

# Factsheet: Milk Value Portal

ADPF

## What is the Milk Value Portal?

The Milk Value Portal is a well-established source of primary information that helps any industry participant or observer understand the value of raw milk on a quarterly and annualised basis by production region, by farm size, and by farming system, in cents per litre or dollars per kilogram of milk solids.

It helps answer the complex question: “What is the value of raw milk?”, and “What are the market influences on the value of milk and why?”

Primary data is provided directly from the buyers of raw milk (processors), representing 90% of the milk processed across Australia and aggregated by a leading independent dairy analytics company.

The Milk Value Portal is an initiative of the Australian Dairy Products Federation (ADPF) and processors, and delivers to Commitment 5 of the Australian Dairy Plan – restoring trust and transparency between farmers and processors.

## Who is the target audience?

The Milk Value Portal provides dairy farmers and industry observers (e.g., advisors, analysts, investors, media) with a comprehensive understanding of Australian farmgate milk price (FMP) and the value of raw milk, at a specific time of the year, by region and key production parameters.

## Key questions the Milk Value Portal can answer, include:

- What is the value of raw milk in an alternative dairy production region?
- What premium am I getting above the Commodity Milk Value and what premium did I get last year?
- What is the revenue impact if I change herd size or seasonality of my supply curve?
- What impact on FMP can I expect when a major dairy commodity changes value or the Australian dollar appreciates or depreciates?
- How much butter did Australia import last month?
- What is the 3-year trend of FMP in my region?
- What is the value of raw milk in key destination markets (e.g., Japan and China) and key competing markets (e.g., NZ or the USA), versus Australia?
- What key international trends are likely to influence the value of raw milk next year?
- What buyer (processor) pays a premium for Organic milk?

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## How does the Milk Value Portal work?

### 1. Farmgate Milk Value Tool



The key feature of the Milk Value Portal is the interactive Farmgate Milk Value Tool (FMVT), which allows a farmer to customise a farm situation nearest to their own and get an understanding of key value drivers for raw milk, for the year and for each quarter – that is, a regional comparison of average FMP influenced by different farm parameters.

By selecting key farm parameters – location (one of eight dairy production regions), farm size or annual milk production (in litres), seasonality of supply (flat, average, seasonal, split), and milk components of fat and protein (low, average, high) – the FMVT will generate a weighted average raw milk price and range of prices in cents/litre or dollars/kilogram milk solids for the year and for each quarter – based on the minimum prices available from processors who collect raw milk in that region.

It would, for example, facilitate a greater understanding of the implications of flat versus seasonal supply to the year-average FMP, or what is the FMP in Burnie, Tasmania versus Beaudesert, Queensland.

The FMVT features milk pricing data for the current and previous two years as a reference.

The data in the FMVT represents 90% of the milk volumes across Australia in eight dairy production regions, with FMP weighted in each region according to the estimated collection volumes of each processor.

It is updated as any changes to FMP are announced, with a major annual update aligned to the 1 June minimum price announcements each year, in the Milk Supply Agreements – as per the requirements of the Dairy Code of Conduct.

The FMVT will provide unique insights into the value of raw milk in each region, however it is **not** a click and compare tool showing individual prices available from specific processors. Accurate pricing information on expected earnings for the year, can come directly from the processor of choice by requesting an income estimate for a specific farm.

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## 2. Market Insights



The Milk Value Portal provides deeper insights into the domestic and global factors that influence milk value, including commodity values, exchange rates and import competition, to complete the picture on raw milk pricing in Australia.

The website is regularly updated with the latest market information including a quarterly **Dairy Market Insights Report** from *Freshagenda*. Users can sign up for updates direct to their inbox.

## What is the Commodity Milk Value?

The Commodity Milk Value (CMV) is an indicator based on a weighted basket of Oceania spot prices of major commodities – cheese, butter, skim milk powder (SMP) and whole milk powder (WMP) – converted to an Australian dollar-denominated value of milk. The CMV calculation uses the industry's average annual product mix and conversion costs to estimate the corresponding milk value. While the CMV can be a useful forward indicator of how the global market may affect product prices in coming months, the final milk price paid by each processor will be influenced by their specific product and market mix, as well as the competition for milk at farmgate.

The Southern region FMP paid by processors can be represented as comprising an underlying CMV and a value-add or premium (or in some periods a discount) that depends on the product and market mix of each processor. This includes fresh and other retail dairy products as well as higher value specialised dairy ingredients.

## 3. 'What-if' Tool



The Milk Value Portal's interactive **'What-if' Tool** allows users to see the impact of a changing exchange rate and commodity on the Commodity Milk Value, a major component of FMP.

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## 4. Further Resources



The Milk Value Portal also hosts a wide range of videos and education resources to support greater understanding on the value of raw milk, including a table on **Processors Milk Supply Agreements** that summarises the main features of the contracts offered across Australia.

# Benefits of the Milk Value Portal

- A comprehensive 'one stop shop' to learn about the value of raw milk in Australia.
- Regional analysis with an interactive tool to match farm production systems with revenue.
- Unique 'what if' scenario planner showing the impact on FMP of movement in key dairy commodities and AUD/USD exchange rates.
- A readily accessible, credible, centralised source of information on FMP and the value of raw milk at different times of the year.

## What does it mean for farmers?

The Milk Value Portal and FMVT have been designed to help farmers understand the factors that affect the value of milk including those based on their own circumstances and decisions, so that they are fully informed and positioned to achieve the best business outcome.

## What does it mean for farm advisers?

The information offered allows farm advisers to understand what the market is currently paying, allowing them to analyse farms more effectively and possible rate of returns.

