



# SADA UPDATE



2 June 2021

## Processor's Year 2021 – 2022 Price Updates

Because of the operation of the Dairy Industry Code, all medium to large dairy processing companies have made their prices and contracts publicly available. As part of the operation of the South Australian Dairyfarmers' Association (SADA) supported Code, all medium and larger processors will have to post their milk price on their websites as well as a copy of a Milk Supply Agreement.

SADA has taken the time to review six processor prices for this year's contracting season. While the list is not exhaustive it is indicative of the issues that will face farmers when seeking the right processor.

All processor websites checked have this year's contracts up for inspection as required by the Code. Note below, the following commentary on the milk prices as issued by milk processors who offer contracts in South Australia.

The processors which have been chosen for review were:

- UDC
- Saputo
- Beston
- La Casa del Formaggio
- Coles
- Lactalis

It is important to point out that comparing these prices is difficult as the minimum prices which are required by the Dairy Industry Code are dealt with differently by different processors on the basis of their associated incentive schemes.

**NOTE: It would be a mistake to compare the advertised minimum prices as an accurate reflection of expected farmer earnings as the incentive schemes of different processors impact on overall payment in varied ways.**

### **UDC - \$5.03 minimum price**

At first glance UDC's price looks very low given the current market. However, UDC has a very generous incentive scheme which includes:

- i. Monthly incentives - \$1.50
- ii. Loyalty incentives
- iii. Quantity incentives – sliding scale from 0 cents to 40 cents
- iv. Quality incentives (grade free 5 cents per litre)
- v. Flat milk incentives, and
- vi. Protein incentives (multiply by 1.5)

Without knowing a particular farm, it is difficult to guess whether this is a good offer or not, but in the right circumstances it could well be profitable for a compliant farmer.

### **Saputo - \$6.47**

Saputo offers additional payments on sliding scales which are based on quantity delivered by the farmer, the full scale being from 1.5 cents per kg for small supply to 39 cents per kg for 50,000 kg per month supply. Furthermore, Saputo offers further incentives for off peak supply for six months per year. Saputo also offers a vat capacity incentive of \$1,400 per annum.



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## **Beston - \$6.62 – (Not looking for milk this year)**

Beston has a very broad incentive scheme. This means that merely supplying milk to the general standard required the price immediately bumps up to \$6.80 per kilogram.

Beston also has a productivity incentive that scales between zero and 31.5 cents per kg.

In addition, Beston's offers a generous flat milk supply incentive that adds a further 80 cents per kg for a supply at 46% and above.

Further Beston has a 53 cents per kg growth incentive.

## **La Casa del Formaggio - \$7.13**

Once again, this price is only the minimum price. La Casa offers a further volume incentive of 25 cents per kg of milk solids in addition to the minimum price. This is a good offer by any measure in the current marketplace.

## **Coles South East - \$6.98**

Coles offers different contracts and prices across the country. Using the Coles SA Central contract Coles is offering \$6.98. This relatively high price does not come with incentives and there is incorporated into the contract and expectation of a pretty flat supply.

## **Lactalis - \$6.08**

Once again at first blush the price seems relatively low, however, it has a volume incentive which tops out at 62.5 cents per kg for supplies greater than 23,000 litres as well as a proximity adjustment, depending on where you are up to 2 cents per litre.

Further they offer a tenure incentive, (a form of loyalty payment), of 12.5 cents per kg for farmers who stay with them for more than 5 years.

If you're loyal and live in the right area with the right amount of milk you can be as high as \$7.08 per kilogram.

## **Milk Value Portal**

From a processors' perspective the Australian Dairy Producers' Federation (the processor organisation) have moved to show what factors influence milk prices to farmers in Australia. From the SADA perspective this is a welcome initiative and SADA strongly suggests that farmers visit the site before they sign new contracts. The Milk Value Portal from the Australian Dairy Producers Federation is available at <https://milkvalue.com.au/> This site provides a clear picture not only of what is happening to the milk price in a farmer's local area, but also nationally and internationally.

Dairy farmers are encouraged to visit the site as a useful tool to help them determine the best prices they can get for their milk as well as comparing different offers from different processors to determine the best outcomes for them.

## **Conclusion**

Different contracts will offer different outcomes for farmers depending on the farmer's business model. Care should be taken with by any farmer seeking a new milk supply contract.

SADA stands ready to assist any farmer with questions. Should you wish to discuss a contract please contact SADA at the SADA offices.

Alternatively, please contact the SADA office at [sada@sada.asn.au](mailto:sada@sada.asn.au) or 08 8293 2399