me the challenges that he faced doing the conversations and the lessons he had learned. He explained that when they became share-milkers their focus was on cows and cow numbers. The Breeding Worth (BW) of the herd wasn't that important to them at the time and they just viewed the cows as equity. However when they converted the first farm and had newly reseeded paddocks they could not understand why they were not getting the production that they were expecting from the herd. Initially they had focused on the sward and the grass type, however it emerged that these were performing well and the grass quality was excellent. His focus then moved to the herd and after studying the herd recording records of the herd, he quickly realised that in their efforts to grow cow numbers they had not maintained the quality within the herd that they should have. This led Roger to refocus on the herd and they started back milk recording with it being practiced every six weeks. The aim was to build up better records on the cows that were performing and to sell the underperformers at the end of the season. He also went back through the records of the offspring of the cows to ensure only high BW heifers would be entering the herd the following year. Roger said he was lucky as there was a good market for cows at the time and he did not lose out significantly selling the cows compared to what he had paid for them in the previous couple of years. However, he said they realised the opportunity cost of keeping these animals for the previous 2 years and estimated they had lost

100kg MS per animal over the 2 years. That was equivalent to \$560 per cow at the time!

This led to a refocus by Roger and Sue. In 2005 they bought a second farm for conversion, however, they only used high BW animals to stock the farm. In the first year of production the farm averaged 60KG MS per cow higher than the first conversion using similar sward types.

Sue explained the lesson was painful as it had a direct impact on their pockets. They now practice milk recording every 8 weeks on each herd and only retain the highest BW animals as breeding stock. Sue explained that going through the milk recording records of 1800 cows was painfully time consuming. Yet they had learned their lesson. 60KG= \$330. She said “multiply by 600 and the records become a joy to go through.”

In 2007 Sue and Roger purchased a third farm and it had entered production at the time I visited. Roger explained that although they had done two conversions already they were still using Russell from Fonterra. Roger explained that an independent view of what they were doing was important and he felt it was also important to have a good relationship with Fonterra. He said it allowed both parties plan and it meant there was no nasty surprises when they started production.

#### *John and Sarah Booth- Canterbury*

John and Sarah were farming somewhere outside Ashburton in Canterbury. I say this because I actually got lost on the plains and went into the farm to ask directions! I explained who I was and that I was on a Nuffield scholarship. They were very informative and they invited me to have lunch with them.

John explained they were milking 800 cows as lower order share-milkers. This meant they didn't own the herd, however they covered all the variable running costs of the farm like milking requisites and fertilizer in exchange for 25% of the farm income. He explained that there were a number of challenges facing them into the future and it was harder to progress up the ladder in the

industry. Land prices in the region were now in the region of €20,000/Ha and the share price for the Fonterra shares was now over \$5. He explained that in order supply Fonterra you must have 1 share for every 1kg MS produced. If you produced more than the share holding you had you had to purchase shares the following season to meet this extra supply. Fonterra then uses this equity to fund the capital costs of expanding their plants and transport fleet. It was called the “fair value share system”. John explained that it was a problem for young people like himself that not only would he have to purchase a herd in the next few years, the cost of the shares along with the price of land could make the purchase of a farm unachievable. This was causing concern with young farmers and there was a real fear it would put people off the industry in the future if they did not believe they could get to farm ownership as their career progressed.

However, he pointed out that a new company, Synlait had started to build a milk processing factory outside Dunsandel. They were looking for suppliers and they did not have a share system. John believed this would lead to a lot of new conversions supplying Synlait over Fonterra as they would not have the shares. There was also fear that it may damage the fair value share system completely as suppliers could potentially sell their shares in Fonterra and start supplying Synlait. John said it was going to be interesting to see how it develops as he knew the owner of the farm they were operating was considering such a move. The Synlait factory was due to open in for the 2008/2009 season.

*Stacey and Trevor Monsoon, Canterbury.*

Next I visited Stacey and Trevor Monsoons farm in Rakaia. They are 50:50 share-milkers and had built their herd over the previous number of years. Trevor, originally from Ireland had moved to New Zealand in 2000 and had progressed from farm labour, to farm manager. From there he became a contract milker, a lower order share-milker and finally in their current share-milker arrangement. I learned the unit was operating as a typical NZ dairy farm. It hit me very quickly how focused the Monsoons were on milk solids production rather than on litres. Every fact and figure was related back to milk

solids and there was no mention of litres production. The cows were producing 1.3kg/MS per day. On a tour around the farm, Trevor was often able to tell me which paddocks performed from a kg MS per Ha point of view and which needed to be re-grassed. By focusing on this level of efficiency they had achieved a 17% increase in MS output over the previous 12mths compared to the previous year. Coupled with this, at the time in late March and their milk solids concentration of Protein and Fat was a combined 9.98% per litre of milk. This was a massive 41% more concentrated than what I was used to in Ireland with average solids of 7.1%. This meant for every 1000 litres of milk the factory was getting almost 29KG more milk solids from Trevors farm from every 1000litres than an Irish processor get from its suppliers. This is equivalent to 1T extra in saleable produce in every 1.25loads of milk!

Trevor explained to me his philosophy around his high milk solids production. He explained, milk solids is about feeding and breeding, feeding grass with high quality swards and making sure there was enough of it. To this extent Trevor was measuring grass and allocating it on a daily basis. He knew each paddock size and from this was able to tell how much of it was in the paddock. I had seen this practiced in Ireland, however what hit me was whilst in conversation with each worker on the farm, some of them having only left school, they were also able to tell me the grass covers, how much feed was on the farm and how important the quality of the sward was to production. The 3 staff all understood the focus of producing milk solids through grass on the farm.

The second piece was breeding being in his case cross breeding and only using high BW bulls for milk solids and survivability. Trevor explained that when he was purchasing his herd he ensured that the cows were high BW (breeding worth, similar to the EBI system used in Ireland) cows. He said this had put more strain on his finances as he built the herd as high BW cows attracted a premium. However, Trevor maintained that the herd was the backbone of the business and it needed to be right with high fertility and high milk solids production. To this extent Trevor explained he was stocked at 4

cows/ha and his average milk solids were expected to be 446kg MS/cow for the year from grass alone.

## **Conclusions**

The Irish dairy Industry relies heavily on exporting dry milk products onto the world market in the form of various milk powders, butters and cheese. Around 9% of product is consumed in whole or liquid form. In essence the industry here is in the business of taking water out of milk and the method we do this decides the product we produce.

Our major international competitor Fonterra have better milk solids concentration per litre, have more efficient transport systems and have an industry with a clear direction and focus going forward.

Their farmers are focused on producing the produce that the milk processor desires and they understand the impact that they have on the efficiency of the processor. Better communication lines exist between both parties and it is important that a similar system is embraced in Ireland.

As we enter into a fully unsubsidised market place the cost of getting the raw material milk from the cow into the factory and converting it into a finished product suitable for export at a price which will allow us compete with our international competitors like Fonterra and at the same time return a milk price which will allow the industry to profit and expand at farm level is a major challenge.

Milk payout in this Ireland needs to ensure that adequate profits are retained to ensure investment in the industry and efficiencies continues to occur. The dairy processing industry is hugely capital intensive with and in Ireland operates with extremely low margins. If money isn't retained for capital investment then the future of the industry looks particularly challenging.

However, not everything in the New Zealand industry is in perfect shape. The model has been built on young people being able to enter the industry with little or no equity and through years of hard work end up own their own farm.

With land prices and the fair value share system this is becoming harder to finance. The fair value share system itself may be undermined in the next few years as new companies like Synlait emerge.

## Some Recommendations

Here I have outlined some recommendations that I would have for the Irish industry for the next few years.

- All milk processors need to move to an A+B-C pricing formula as fast as possible. This is to give a clear signal to suppliers and to AI companies as to what is required in breeding strategies going forward to improve overall processor efficiency.
- Better consultation and co-operation needs to occur between milk processors and Teagasc research to ensure a clear guide is outlined to ICBF and in turn AI companies and Teagasc Advisory in implementing breeding strategies going forward.
- The A+B-C formula in the EBI needs to be reviewed and modified. The C element needs to be heavily inflated to ensure only bulls with positive milk solids concentration achieve positive EBIs. It is not enough to improve milk solids totals alone. Breeding is a long-term process and needs to take into account the environment to be faced in 7-10years time.
- Milk pricing on a monthly basis needs to be reviewed in Ireland. The impact the farming organisations have on pricing leads to constant unnecessary conflict. A 13 payment system similar to the New Zealand system is much more desirable and would provide direction to suppliers as they try to expand.
- Milk suppliers need to understand the impact of their practices and strategies on the processor. Better lines of communication similar to the relationship model practiced in New Zealand would help in this regard. This would involve proactive advisory people who understand the farmer and the processor.