



Irish farmers building value and prosperity in our dairy industry

Representing Dairy Farmer Discussion Groups

# Understanding the A + B - C Milk Pricing System



[www.dairyireland.ie](http://www.dairyireland.ie)  
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## Get Involved

Following up on our recent Annual Conference we received a lot of feedback from farmers on our Milk Pricing Policy. Many farmers were surprised that even though there was only a 7% difference in the Top & Bottom Irish milk price in cents per litre, there was a significant difference in the price spread farmers are paid for Protein (15% difference between co-ops), and even higher for Fat (30% difference).

We have received many requests from Farmers to explain this A + B pricing system in greater detail. This Month we will look at; "A" - Milk Protein.



## Building Value

Most Irish Co-ops pay for Milk on an A + B - C basis where  
 A is the Price Paid in € Per Kg of Protein.  
 B is the Price Paid in € Per Kg of Fat.  
 C is a processing cost deduction in cents per litre.

So, if a farmer is paid €7.80 for A (Protein), €3.40 for B (Fat), and the milk Protein is 3.3% and Butterfat is 3.6%, the value of 100kgs of that milk is;

$$(\text{€}7.80 \times 3.3) + (\text{€}3.40 \times 3.6) = \text{€}37.98 \text{ per } 100 \text{ kgs of milk.}$$

You will notice on your milk cheque that milk protein is the most valuable constituent.

### Milk Composition\*

<b>Water</b>	~87%
<b>Fat</b>	~3.8%
<b>Protein</b>	~3.4%
<b>Lactose**</b>	~4.8%
<b>Minerals***</b>	<1%

\* Approximate, will vary from herd to herd, breed etc.

\*\* Also referred to as Carbohydrate

\*\*\* Also referred to as ASH

### Types of Milk Protein

Within the milk protein content there are two main types of proteins:

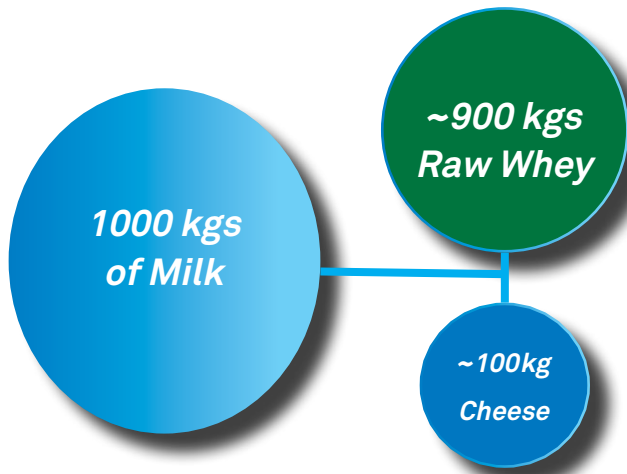
- Caseins ~80% of total protein content in cows milk
- Whey Proteins ~20% of the total protein content in cows milk

**Casein:** Casein is produced by passing the milk through different processes from which the Casein is extracted and dried. There are two main types of casein products; Acid Casein & Rennet Casein.

Together with France and New Zealand, Ireland is one of the largest casein producers in the world.

**Whey Proteins:** Liquid Whey generally results from the production of cheese, which generates 80% of the total whey available globally. Whey is also a by-product of casein production.

During the Cheese making process much of the casein proteins, fat and minerals are retained in the cheese product. The remaining liquid whey will largely contain Whey Proteins and Lactose constituents. This whey can then be further processed to extract greater value, as the table explains.



Depending on Production Process Value is Added to the Raw Whey as Follows;

Product	~ Kgs per 900kgs Raw Whey	Production Process	~Price Ton Powder
<b>Whey Powder</b>	<b>64</b>	13% Protein - raw whey (6% solids) is dried to powder form (97% solids).	<b>€1,000</b>
<b>WPC35</b>	<b>16</b>	35% Protein - further value added to the raw whey by extracting lactose to increase the protein content.	<b>€2,300</b>
<b>WPC80</b>	<b>6</b>	80% Prot - further lactose extracted	<b>€7,000</b>
<b>WPI</b>	<b>4</b>	90% Protein - nearly all the fat and lactose is extracted.	<b>??</b>
<b>Lactose</b>	<b>-</b>	The lactose extracted from the processes above is dried to powder.	<b>€980</b>

Price Sources: [www.clal.it](http://www.clal.it) & [www.nutraceuticalsworld.com/contents/view\\_breaking-news/2013-08-13/protein-prices-on-the-rise/](http://www.nutraceuticalsworld.com/contents/view_breaking-news/2013-08-13/protein-prices-on-the-rise/)



## Onwards & Upwards

Dairy Ireland will continue to encourage farmers to pay closer attention to the value of milk constituents rather than the reported cent per litre value of milk.

1. We ask all farmers to study the A + B payments of your individual co-ops. Please engage with your co-op to better understand it's product mix, and the reasons why they value these constituents the way they do.
2. A better understanding of these A + B payments will help you to manage & plan your production to extract the optimum constituent value from your milk.
3. Dairy Ireland re-iterates its call for all Irish Co-ops to adopt the fair and transparent A + B - C milk pricing system before 31/12/2013.



## Educate

Following a tough winter, balanced with a more productive summer, Dairy farmers will soon be facing into a quieter time of the year. This can be an ideal period to take time-out from the farm. Events like the National Ploughing Championships in September, and Teagasc's Annual Dairy conference in November give insight and value that can be transferred back to the farm.

For those looking for more, it is worth noting that many Local Colleges, VECs, and Institutes of Technology offer short Night Courses from the end of September onwards on many useful topics for farmers, e.g. Book Keeping, Accounting, Management, Employee Relations, Computers etc.



Last week Teagasc held a "Farm Expansion Workshop" at the Greenfield Farm in Kilkenny covering such topics as Maximizing Return on Capital and How to manage your Cash Flow. We encourage all farmers to attend one of these workshops over the coming months.



The DCU Ryan Academy is offering an excellent programme starting in October specifically targeted at the agri-sector and farmers. Sponsored by AIB and the Farmers Journal this FETAC certified program will take place between October and December. Places are limited, early booking is advised. For further details please visit the following website;

[www.ryanacademy.ie/programme/farm-entrepreneurship-leadership-programme](http://www.ryanacademy.ie/programme/farm-entrepreneurship-leadership-programme)

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