

**Dairygold to introduce a 'Milk Supply - Peak Management Programme' in 2013  
Proposal addresses seasonality of supply with spring milk bonus**

**Wednesday, 31<sup>st</sup> August 2011**

Dairygold Co-Operative today confirmed that it is to introduce a new milk supply peak management programme to encourage an optimum milk supply profile for its suppliers and better utilisation of the Society's milk processing facilities.

Following extensive consultation with its Committee Structure, Board and Advisory Group – Teagasc, the programme is to be introduced in 2013 in preparation for the expected upsurge in milk production across the Society's supplier base following the abolition of milk quotas in 2015.

The new programme will seek to encourage milk supplies to the Society during the peak months of May and June at a level of 14%, or less, of annual milk volume while encouraging increased February milk deliveries.

To encourage this milk supply profile Dairygold will pay a bonus of 5 cent per litre for all February milk in excess of 2% of annual supply. That bonus will rise to 10 cent per litre for all milk supplied in excess of 3% of annual supply in February. Bonuses are subject to attaining required quality standards within the month.

Conversely milk supplied in excess of 14% of annual volume in either May and/or June, will incur a charge. The charge will rise incrementally with 5 cent per litre for milk between 14% and 15% of the annual volume, 7.5 cent per litre for milk supplied between 15% and 16% and 10 cent per litre for milk in excess of 16%.

Recognising that a number of suppliers with specific geographical / soil type constraints may find achieving the 14% maximum peak milk target challenging, Dairygold is offering an alternative option to suit their particular circumstances.

These suppliers will have the option to use the three year average of their supply profile and volumes during 2009, 2010 and 2011 as their base volume. No charge would result if the supplier does not exceed this base average peak supply percentage into the future. However, any increased volumes above the three year average will need to achieve the 14% threshold.

Each supplier will be given the opportunity to choose between these two options. However, those suppliers who, because of their particular constraints, opt for this option will forego the opportunity of earning a February bonus.

All new entrants will be required to supply their milk at a peak profile of 14% or better. The peak management programme applies to manufacturing milk only & does not affect liquid or winter milk suppliers. The programme will be administered in April of each year, when bonuses for the previous year will be paid and charges will be deducted.

Outlining the potential benefit to milk suppliers Mr Tim Healy, Director of Dairy Operations, Dairygold said, "If the programme was applied to 2010 milk it would have resulted in a net pay out of €500,000 to Dairygold milk suppliers. We estimate that when the scheme is up and running it will benefit Dairygold milk suppliers by extra payments in excess of €1 million per annum."

A comprehensive communications programme is being rolled out by the Society to inform suppliers of the details of the scheme. The Society will forward individual details to all suppliers and formal information sessions will be organised regionally during the early part of 2012.

**Ends**