Milk Value Portal FAQ

Q. What is the Milk Value Portal?

A. The Milk Value Portal (MVP) is a well-established credible source of primary information that can help farmers understand how milk is valued in each 12-month production season, and the domestic and global market factors and on-farm parameters that can influence this.

It helps answer the question "What is the milk price?", and "what influences the milk price?".

Primary data is provided directly from the buyers of raw milk themselves, dairy processors, and aggregated by an independent third party, representing more than 90% of the milk volumes across Australia, and eight of the nine production regions.

The MVP is an initiative of the Australian Dairy Products Federation and delivers to Commitment 5 of the Australian Dairy Plan, which aims to "restore trust and transparency between farmers and processors to strengthen industry confidence".

Q. What influences farmgate milk prices?

A. The raw milk market is highly complex and rapidly evolving as it responds to domestic and global factors which all influence farmgate milk prices.

Currently, more than 80 per cent of Australia's milk is produced in the **Southern manufacturing regions** of Victoria, South Australia, southern New South Wales, and Tasmania. The milk prices paid by these manufacturers are highly influenced by global markets, with a small portion only used in local fresh milk products. More than 80% of this milk pool is exposed to import and export competition and hence influenced by the volatility of the commodity markets (fat and protein) and the exchange rates. Milk values are also influenced by the extent of competition between processors and product mix, processing and logistics costs, and available margins in domestic retail, industrial and food service markets.

In comparison, in the **Northern (NSW, QLD) and Western dairy regions**, where locally produced milk services the fresh/drinking milk market, milk pricing has regard for the milk prices in the Southern milk pool, local supply and demand conditions, the cost of sourcing milk, and Southern milk price overtime.

Find out more detail on how farmgate prices are determined here.

To keep up to date with the outlook for farmgate milk values and prices, register to receive the MVP Quarterly Insights reports available here.

Q. What is the Commodity Milk Value?

A. The Southern region farmgate milk prices paid by processors can be represented as comprising an underlying commodity milk value (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.

While the CMV is an indicator that can be used in planning, 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.

Learn more about the CMV here.

Q. How can I use the Farmgate Milk Value Tool?

A. The Farmgate Milk Value Tool (FMVT) is an interactive tool that allows users to get a regional comparison of average farmgate milk prices, influenced by different farm parameters such as the size of the farm, seasonality of milk supply and milk components (butterfat and protein content), for the season and for each quarter, in cents per litre and dollar per kilogram milk solids.

A user can customise a farm situation nearest to their own situation and observe how milk is being valued – as a weighted average milk price and with high and low values – based on the minimum prices available for a milk supply agreement, for that example farm. This includes selecting the farm size (in litres), one of eight production regions, seasonality of supply (flat, average, seasonal, split), butterfat and protein content (low, average, high), price (cents/litre and $/kg milk solids), and the year (current and previous years), and seeing how changes to those farm parameters can affect potential farmgate milk prices over the season. It also provides the user with reference points to assess relevant contracts that may be available to them.

The FMVT features milk pricing data for the current and previous years, with four years' worth of data soon to be made available.

This tool is also supported by domestic and global market insights that can influence milk price including commodity values and the Commodity Milk Value (an indicator of milk price); exchange rates and import competition.

Access the Farmgate Milk Value Tool here.

Q. How is the weighted average milk price and 'range of prices' calculated in the Farmgate Milk Value Tool?

A. The **full season weighted average milk price** in the Farmgate Milk Value Tool (FMVT) is calculated based on the minimum monthly pay rates, incentives, and deductions contained in the terms of each applicable contract for each example farm, across a range of farm parameters (location, farm size, milk solid yields, seasonality of production).

For each example farm, the resulting calculated prices are then weighted, to calculate an average for the region based on the estimated milk collections by participating milk buyers or processors.

The '**range'** of milk prices featured in the FMVT reflect the weighted average as well as the highest and lowest milk prices that would be paid based on the relevant processor contracts on the selected farm parameters.

To learn more, visit the Farmgate Milk Value Tool here.

Q. Can I compare prices offered by different processors?

A. The Farmgate Milk Value Tool is not designed to be a click and compare. It will not show the individual prices available from processors, nor will it give you a specific milk price offer – those still need to come directly from your processor.

Q. What is the difference between cents per litre and dollars per kilogram milk solids?

A. All processors, regardless of the end use of the milk collected, pay for milk based on their fat and protein composition.

There are two common comparison measures used to simplify the benchmarking of the net milk prices achieved – dollars per kilogram milk solids (net income per the total kgs of fat and protein supplied) or cents per litre (net income per the total litres of milk supplied).

The two measures are obviously related based on the composition of milk.

As a guide and based on an average milk solid per litre of Australian milk of content of 7.60grams of milk solids (or 7.6%: 4.15grams of fat or 4.15% and 3.45grams of protein or 3.45%), a way to convert a "cents per litre' price to "$/kg of milk solids' price, is to *divide* the cents value by 0.076, or to convert the $/kg milk solids to cents/ litre *multiply* by 0.076.

Q. What are Milk Supply Agreements?

A. Under the Australian Competition and Consumer Commission (ACCC) Dairy Code of Conduct, processors can only purchase milk under a Milk Supply Agreement (MSA) that complies with the Code.

Milk Supply Agreements between farmers and processors contain a series of terms and conditions that must be met to regulate their dealings with one another.

Processors who want to purchase milk during the next financial year must publish their MSA on their website by 2pm June 1, of each year. This includes outlining what the minimum opening price will be so that farmers can better plan for the season ahead.

You can find links to the dairy manufacturers MSA on the MVP website here.

The ACCC has published a series of guidance documents to help implement the requirements of the Dairy Code, including a new processor checklist.

Q. When are opening milk prices announced?

A. Under the ACCC Dairy Code of Conduct, minimum milk prices and Code-compliant Milk Supply Agreements (MSAs) must be published by 2pm June 1, each year.

Those opening announcements may be revised prior to the start of the season (1 July), as clearly evident by the results seen due to the competition for milk.

Q. What are step-ups?

A. Step-ups are a milk payment increase, usually announced once the season is well underway and typically paid as a full season uplift in base milk pay rates.

The number of step-ups announced is at the discretion of individual processors.