

SE NEWS
HD FARMGATE **milk** prices continued to rise this week, w
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FARMGATE **milk** prices continued to rise this week, with some Victorian **dairy** companies announcing significant increases.

Gippsland-based manufacturer Burra Foods announced it would be lifting butterfat payments by 24 cents a kilogram and protein by 60c/kg to its 140 suppliers.

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"The increase of 40c/kg of **milk** solids (MS), or on average 3c/litre, is the single largest step-up announced by any **milk** processor in Victoria ever," Burra Foods chief executive officer Grant Crothers told suppliers this week.

Commercial general manager Dale O'Neill was excited by the **company's** good news.

He told Stock & Land that Burra Food suppliers were currently receiving \$6.30-\$6.60/kgMS and more step-ups were likely before the end of the financial year.

"This is a clear reflection of how strong the market is," Mr O'Neill said.

"The devaluation of the Australian dollar, as well as the strength of Burra's product mix against world demand, gives us the confidence to announce a step-up like this."

The latest Global **Dairy** Trade event last week posted a 1.4 per cent rise, while **butter** and cheddar prices witnessed the largest increases of more than 10pc.

And while other processors such as Murray Goulburn have made no secret of their desire to secure more raw **milk**, Mr O'Neill said Burra Foods was not on the lookout for suppliers.

"We always welcome new inquiry but we are at capacity," he said.

This season Burra Foods will process more than 250 **million** litres of **milk** and export more than 40,000 tonnes of product to more than 25 countries.

Burra Foods recently added nutritional **milk** powders to its mix, including infant formula (which is highly sought-after in countries like **China**).

The first batch will be **sold** in May.

"This is all about seeking higher value," Mr O'Neill said.

"Moving into those nutritional **milk** powders has been our biggest focus of late."

The decision is good news for Burra Foods' suppliers, who are now recouping the benefits, as well as for the local community.

About 20 extra staff have been hired to manage the new project and plant.

But while the positive news is good for suppliers, Mr O'Neill said many **dairy** farmers were coming off a tough season last year.

"The feedback I'm getting is that most farmers are in recovery mode but are feeling positive about the next six months," he said.

Although he said it was too early at this stage to forecast opening prices for the 2014-15 season, Mr O'Neill was feeling optimistic.

"As the \$A continues to fall, it will hold us in good stead as we move closer to June," he said.

Fonterra also announced a step-up last week of 16c/kg butterfat and 40c/kg protein for the 2013-14 season for suppliers in Victoria and Tasmania.

The **company** is now paying \$6.36/kgMS and the average closing price range forecast has been lifted to \$6.60-\$6.80/kgMS.

Bruce Donnison, Fonterra Australia's director of ingredients and operations, said a combination of elements were driving the upwards trend.

"We are seeing a world market seek high demand for safe **dairy** products, a lowering of exchange rates, a lower \$A and a global surplus drop-off, which is all fantastic for farmers," he said.

And while talk of the takeover activity surrounding Warrnambool **Cheese & Butter** has been widespread for several months now, Mr Donnison said he was focused solely on returning profits to farmers.

"I've been watching with interest but my key priority is getting returns to farmers," he said.

Burra Foods suppliers Kevin and Helen Jones, who **milk** 395 cows at Foster, were excited to hear about the step-up.

"This season's opening price was a far bit better than last year's closing price," Mr Jones said.

He said the difference was \$4.67 at the close of 2012-13, compared to \$6.45 at the opening of 2013-14.

"It will make a difference on my farm," he said. "But it does depend on your supply curve.

"We are spring-calving and we get close to Murray Goulburn's domestic supply system yet we are not taking any risks."

He said the massive step-up would result in surplus money, but rising costs would consume a large portion of that profit.

"Last year we milked 370 cows but we are closer to 400 now to take advantage of the higher prices," he said.

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