



CARBERY

**D**rinagh



**Fixed Milk Price Scheme (FMPS 4)**  
4th Scheme (3 Year Scheme)  
January 1st 2018 to December 31st 2020

# Introducing the Carbery/West Cork Co-operatives 4th Fixed Milk Price Scheme (FMPS-4)

## Overview:

Carbery, through its individual West Cork Co-operatives, is offering milk suppliers a 3 year fixed milk price scheme beginning on January 1st 2018 and ending on December 31st 2020. This scheme gives suppliers the option to avail of a fixed milk price for a minimum of 10% of their 2017 supply volume in the specified period.

## Certainty in Uncertain Markets:

This is a voluntary scheme which offers suppliers milk price certainty on a portion of their milk supply. In the context of fluctuating market pricing, which we have seen in recent years, this is an option that may suit some suppliers.

## What Volume of Milk Supply can be fixed?

This scheme is available to all milk suppliers at a minimum of 10% of 2017 supply volumes. However, in the event of under subscription, an increased volume of between 10% and 20% may become available for individual suppliers. Individual co-operatives will distribute the full volume available in an equitable manner should demand exist amongst suppliers. The precise volume each supplier will receive will be allocated before the scheme begins.

The total volume of milk allocated to the fixed milk price scheme is equivalent to 10% of Carbery's total milk supply in 2017. The monthly supply profile in each year of the proposed scheme will mirror a supplier's 2017 monthly supply. On the application form enclosed, those suppliers wishing to participate will be able to request a minimum of 10% of their 2017 milk volume, which will be profiled across 12 months of the year. Should suppliers wish to avail of more than 10%, this should be indicated on the application form provided by your co-op.

## How can the fixed milk price option help me?

- It provides price certainty on a portion of your milk supply in a market where price volatility is evident.
- It provides some certainty around your income and cash flow on a portion of your milk supply.
- Should you have borrowings, it gives you greater certainty of meeting your loan obligations.
- On the volume of milk covered by fixed milk price, it affords protection against the lowest milk prices that can potentially arise.
- If milk prices are strong, the price paid under the fixed milk price scheme may not be as high as that applying to regular milk supplied.

## How does the Fixed Milk Price Scheme work?

In summary the scheme will operate as follows:

- Participation in this scheme is voluntary
- The scheme will operate from January 1st 2018 to December 31st 2020.
- The fixed milk price under the FMPS for the specified period, (SCC bonus and VAT at 5.4% inclusive) which is subject to quality criteria will be:

Based on Fat 3.6% and Protein 3.3% (this is the standard constituents' level quoted in various publications)

an average milk price of 32.48c/litre applies

1st March to 31st October: 32.42c/litre

1st November to 28th February: 32.82c/litre

Based on Fat 4.13% and Protein 3.5% (this is the average constituents' level on milk received in 2017)

an average milk price of 35.94c/litre applies.

1st March to 31st October: 35.88c/litre

1st November to 28th February: 36.28c/litre

- The volume of milk available under the scheme is limited. This equates to 10% of the milk volume supplied during 2017.
- The final volume allocation to each supplier will be decided after all the signed application forms on the initial 10% offer, are received by the deadline of December 1st 2017.
- Carbery and the West Cork Co-operatives may, at their discretion, choose not to proceed with the scheme, should certain circumstances arise.
- Once you agree to join this scheme, you are contracted to remain in the scheme until December 31st 2020.
- Intending applicants must complete and return the enclosed application form to their local co-operative by close of business on **December 1st 2017**.

## Questions & Answers

### ***Q1. Is the scheme open to all milk suppliers?***

Yes. The scheme is open to all milk suppliers.

### ***Q2. What is the minimum and maximum volume I can supply under the fixed milk price scheme?***

The scheme allows each supplier to sign up for a minimum of 10% of his/her 2017 annual milk supply volume. Depending on the uptake at the minimum 10% level, your co-operative may or may not be able to allocate further volumes to you. Whether this is possible will depend on whether there is an under subscription and if so, it will depend on the level of under-subscription. This can only be determined when all application forms are returned.

### ***Q3. When does the scheme commence & end?***

The scheme will commence on January 1st 2018 and end on December 31st 2020.

### ***Q4. If I sign up to the scheme, am I obliged to stay in the scheme for the entire period up to December 31st 2020?***

Yes. Upon signing the application form you are confirming your agreement to remain in the scheme until December 31st 2020 and accordingly are signing an irrevocable contract, which can only be exited in extreme circumstances (e.g. Force Majeure).

### ***Q5. What will my annual volume allocation be?***

You will be offered a minimum of 10% of the milk volume you supplied in 2017. On the application form you will also be requested to complete a question indicating your preference to supply volume above the minimum of 10% and up to 20%. As outlined in Question 2, it may not be possible to allocate additional volumes above the minimum of 10% as this depends on the overall level of subscription.

### ***Q6. Give me an example of how the allocation of additional milk volume is completed if there is an under subscription?***

Upon receipt of application forms it will be determined how much of the overall 2017 volume supplied to Carbery has been signed up for at the 10% allocation. In the event of surplus milk being available after the first round completion we will then proceed to allocate any remaining volume to applicants who have indicated a preference to supply volumes in excess of 10% of their 2017 volumes.

Example:

Assume the milk volume committed in the first round, by suppliers wishing to participate in the scheme, amounts to 8% of total 2017 volume supplied, this will leave an additional volume of 2% of 2017 volumes to be further allocated. This should then result in an allocation of a minimum 12% to all participating suppliers assuming that these suppliers have expressed a preference in their application form for volumes in excess of 10%.

### ***Q7. If I allocate a defined volume to this scheme, how will my payment be managed?***

The milk volume you commit to this scheme will be allocated on a monthly basis over 12 months for the 3 calendar years using the monthly supply volumes you supplied in 2017. For the duration of FMPS-4, and any other fixed milk price contracts that you may have, you will be paid for the fixed milk price volume of milk each month. The remainder of your milk supply each month will be paid for in accordance with normal practice. The monthly milk price statement will accommodate the payment systems separately.

### ***Q8. What will happen if I fail a quality test under this scheme?***

Normal quality rules apply on all milk supplied. The quality deductions and bonus criteria that are currently in place will apply.

### ***Q9. Can I transfer my allocated volume to another supplier once I have signed up to the scheme?***

No. The volume a supplier will be allocated is specific to each supplier and is non-transferrable.

***Q10. What bonus payments or milk price top ups will the fixed milk price element of my milk supply be eligible for?***

In regard to any year-end bonuses declared by Carbery and the West Cork Co-operatives, each co-operative will, at its absolute discretion, decide as to how any such bonuses will be distributed to its supplier members.

***Q11. Will new entrants be allowed into the scheme?***

New entrants will be allowed into the scheme on the same basis as other suppliers. It will be a provision of their contracts that their year-end volume eligible for the scheme may have to be adjusted to achieve the contracted percentage agreed initially on the signing of the contract.

***Q12. Will the scheme proceed regardless of how many apply?***

It is the intention of Carbery and the West Cork Co-operatives to proceed and make this scheme available to anyone who wishes to participate, but should there be a low uptake or some other reason arises, the Board of Carbery may decide not to proceed with the scheme.

***Q13. If I become involved in a partnership over the period of the scheme what happens to the fixed milk price volume?***

Any fixed milk price volumes which come into a partnership, will remain part of the scheme at the volumes in the agreed contract(s).

***Q14. If I apply to take part in this scheme, what are the next steps?***

Please fill out the enclosed application form and return to your local co-operative before **December 1st 2017** to ensure you will be included in this scheme. On receiving your application form you will be offered a volume at the fixed milk price by December 12th 2017. If you have any further questions, please contact your local co-operative Milk Technical Advisor.