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China/NZ

FONTERRA FARMS HANDOVER

Fonterra's NZ\$500m sale of their two wholly-owned dairy farm hubs in China is expected to complete in June this year. Inner Mongolia Natural Dairy company, a subsidiary of the livestock company China Youran Dairy group, have been granted anti-trust approvals to acquire the farms established by Fonterra 5yrs ago in an ultimately failed drive to produce large volumes of milk in China.

NZ

MATAURA MOVE TO NUTRITIONAL POWDERS

A2 Milk have confirmed that they will invest around NZ\$120m in Mataura Valley Milk over the next 2-3yrs after acquiring a 75% stake in the business for \$269m, based on a business valuation of around \$385m. The new investment in Mataura, who currently produce mainly commodity milk powder products, will fund a move into consumer packaged nutritional products for a2 Milk, who do not currently manufacture their own infant milk formula. An A1 protein-free milk pool will also be developed. During the transitional period, 2022-24, Mataura will continue to produce commodity powders and some base powders for nutritional products. The deal, which adds to a2's existing supply relationships with Synlait Milk and Fonterra, is subject to approval from NZ's Overseas Investment Office. Completion is expected by May. A2 expect transaction costs to amount to about \$10m. Current majority shareholder, China Animal Husbandry Group, with 82%, will retain a 25% stake (see I HEAR, p7).

China

WMP IMPORTS DOWN 10% SO FAR IN 2020

China's WMP imports in November were down 28% from a year earlier to 44,500t, leaving their total WMP imports for 2020 to date down 9.9% to 538,000t. Chinese SMP imports in November were up 16% to 29,400t but down 11.5% in the year to date at 280,500t. Infant formula imports were down 15% in November at 30,200t, and down 12.7% for the year to date (288,300t). November's butter imports were down 6.4% to 9,200t and AMF imports were down 15% at 1,800t. China continues to

CHINA DAIRY IMPORTS			
tonnes	Nov '20	v. '19	YTD
WMP	44,500	-28%	-10%
SMP	29,400	+16%	-12%
Whey prods.	61,000	+48%	+24%
Infant form.	30,200	-15%	-13%
Cheese	11,700	+2%	+0.5%
Lactose	7,800	+37%	+20%
Butter	9,200	-6%	+22%

ramp up whey powder/WPC imports, which were up 48% in November to 61,000t and up 24% for 2020 to date. Cheese imports were up 1.7% in November at 11,700t and lactose imports were up 37% to 7,800t.

Italy

PARMIGIANO/GRANA PADANO TIE THE KNOT

Cheesemakers Agriform and Parmareggio have merged to form the largest producer of Italian PDO cheeses with a turnover of over €600m with some 2,000 farmers supplying some 20 manufacturing sites. Agriform produce Grana Padano, while Modena-based Parmareggio produce Parmigiano Reggiano. Parmareggio, with sales of €409m in 2019, are part of the Bonterre group. Agriform are 40% owned by Lattebusche.

EU/France

CAMEMBERT PRODUCERS CONCEDE ON PDO

As of January 1, 2021, commercially produced Camembert in France may no longer be labelled 'Fabriqué en Normandie' in order to avoid confusion with the protected designation of origin 'Camembert de Normandie'. The decision was made by the European Commission's directorate-general for Competition, Consumer Affairs and the Fight against Fraud (DGCCRF) last July. The row over this naming has been raging for more than 20yrs, with small cheese dairies in Normandy demanding PDO protection against Camembert producers who do not comply with the binding specifications of the PDO. Currently, 60,000t of Camembert are sold in France under the label 'Fabriqué en Normandie'.

Netherlands/Thailand

F/C TO SELL THAI YOGURT BUSINESS?

It is reported that FrieslandCampina are considering selling their 50% stake in Betagen, a yogurt business in Thailand. Betagen were founded in partnership with Thai Advanced Food. The stake is valued at €400m.

EU/UK

ARLA PUSH ONLINE SALES

Arla Foods have announced plans to double online sales across Europe to €600m by 2025. The pandemic has already seen their online sales double in some key markets. Arla will hire additional e-commerce sales and marketing specialists in the UK, Denmark, Sweden, Germany and Netherlands; some 17% of Arla's branded sales in the UK are currently on-line.

Wales

SCC TO INCREASE CHEESE CAPACITY BY 8,000t

North Wales farmer co-op South Caernarfon Creameries last week announced a 3-year £14.4m investment programme to increase their cheese production capacity by 50% and create 30 new jobs by 2024. SCC will increase their cheese production from 15,000t to 23,000t and double cheese packing capacity to 20,000t pa. This will increase their demand for Welsh milk at their Chwilog plant from 130m litres to more than 200m litres a year from their 134 farmer members and boost turnover from £60m to over £85m a year. The investment is backed by the Welsh Government with a £5m grant from their Food Business Investment Scheme.

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MARKETS CALM IN LIMITED POST-BREXIT TRADING

So far so good: although there are hiccups on the way the export of dairy products in the new post-Brexit world is by no means as restrictive or chaotic as was anticipated by some traders beforehand. UK products are being exported successfully, mainly to Northern Ireland, but also to the EU and there doesn't seem to be the sort of chaos that the media is reporting for, say, fish. Exporters are getting to grips with the new paperwork regimes—more so than importing customers, according to some traders—and while they bemoan the added cost and hassle neither seem to be deal breakers for exports. There are, however, still more questions than answers on the status of some shipments for some categories, such as bundled (groupage) exports, or those that have been imported

LATEST GDT RESULTS

	\$/tonne	v. 2020
WMP	3,306	+5.0%
SMP	3,044	+0.6%
Butter	4,526	+12.3%
AMF	4,604	-6.6%
Cheddar	4,078	+1.2%
Lactose	1,099	+37.7%
BMP	2,876	-5.4%
Index	1,065	+2.5%

GDT world markets

GDT INDEX UP 3.9%

All prices were up at the latest GDT auction for the third time running, with the overall index up 3.9%. The first auction of 2021, it produced a WMP index up 3.1% with an average price of US\$3,306/tonne, with SMP up 4.1% at \$3,044/t, AMF up 5.5% at \$4,604/t, butter up 7.2% at \$4,526/t, Cheddar cheese up 5.0% at \$4,078/t and lactose up 7.4% at \$1,099/t. The BMP index was up 6.9% from a month before on an average price of \$2,876/t. A total 30,313t of product was sold—down 4.4% from the final December auction and down 8.3% from a year earlier. There were 178 participating bidders, down from 188 a year ago.

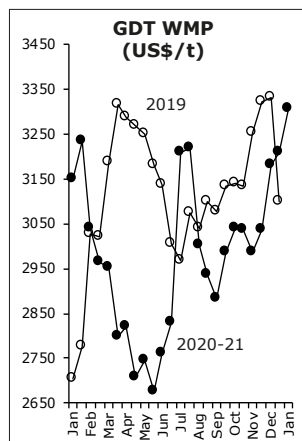
The overall index started the year 2.5% above the same week last January, with the average WMP price 5.0% higher, SMP up 0.6%, butter up 12.3%, Cheddar up 1.2% and lactose up 38%. AMF was down 6.6% and BMP down 5.4% from a year earlier.

FAO dairy price index

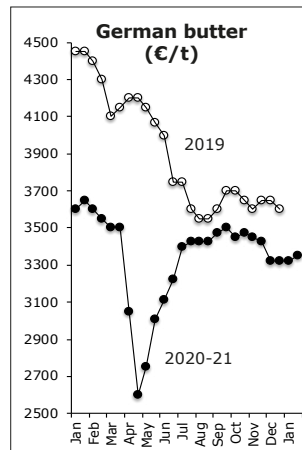
DECEMBER INDEX UP

The FAO Dairy Price Index averaged 108.8 points in December, up 3.4 points (3.2%) from November. It was the seventh consecutive increase, with the index now up 11% since June 2020. FAO say it was underpinned by strong global import demand, mainly due to the potential impact of drier and warmer weather conditions on milk production in Oceania and demand in Western Europe. For calendar year 2020, the Index averaged 101.8 points, down 1.0 point (1.0%) from 2019.

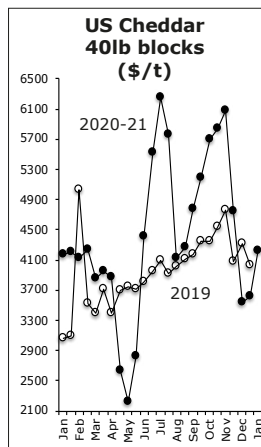
for further processing, or for grating/slicing, prior to re-export. The fact that some cream is being exported has given a new year fillip to what was the second worst Christmas cream price of the last decade, with prices collapsing to £1.00/kg or below in the final ten days or so of the month. Traders say that it is now between £1.25 and £1.30/kg with the price on the continent being nearer £1.40/kg. That 10p premium over the UK price is around double what it used to be, but so too is the cost of getting it across the channel. Not only has the paperwork exploded but so too has the cost of haulage, as companies factor in the cost of potential port delays into their pricing and driver incentives. But relief over the trade deals and a smoother than expected (if not currently a smooth) export procedure is one of a number of positive drivers that have seen the market pick up quickly after the new year. These include the January 5 GDT auction, with its 3.9% increase stoking a quickly warming global market which took prices to new recent highs; plus the fact that EU PSA stocks will by now probably be empty (the official figures are to November still, and they show 10,600t of butter left in store, 9,500t of SMP and 3,600t of cheese). Milk volumes are also below expectations in France and Germany. Butter has also emerged from its pre-Brexit slumber, with the market now outpacing the last Dutch Dairy Board



quotation of €3,270/t. Most traders won't sell for less than €3,400/t now, which puts UK prices back at £3,000/t. The butter futures are higher still, averaging nearer €3,500/t for Q2 contracts, with NZ butter higher still at €3,700/t equivalent. Whey is riding a Chinese wave of good demand (see p1). November imports were up almost 50% on last year, for example, and all whey products for the year are up by almost 25%—and powder prices are generally now all over €800/t, with July contracts at €850/t. This surge is dragging up SMP prices, too, with the Dutch quotes at €2,260/t last week, but with traders having set their sights at €2,300/t for last week. WMP is stable at around €2,800/t. January is normally not a good month for cheese sales (bar cottage cheese for those on a diet)



but normality is still nowhere in sight with Covid and lockdown 3. It's still too early to say whether consumer buying patterns will be different to lockdowns 1 and 2, but Cheddar doesn't seem to be under any threat. UK curd prices are being quoted as high as £2,850/t on the back of strong exports, so exports are probably more profitable than turning it into hard cheese right now, given the added cost and cash flow disadvantage of the latter. Mozzarella is still a basket case on the continent, however, at €2,650/t and thus discounted significantly on Edam and Gouda at €2,850/t. It's better in the UK, though, with prices up from £2,550/t to £2,650/t. The rising prices might be seen as a double-edged sword by processors. Rising costs on farm will mean a clamour from farmers for higher milk prices. But stimulating milk is the last thing UK processors will want as volumes are already high, with no-one short of milk, and the flush not far away. Demand for spot milk is limited, with the price between 25p and 29ppl.



Weekly market prices @15.1.21

EU OBSERVATORY PRICES

(€/t)	Jan 13 v. Dec 23	2021	2021
		high	low
Butter	3360 =	3360	3350
WMP	2730 =	2730	2710
SMP	2210 +0.9%	2210	2190
Cheddar	3080 -4.3%	3090	3080
Whey powder 800	+2.5%	800	780

US QUOTES, CHICAGO MERC.*

(\$/t)	Jan 15 v. Dec 31	2021	2021
		high	low
Butter (AA)	2865 -11%	3110	2865
SMP (grdA)	2625 +4.5%	2625	2600
Cheddar			
—40lb blcks	4215 +17%	4215	3925
—500lb bar.	3540 +6.8%	3540	3520

*Conv. from US ¢/lb@1 tonne = 2,205lb

EU market indicators

BUTTER UP 20/t

The Dutch Dairy Board/ZuivelNL last week increased all five of their official dairy commodity prices. The butter price is up €20 to €3,270/t, the WMP price up €30 to €2,790/t, the SMP (food) price is up €40 to €2,260/t, SMP (feed) is up €30 to €2,160 and whey powder is up €20 to €830/t.

The German-based IFE institute's estimated average EU raw milk value was up 0.1c last week to 30.0c/litre at the farmgate level. This price is based on the official prices of butter and SMP in Germany, France and the Netherlands. The average SMP price in all three countries was up €37 to €2,257/t and the butter average was up €22 at €3,330/t.

Trades in Dutch SWP for feed on DAO.

EU resulted in prices of €820-€865/t in the past fortnight for January delivery, with Trigona traders also reporting fewer calves housed for fattening this winter. SMP demand is coming from export against low stocks (Vinamilk tender and Onil were expected this month): DAO trade has been around €2,210-€2,230/t. A total 110t of fresh lactic butter made €3,360-€3,370/t last week. Dairy trade was busier than expected, despite extra Brexit-related work and "aggravation".

NZ**SYNLAIT SHARES HIT BY A2 SETBACKS**

Synlait Milk have lost share value after following a2 Milk Co—a major customer and shareholder—in cutting forecasts for their 2021 financial year because of continuing doubts around the daigou trade. This trade, which involves independent agents who bulk buy infant formula in Australia and NZ to courier on commission to China, has been hammered by Covid-19 lockdowns and the absence of Chinese tourists and students. Synlait, whose share price has fallen 12% since mid-December, now forecast packaged infant formula sales to be down 35% from the previous year, halving their earlier net profit forecast. They now say they are looking at diversification, asset optimisation and cost cutting. A2 say first-half revenue will be down 10% to NZ\$670m; their guidance range for the full year has been revised 20% lower, from \$1.8bn-\$1.9bn to \$1.4bn-\$1.55bn, below FY20's results (\$806m in the first 6mths and \$1.73m for the full year). A2's rollercoaster share price peaked at \$21.50 in August and is now below \$12.

a2 milk**A2 MILK MARKETS TO GROW BY 16%**

The global market for A2 milk is predicted to increase in value by 16% CAGR in 2019-27, according to a new report from Portland, Oregon-based Allied Market Research. The market was valued at \$1,130m in 2019, and is projected to reach \$3,700m by 2027. Key players include The a2 Milk Co, GCMF (Amul) in India, Erden Creamery, Freedom Foods, Lion Dairy & Drinks, Provilac Dairy Farms, Ripley Farms, Taw River Dairy, Urban Farms Milk and Vinamilk.

as a major consumer trend, particularly in the wake of Covid-19, the company says. "We are seriously looking at collagen," said CEO Tim Carter. "Collagen is a big trend." However, premium dairy company Lewis Road released a collagen-infused milk earlier this year which "won" the Consumer's 2020 Bad Taste Awards amid scepticism around some of the health claims made for it.

DCANZ GETTING INTO US-CANADA ROW

NZ dairy lobby DCANZ director Kimberley Crewther said the NZ industry was "bitterly disappointed" at the low allocation of new quota created for the Canadian market when the predecessor TPP agreement was adopted by the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership). Canada's allocations of quota to local processors means the actual amount filled by NZ exporters had been meagre, she said. The US's demand for dairy quota consultations is the first time the USMCA's dispute settlement chapter has been invoked.

NZ**WMP EXPORTS TIPPED TO FALL 7% IN 2020-21**

NZ's Ministry for Primary Industry are forecasting lower dairy exports in 2021, leading to weaker farmgate milk prices for NZ dairy farmers. Exports are forecast to fall 5% for the 2020-21 season to NZ\$19bn. Only exports of casein, infant formula and fluid milk products including UHT milk, ice cream and yogurt are expected to rise. According to the MPI report, exports of WMP will be down 7% to \$7bn, SMP down 1% to \$1.8bn, butter and cream down 20% to \$2.7bn and cheese exports down 8% to \$1.9bn.

WELLBEING: IS COLLAGEN A BIG WINNER OR LOSER?

Dairyworks, acquired last year for NZ\$112m by Synlait Milk, are looking to develop new products aimed at the health and wellness markets, including collagen and plant-based products. The consumer dairy business, which produces cheese, butter and yogurt, wants to double its business over the next 3yrs by expanding its product range in NZ and overseas. Health and wellbeing is seen

US**CHOBANI DIVERSIFY**

New York-based Greek yogurt maker Chobani are diversifying with a range of ready-to-drink coffees. Chobani Coffee will be made with single-origin Arabica beans and Chobani's 'oatmilk' and dairy creamers.

- **Dairy's role in nutrition and health has been reaffirmed** in new dietary guidelines for Americans for 2020-25 which recommend three servings of dairy a day. Low fat and fat-free milk and dairy foods are shown to be linked to beneficial health outcomes including obesity, diabetes and bone health.

Australia/India**AUST. TARGETS INDIA AS CHINA TRADE COOLS**

Australia's dairy industry is looking to strengthen relationships with India as tensions with China grow. Dairy Australia has received a A\$74,600 grant to drive the new Agricultural Trade and Market Access Co-operation project, which will focus on building research and development collaborations, sharing technical expertise and developing relationships.

Australia**SUPERMARKET'S NEW LIQUID MILK TOLL PROCESSING DEAL BEING EXPANDED**

Australian supermarket giant Coles have now signed all 10 of their new WA direct milk suppliers to a 3-year direct supply agreement after the farmers' previous agreements with processors expired. Coles expect to buy 35m litres of milk a year from these farmers, to be processed and packaged under a toll processing agreement with Lion Dairy & Drinks at Bently. A similar arrangement with Brownes Dairy at Balcatta is in place for their branded milk products for Coles Express sites. Their published minimum milk price in WA this season is based on \$6/kg for b/fat for Sept-Dec and \$7.40/kg for the rest of the year, and \$7.50/kg for prot. in Sept-Dec and then \$9.20/kg.

WATTLE OFFLOAD CORIO BAY SITE FOR \$13.5m

Wattle Health Australia have sold the assets of the Corio Bay joint venture to South Korea's Maeil Dairies for A\$13.5m. The JV was set up in 2018 with the Sydney-listed infant and babyfood business investing A\$63m to take a 45% share, now-bankrupt Organic Dairy Farmers of Australia are procuring the milk and operating the business for a 50% stake and Niche Dairy contributing \$7m for 5% of the venture. The plan was to build an organic milk spray drying facility in Geelong, Victoria, adjacent to ODFA's existing processing operations, to be run by Corio Bay and sell powdered milk under the True Organic brand. This is still under construction.

US**COURT ORDERS \$1.1m GOLDEN GUERNSEY PAYOUT**

A Delaware bankruptcy court has approved an agreement that will require Golden Guernsey Dairy, LLC to pay at least \$1.1m in back wages and other benefits owed to their former employees after their abrupt closure in 2013. The Wisconsin dairy subsequently filed for Chapter 11 bankruptcy protection, having employed over 100 people at their processing, bottling and distribution facility in Waukesha. According to officials, DOJ and the bankruptcy trustee entered into an agreement that provides for a payment of up to \$11,750 per staffer, for a total payout of \$1.14m.

- Swiss **Nestlé** are to invest more than US\$100m to expand their frozen food production facility in Jonesboro, Arkansas.

- **Danone North America** have expanded their So Delicious Dairy Free portfolio with plant-based cheese alternatives.

- **Bel Brands USA** are introducing a new range of functional Babybel snacks this month featuring added probiotics and vitamins.

Kenya**HIGH HOPES FOR NEW KCC**

The revived state-owned New KCC dairy company—formerly Kenya Co-op Creameries, which collapsed in the 1990s—expect to take a 40% share of the Kenyan dairy market this year, pledging no waste, more export markets and more money for farmers. According to the Kenya Dairy Board, their market share has recovered since 2016 after the upgrading of factories in Eldoret and Dandora at a cost of Sh1bn (US\$9m) and they are set to increase milk sales to Sh6bn (\$55m). In 2019 they launched lactose-free milk at Eldoret, the first in East Africa.

India**PARAG LACTOSE PLANT**

Parag Milk Foods plan to add to their cheese and whey business with a new lactose plant to manufacture 1,400t of lactose a year for food, clinical and infant nutrition products.

- India's National Company Law Tribunal has ordered the liquidation of Kwaliti Dairy after a resolution plan submitted by Haldiram Snacks, the sole bidder, was rejected by creditors.

Belgium**MILCOBEL COULD LOSE 25% OF MILK THIS YEAR**

Despite a 1.47c/kg increase to their January milk price, Belgian dairy co-op Milcobel are losing members. So far, 172 members with a combined 150m kg of milk have resigned, with more to come, allegedly. The company says that this will give them more “breathing space”, requiring them to invest less in new equipment and sell less milk at low prices. It also means that the requirement for members to pay a 7.5c/litre contribution for any additional milk delivered can be dropped. However, the capital increase announced last autumn remains in force, increasing contributions from 5c to 7.5c/litre over the next 7yrs. In total, Milcobel could lose 450m-500m kg of milk this year—more than a quarter of their total. Even before A-ware announced their intention to take over FrieslandCampina’s powder factory in Aalter, and started recruiting buyers this month, other players in Belgium were indicating they could take additional milk volumes, although these would probably amount to less than 150m kg. A-ware need 400m kg in Aalter, but are unlikely to be able to secure more than 300m kg. The milk prices actually paid by Milcobel are lower than the stated figure: in December they paid 29.42c/kg and for January milk they are paying 30.86c/kg.

Netherlands**NEW DRYING TOWER FOR DE BETTINEHOEVE**

De Bettinehoeve, who are part of Swiss dairy group Emmi, based in Etten-Leur in the Netherlands, are installing a new drying tower. The Dutch market leader in goats’ cheese sees scope for growth in goat milk powder, particularly for processing into baby food and sports products, especially for China and the Middle East. De Bettinehoeve employ 130 people and source goats’ milk from some 50 farmers in the south of the Netherlands and Belgium. The company, who supply Bettine cheeses to supermarkets including Albert Heijn and Plus, own-label goats’ cheese to Aldi and Lidl and wholesalers including Sligro and Hanos, say they are benefitting from the increasing demand for vegetarian products: some consumers see goats’ cheese as an alternative to meat.

NAME CHANGE FOR DAIRY TRADING INT.

Dutch company Dairy Trading International, comprising the companies Van der Pol, based in Wijk en Aalburg, and Koninklijke VIV Buisman in Zelhem, are now operating under the name Van Ballegooijen Foods; the Ballegooijen family being well-known in the Dutch dairy industry. The new group name is intended to emphasise the family character of the company and its focus on the food sector. Its origins lie in the dairy sector and they still process cream into milk fat products. The two companies employ more than 130 people and deliver to more than 50 destinations around the world.

THOSE VEGAN COWBOYS PURSUE NO-COW MILK

After selling De Vegetarische Slager (the Vegetarian Butcher) to Unilever—with which he is still associated—Dutch entrepreneur Jaap Korteweg is pressing ahead with the production of ‘milk without the need of cows’ through new company Those Vegan Cowboys. According to Korteweg, the key is to imitate casein as closely as possible; he thinks it will take 5-7yrs to achieve that. The process relies on grass as a base. “Our process is much more efficient. We get five times as much milk from the same amount of grass.” Grass is converted in a laboratory in Ghent, Belgium supported by Wageningen University & Research. Korteweg is also involved in the development of a cheese alternative in a partnership with family business Westland Kaasspecialiteiten.

F/C SWITCH TO 100% RECYCLED PET BOTTLES

As of Feb 2021, FrieslandCampina will make PET bottles from 100% recycled PET (rPET). Because it can only be recycled if the consumer has removed the label, F/C’s R&D department has also developed a new ‘zipper’ that makes it easier to separate it from the bottle. This will make F/C the first dairy business to make their bottles virtually ‘circular’ for their brands in the Netherlands, Belgium, the UK and Hungary.

• **Austrian dairy Nöm** have been working on further development of their PET bottle with a new recyclable label.

Germany**DMK TAKE OVER LOGISTICS COMPANY**

DMK and Nordfrost GmbH have jointly acquired Tiefkühl-Center Everswinkel GmbH, according to the German competition authority. Founded in 1991, Tiefkühl-center Everswinkel offer a variety of additional services for chilled and frozen products in temperature-controlled warehouse as well as storage. Nordfrost are a logistics company with headquarters in Schortens/Lower Saxony. The company’s main area of activity is frozen logistics with transport, handling, storage, import/export, distribution and meat processing.

ALDI TO BUY ONLY GERMAN MILK

Aldi Nord and Süd plan to buy conventional and organic fresh milk in Germany only from German sources in future, the company confirmed last week. The changeover is to take place with the next regular liquid milk tender in the middle of the year. The discount chain has not disclosed how much milk currently turns up on their shelves from other countries. They say they also want to source “as much UHT milk as possible from domestic German agriculture”. However, as their volumes of UHT milk are very large, it is not clear whether a complete changeover will be possible.

• **Butter price cut**—Last week retailers and dairies in Germany agreed a new butter price, 56c lower than the contract that ended on Dec 31. The new contract will apply until the end of February.

• **The Bavarian milk price** averaged 34.4c/kg in 2020, according to estimates by the farmers’ association, down 1c from 2019. The lowest price, at 32.81c, was paid in June 2020 (base: 4% fat, 3.5% prot., excl. VAT, ex farm).

SCHWÄLBCHEN POST €1.3m LOSS

Schwälbchen dairy have reported a pre-tax profit down 15% to €1m in 2020 on turnover up 1.3% to €95m. Milk intake increased by 2.4% to 138m kg. However sales in the refrigerated distribution business (catering, food service) were down by a third to €65m and produced a loss of €2.3m. The whole Schwälbchen group reported sales down 18.5% to €150m and a loss of €1.3m.

Austria**TRADE BALANCE STAYS POSITIVE**

In the first 9mths of 2020, Austria’s dairy exports increased by 4.7% to €985m and imports fell by 0.2% to €613m, resulting in a trade surplus of €372m (+14%). The most important foreign trade product is cheese: 118,000t worth €498m were exported, while 96,000t were imported for €373m.

LTO milk price league**NOV AVGE = 33.37c**

The average EU farmgate milk price paid by the major supplying dairies in November was 33.37c/kg, up 0.11c from Oct and the sixth consecutive—albeit small—increase but 0.57c less than a year earlier, according to the Dutch ZuivelNL/LTO EU milk price analysis. All milk prices, except Danone and Sodiaal, were unchanged or slightly higher. Arla increased by the most (+€1). Granarolo were top payers as usual with 37.87c followed by Valio 35.88c—both unchanged from October. Saputo’s price increase (+0.4c) was due to the stronger £. Glanbia (31.61c) and Milcobel (28.73c) stayed at the bottom of the league. The US Class III price (milk for cheese) was 45% higher than the LTO average as US cheese prices continue their volatile climb, supported by the US Food Box and other programmes. LTO have estimated a provisional average milk price for 2020 of 33.01c/kg, down 0.7c or 2.1% from 2019.

LTO LEAGUE TABLE MONTHLY MILK PRICES—2020

(c/kg)	Nov	v. Oct
Granarolo	37.87	=
Valio (Fin)	35.88	=
Sodiaal	34.82	-0.97
Danone	34.70	-0.39
Savencia	34.60	=
Lactalis	33.99	=
Hochwald	33.62	=
Arla	33.33	+1.00
Saputo UK	33.21	+0.42
F/C	33.19	=
Dairygold	32.37	+0.50
Müller	32.07	+0.50
Kerry	32.01	+0.31
DMK	31.93	=
Glanbia	31.61	+0.46
Milcobel	28.73	=
Average	33.37	+0.11
Capsa	31.69	=
Emmi (Switz)	52.53	-3.24
Fonterra (NZ)	30.86	+1.72
US Class III	48.22	+3.16

Ranked on December prices

US—Former USDA Secretary of State **Tom Vilsack** has been confirmed as back in that role for the new administration. Congressman **David Scott** (D-Ga.) will chair the House Ag. Committee. **Debbie Stabenow** (D-Mich.) will chair the Senate Ag Committee.



US—The IDFA have named **Robert Rosado** senior director, legislative affairs.

Netherlands—FrieslandCampina have appointed **Hans Janssen** as their new CFO as from May. Janssen previously worked at Unilever and infrastructure company Heijmans. He succeeds **Jaska de Bakker**.

Netherlands—Agtech start-up Connecterra announced former WeTransfer executive **Min Zhu** as their new CFO.

Ireland—**Aaron Forde**, former Aurivo CEO, has been appointed to the board of Bord Iascaigh Mhara (the food agency for fish), adding to his roles as chairman of Proudly Madly in Africa, promoting African products, and advisory board director of juice company P Mulrine & Sons.

UK—**Melanie Bowman**, for 35yrs a key figure in Abergavenny Fine Foods, started by her parents Tony and Pam Craske, has stepped down after 15yrs as boss. The new managing director is **Jason Rees**, previously an adviser at London growth and transformation agency Step Change Ventures. **Andrew Lord**, also a consultant, was appointed chairman. Bowman has taken a "back seat executive role". The remaining board members are finance director **Tarryn Brownlee**, operations director **Paul Mortimer** and commercial director **Bryson Craske**.

UK—**Bergen Merey** left Müller at the end of December after 5yrs as CEO of Müller Yogurt & Desserts, citing family reasons, and is no longer a director at the Müller's TM Telford Dairy. **Paul Clancy**, who had finance roles with the company, has also ceased to be a director of TM Telford Dairy. **John Broekmans**, who runs Müller's branded businesses, is managing Yogurt & Desserts on an interim basis.

UK—**Sarah Slade** has not retired from the board of UK organic group Omsco, as we reported last time. She has just recently joined!

Sweden

OATLY OAT MILK PRODUCER PLAN \$1bn IPO

Sweden-based Oatly, one of the fastest-growing producers of oat milk, yogurt and cheese, are planning an initial public offering. The company are seeking to raise US\$1bn and has reportedly hired Morgan Stanley, JP Morgan Chase and Credit Suisse to advise. Blackstone Group last July led a \$200m round of funding for Oatly.

Switzerland

CHEESEMAKERS WANT TO IMPORT MILK

Smaller Swiss dairies who are paying uncompetitive milk prices are facing problems with milk supply. Demand for raw milk has increased due to higher cheese production and greater consumer demand for fresh products. The St Gallen cheese dairy has now filed for permission from the state to import 3m kg of milk from Germany. Analysts find this predicament extraordinary with Swiss farmgate milk prices some of the highest in the world. The latest LTO milk price league table (see facing page) shows that the price paid by Emmi was equivalent to 52.5c/kg, 57% higher than the LTO average.

Germany

HOCHWALD PLAY HARDBALL ON COW TETHERING

Almil, part of the Hochwald group, will pay 2c/kg less for milk from tethered cows as from 2022. Farmers offering open barns or pasture get a bonus of 0.5c/kg since the beginning of the year. Almil say they will refuse to accept milk from tethered cows after the end of 2024.

Brussels update

EU WORRIES ABOUT 'BRITISH EMMENTAL'

The EU-UK Trade & Co-operation Agreement, operative from Jan 1, still needs European Parliament approval and was due to be discussed by the Trade and Foreign Affairs committees this week. They will vote on consent at the end of February or in March. EU agri MEPs last week welcomed the deal as one which offered fair competition, tariff-free, a level playing field, and compliance with EU and SPS standards. Compliance with Geographic Indications (GI) was secured, despite UK negotiators calling at the 11th hour for the system to be ditched and replaced with a new system of protected origin designations, but some MEPs are worried about future changes, maintaining EU GIs and dealing with new UK GIs ("eg, British Emmental or Cognac").

AVERAGE MILK PRICE—The weighted average MMO price for raw milk in the EU in November 2020 was 35.40c/kg, up 1.0% from Oct and now up 8.9% since June. Prices increased in every member state apart from France (-2.4%) and Malta. Poland led with a 6.2% increase.

Ireland/UK

IRISH SQUABBLES OVER BREXIT COSTS

Predictions that the Brexit deal will expose the Irish dairy industry to costs equivalent to 1.58c/litre on Cheddar cheese exports to Britain were dismissed by the Irish Creamery Milk Suppliers Association as 'alarmist'. ICMSA dairy chairman Gerald Quain said it was too early to access accurately the implications of the EU-UK deal. Roughly a quarter of the Irish milk pool of 8.2bn litres is processed into Cheddar, almost half of which—over 95,000t, worth close to €260m—is exported to Britain. Dairy Industry Ireland estimated that the changed trading arrangements agreed in the pre-Christmas deal will cost Irish dairy processors in excess of €30m on the 2bn litres of milk used for Cheddar. DII said this could be equivalent to 0.4c/litre on the full Irish milk pool. However, ICMSA said current Irish base milk prices reflected global markets.

- DII have called for the Irish government to open an export credit insurance scheme to help companies seek new markets and are seeking confirmation that the term 'Irish' applies to produce from the entire island.

GLANBIA PRICE TOP UP

Glanbia Ireland are to increase their base farmgate milk price for December by 0.5c/litre to 30.68c/litre for milk with 3.6% b/fat and 3.3% protein, and will pay a late supply bonus of 2c/litre. Co-op members also get a 0.42c/litre profit share top-up plus a 0.4c/litre support bonus.

UK/Ireland

VOLAC SALES DOWN

Volac Ireland posted operating profits up 3% in 2019 to €3.8m. Turnover was down 9% in the Republic to €24.2m and down 7% in Northern Ireland to €7.9m. The island of Ireland accounts for just over 10% of the Neville family's Volac International business.

Ireland

LAKELAND TOP MILK PRICES FOR NOV

The average milk price paid by leading Irish dairy co-ops was 30.23c/kg in November—up 0.25c from October, when 30c was reached for the first time since February 2020, according to the IFJ's farmgate milk price league table. Lakeland came top for the first time with a 1c increase to 30.87c/kg (excluding a 3c seasonality bonus which depends on 50% of May milk volume delivered), overtaking the four West Cork co-ops, who held their prices. Five other co-ops increased their prices: big players Dairygold, Kerry and Glanbia (through a biodiversity payment rather than lifting their base price), and also Centenary and Boherbue (but not by enough to lift them off the bottom).

IRISH MILK PRICES

c/litre	Nov	v. Oct
2020		
Lakeland	31.63	+1.00
Drinagh	30.87	=
Bandon	30.72	=
Barryroe	30.72	=
Lisavaird	30.72	=
Dairygold	30.45	+0.47
North Cork	30.15	=
Kerry	29.99	+0.48
Aurivo	30.00	=
Glanbia	29.97	+0.56
Centenary	29.89	+0.48
Arrabawn	29.89	=
Tipperary	29.18	=
Boherbue	29.00	+0.20
avge	30.23	+0.25

Source: IFJ; ranked by Nov milk prices for milk with 3.6% b/f and 3.3% prot.

UK company news**SOMERDALE + ABERGAVENNY**

Wellington, Somerset-based dairy traders Somerdale International have acquired part of the diversified goats cheese producer Abergavenny Fine Foods. The acquisition involves the transfer to Somerdale of Abergavenny's blended cheese processing assets, brands and associated trademarks. Somerdale will use this to develop a portfolio of blended cheeses for export; the deal includes full rights to a number of established brands including Tintern and Harlech, which AFF previously produced for Somerdale. Production of blended cheeses will be carried out by cheese manufacturing partners including Helers in Cheshire. Pontypool-based AFF said in October they were planning to discontinue flavoured and blended cheeses to focus on their value-added portfolio, which meant they would no longer produce the Y-Fenn, Tintern, Harlech and St. Illtyd lines. They continue to manufacture goat's cheese from their creamery in Abergavenny (see I HEAR, facing page).

Milk prices**ARLA PRICE CUT ACTUALLY 1.02ppl TO 28.11ppl**

Just before Christmas **Arla UK** announced a 1.08p price cut for their UK co-op members to take their price down to 29.58ppl. However, the AHDB report this as a 1.02p price cut to take their UK price down to 28.11ppl for AHDB's (and DIN's) standard litre. This is the first price cut announced for Arla UK co-op members for 6mths. During 2020, the Arla price was increased by a net 0.43ppl. This contract covers the largest volume of milk of any contract in the UK.

First Milk announced a 0.25ppl milk price increase for January just before Christmas, with members of the dedicated Tesco Cheese Group at Haverfordwest receiving an extra 1.5ppl average bonus (based on the premium of 2ppl averaging around 1.5ppl when taking the seasonal profile of the milk pool into account). However, these prices include a 0.5ppl member premium for fully paid up members which will be paid as a 13th payment in April and will also apply in 2020-21. Their Feb milk price will be unchanged.

Belton Farm announced a 0.5ppl increase to their farmgate milk price for January to 27.57ppl for the DIN/AHDB standard litre. Their Feb milk price will be unchanged.

Sainsbury's increased their SDDG price by 0.27ppl for dedicated Arla and Müller suppliers, lifting the Müller price to 31.29ppl and the Arla price to 30.89ppl for the AHDB/DIN standard litre.

Müller's Tesco contract is increased by 0.4p to 31.42ppl for February for the AHDB/DIN standard litre.

Müller's Co-op contract is increased by 0.22p to 29.79ppl for February.

Company report**BARBERS SALES TOP £112m**

The AJ & RG Barber farming and cheesemaking group based at Ditcheat in Somerset, have reported total sales up 5% to £112.3m, operating profits down 26% to £5.12m, cutting their average operating margin from 6.5% to 4.5% and pre-tax profits were down 25% at £5.1m. Share of joint ventures was up 71% at £231,000. Finance costs were down 17% at £206,000. Total equity was up 4% at £84.3m. Their tax charge was down 3% at £1.16m. Total group staff numbers were up from 360 to 363. Dividends paid were unchanged at £650,000. The six directors shared total remuneration up 17% at £396,000. These accounts incorporate the Barber dairy farms, the Barber cheese business, the Ashley Chase and Ford Farm cheese businesses and the Barbary whey processing business.

Company reports**DAIRY PARTNERS SALES TOP £89m**

Glos-based Dairy Partners—who now operate the cheese shredding and recombining business based at Stonehouse in Gloucestershire and the Mozzarella cheese manufacturing business (Dairy Partners Cymru) based at Newcastle Emlyn in south Wales—have reported total turnover up 12% at £88.9m and operating profits down 17% at £3.33m, cutting average operating margin to 3.7%, and pre-tax profits were down 20% at £3.12m. Net finance costs were more than doubled from £94,000 to £211,000. Dividends of £1.2m were allocated (2018: nil). Combined remuneration for the three directors was up £14,000 to £422,000. Total equity was up from £20.5m to £22.0m. Tax paid was down from £974,000 to £265,000. Staff numbers were up from 154 to 160. Dairy Partners Cymru, who make Mozzarella cheese in south Wales, a plant which has a long and checkered history, have reported sales for calendar year 2019 up 25% at £59.7m with operating profits up marginally at £2.3m, reducing average operating margin from 4.6% to 3.8%. Pre-tax profits were also up marginally at £2.1m. Processing at the site was up 20% at 135m litres while their number of supplying farmers was down four at 115. Carl Ravenhall left as a director at the end of 2019 after 20mths.

Omsco recorded a small, 'managed' pre-tax profit of £5,000 for the year. Their milk price was about the as the year before and they also paid a 13th payment of 0.23ppl. Total turnover was down 5% to £90.5m, reflecting lower UK demand for organic products and a fall in brokered organic milk sales. During the year Omsco moved away from liquid brokered sales into manufactured dairy products. Exports were up from 13% to 20% of total sales. Staff numbers were up from 23 to 24. Payment to the highest paid director was up from £189,000 to £191,000. The £229,000 exceptional costs recorded for 2019-20 related to their "ongoing restructure programme".

Jim Highnam's Shaftesbury, Dorset-based **BV Dairy**—who still report as Blackmore Vale Farm Cream—have reported sales for the year to March 2020 down marginally at £36.2m. Operating and pre-tax profits were unchanged at £1.1m, maintaining their average operating margin at 3.1%. Dividends were cut by 22% at £216,000. Staff numbers were increased from 132 to 137. Their tax charge was down 27% at £134,000. Over 99% of their sales are in the UK, protecting them substantially from the effects of Brexit. Josh Heydon joined the BV Dairy board in May 2020.

Newcomer**NEW MANCHESTER MILK DELIVERY SET UP**

A growing Lancashire tech and milk delivery business, The Modern Milkman, is recruiting staff for a new operation based in Manchester. They have set up in a Department Bonded Warehouse, part of property giant Allied London's growing operations in the region, which offers managed workspace, near Castlefield to hire office and milk delivery staff over the coming 12mths as they seek to expand doorstep delivery in the region. The business has secured £5m from environmentally-focused investment fund ETF Partners. The Modern Milkman, based in Colne, Lancs, was set up by Simon Mellin in 2018 and, like Glasgow-based family business McQueens Dairies, who opened their first doorstep delivery depot in the English northeast in Stockton in September, are aiming to capitalise on the growing demand for milk and grocery home delivery. Sourcing of milk supply is not disclosed.

Company report**YEW TREE REPORT MASSIVE PROFITS**

In their third full financial accounts submitted to Companies House, the Woodcock family's **Yew Tree Dairy**, based in Chorley, Lancs, have reported total sales for the year to March 2020 up 1% to £87.2m but operating and pre-tax profits leapt from £0.8m to £4.5m, with no explanation for this enormous increase. Their turnover was up as they secured large contracts with overseas based companies but uncertainty over Brexit contributed to volatile markets, while the company took the decision to absorb some of the financial pressures to support prices paid to milk supplying farmers. Yew Tree's main income derives from sales of cream, SMP, WMP and traded bulk milk. Shareholder funds were up from £4.0m to £7.7m. Their end-year stocks were up from £2.1m to £4.4m. Staff numbers were down from 17 to 16. Their tax charge was up from £158,000 to £864,000.

Wrexham-based **Ash Manor Cheese**, producers of grated, blended and sliced cheeses, acquired by Dale Farm of Northern Ireland in 2014, report sales in the year to March 2020 almost unchanged at £40.1m and operating and pre-tax losses almost halved at £350,000. Shareholders' funds were cut from £4.0m to £3.7m. Staff numbers were cut from 83 to 81. No dividend was paid. Directors said they had adequate resources to mitigate challenging markets and had a strong enough order book to enable them to continue in operation within their banking covenants.

UK milk price**NOVEMBER PRICE = 30.54ppl**

Defra have provisionally estimated an average UK farmgate milk price of 30.54ppl for November. This is up 1.9% from October and up 2.2% from Nov 2019, and a second consecutive year-on-year increase after 9mths of declines. The average for the first 11mths is 28.4ppl, down 0.5% from the 2019 average.

NOV MILK PRODUCTION +2.1%

November milk production is put at 1,188m litres, up 2.1% from a year earlier. UK volumes for October have been revised downwards by 0.8%, from a provisional 1,213m litres to 1,202.9m litres.

Retail**'EAT BALANCED'—AHDB**

AHDB have launched a new £1.5m 'Eat Balanced' TV-led advertising campaign, encouraging more British households to continue eating meat and dairy as part of a balanced diet. Claims include meat and dairy containing vitamin B12, which is not naturally present in a vegan diet; British meat and dairy is produced to world class food and farming standards; and that it is among the most sustainable in the world.

Stop press**COVID 'WAKES UP' THE INDUSTRY**

Covid-19 had "woken up" the UK dairy industry, which would emerge from it stronger, according to Ash Amirahmadi, head of Arla Foods UK. Speaking at the 75th (virtual) Oxford Farming Conference. He said the industry had realised advantages to working more collaboratively. "When Covid started, we put our differences to one side and we operated together," he said. Although government had to provide dispensation for sharing information on manufacturing capacity, the industry should be encouraged to share more information in future, he said. "What has really changed is the speed of decision making. The hierarchical way of doing this is no longer fit for purpose. Decision-making should be pushed down the line, using data." The full impact of the tech revolution had yet to be realised, he said, as new regulation pounded the industry. Increasing standards needed to put the industry at a competitive advantage, he said.

Mataura Valley and a2 Milk—Struggling Southland newbie milk company Mataura Valley in NZ had been looking for an equity investor since 2019 when they posted a net loss of NZ\$47m, having taken on so much debt that sales and other cash generated was being swallowed up in interest charges. In so doing they breached covenants with both China Construction Bank and China Development Bank. In June 2020, The a2 Milk Company were mooted as a potential investor amid speculation that they were about to buy the company for \$400m. But it has taken a full 6mths for this to come to anything, during which time majority shareholder China Animal Husbandry Group have presumably continued to prop up Mataura's cash flow—and a2 have shrewdly saved a lot of cash. The delayed commissioning of Mataura's ambitious, top-grade production plant in Gore at the end of 2018 came at a considerable cost (NZ\$240m+) and coincided with a sharp increase in China regulations and increasingly complex trading demands. Then came Covid, and Mataura were slammed for taking the government's wage subsidy having decided to stop taking in Fonterra's milk. In the end it seems the one export China can't get enough of (apart from whey powder) is a2 milk baby formula—sales have doubled in a year. Maybe Mataura could prove to be a thorn in Synlait's side after all.

Brexit—While companies and traders continue to digest the 1,260-page Brexit deal agreed just before Christmas, UK-EU trade has been relatively quiet over the past fortnight, largely thanks, it seems, to earlier stockpiling in case of no deal. The agreement is based on international law and will not be policed by the European Court of Justice. But border bureaucracy problems immediately emerged not only in the UK border county of Kent, compounded by French demands for testing for Covid-19, but also in keeping supermarket shelves stocked in Northern Ireland. The weight of traffic has also been much lighter than usual because many food manufacturers in the UK and the EU are playing a waiting game, having anticipated early New Year problems. It's no surprise to anyone that rules of origin at WTO rates (on EU goods processed at UK distribution hubs and then re-exported to member states) are already proving a tariff-incurring headache. Ultimately, however, the big imponderable is where all this will take milk production and prices in the UK. There is also the thorny issue of post-Brexit VAT: exports will be zero-rated but imports (and services) into the UK will all be subject to VAT. And it looks like the Prime Minister's promise of a year of transition for businesses to get used to the new rules, and the promise of EU co-operation, is going the way of so many of his promises.

US milk prices—Normally, the US Class III milk price (for milk used for cheesemaking) gives a good indication of the development of milk prices in the US. However, 2020 was anything but normal due to the Covid-19 virus and this was also reflected in milk prices in the US. A better indicator, perhaps, is the so-called All-Milk price, which also reflects the selling prices of other dairy products and is therefore theoretically more stable. And despite fluctuations, the All-Milk price for the whole of 2020 looks set to end up roughly the same as 2019—over 18¢/lb (40¢/litre).

**I hear....**

German milk prices—Whether or not Aldi's announcements on milk procurement in Germany (see p4) were in response to continuing farmer protests and provocation over farmgate milk prices, farmers evidently exerted extra pressure during this month's bitter butter contract negotiations. Far from providing a sop, however, Aldi are more

likely to be trading water as they muster greater efforts to deal with maintaining supplies during a pandemic that is far from over. Socially distanced or not, hundreds of farmers nevertheless blocked several Aldi central warehouses in Germany for hours at a time on two consecutive days during the negotiations—and these still ended in a price cut. Meanwhile, the average weighted German farmgate milk price increased by well over 5% during the course of last year, according to European Commission's data—despite everything.

Abergavenny Fine Foods—With new bosses in place, Welsh goat milk products specialist Abergavenny Fine Foods are putting a fine spin on a shiny new image and consultancy-led focus now that Somerdale have picked up their blended cheeses (see p5 & p6). But, after a fruitful 40-year history, they were on shaky ground a year ago. The business was started by Tony and Pam Craske, who first launched their goat cheese company as Pant-Ys-Gawn, the brand for which they are still best known. This took off rapidly, selling in Harrods and then through speciality wholesaler Harvey & Brockless. They moved to a new factory at Blaenavon in the South Wales Valleys in 2007, and started diversifying into breaded and added-value cheeses. Then, after less than a decade at the Blaenavon site, fire destroyed it. Undaunted, within 5mths, a new state-of-the-art manufacturing facility had been commissioned, designed and built and was opened by Prince Charles in July 2016. Ongoing investment, and a staff of nearly 200, began to add gluten-free and vegan ranges, and sales increased by 80% in the ensuing 4yrs, latterly producing around 4,000t of premium, added-value and gourmet cheese for retail, export and foodservice. With or without Covid, however, such rapid expansion proved challenging to manage financially and margins contracted sharply. Anthony Craske retired in June 2020, leaving the business to his son and daughter, and last August the company turned to HSBC for funding, securing a seven-figure loan. In its new guise, the business has ambitious sales targets (most recent accounts, for 2018-19, posted sales of £26.6m) which they say will be achievable from more profitable, "scalable" products and expanded export markets. A roller-coaster ride.

Fresh for 2mths—A couple of years ago, Queensland-based food tech company Naturo said they were poised to release "world-first milk" that stayed fresh for at least 60 days. The product is unpasteurised but destroys certain bacteria by using the 'haelen' method, invented by managing director Jeff Hastings, which cools the liquid down rather than heating it up. Then silence. The company have just announced they are talking to investors about a factory in Tasmania. Could this have anything to do with Moon Lake Investments/Van Dieman's Land in Tasmania, where more dreams have bitten the dust?

Three cheers—Saputo Australia, now the owner of iconic brand Coon Cheese, have bowed to pressure and renamed it Cheer Cheese after a long campaign by activists who insisted it had racist connotations.

LOWER VOLUME, HIGHER MILKSOLIDS IN 2019-20

NZ reached record milk production in 2019-20 milk season (June-May), on a per herd and per cow basis rather than in milk volumes, which were down marginally (-0.3%) to 21,145m litres from the previous season. As efficiency in converting grass to milk improves, growing environmental pressures are finally taking their toll on cow numbers after a long period of growth. This is expected to continue as farmers focus on productivity, efficiency and compliance with increasing environmental regulations. NZ companies processed 21.1bn litres of milk containing 1.90bn kg of milksolids—a 0.6% increase from the 1.88bn kg MS processed the previous season. Average milk production per cow was 485kg of MS (comprising 215kg of butterfat and 170kg protein), up from 381kg in 2018-19. Average MS per effective hectare (1,096kg) was the highest on record.

COW NUMBERS DOWN 0.5%

Cow numbers were down 0.5% to 4.92m, with herd numbers down 193 to 11,179—the fifth consecutive year of fewer herds after seven seasons of small increases. They now average 440 cows, up by five cows from the previous season.

As in 2018-19, half of these herds comprised between 150 and 400 cows, the most common herd size remaining in the range 200-249 cows (12.8%). Some 32% of herds comprised 500-749 cows, 14% had 750-999 cows and 6% (637 farms) had 1,000 cows or more. The most significant change was an increase in the number of

herds with 500-749 cows. Almost 50% of cows were Holstein-Friesian/Jersey cross, a 0.6% increase from the previous season as farms continue to seek to benefit from their hybrid vigour. Some 33% of cows were Holstein-Friesian and 8% Jersey (which dominated until the 1960s, with Holstein-Friesians taking over in the 1970s). Ayrshire accounted for 0.5% and other breeds 9%.

AVERAGE PAYOUT UP 13.4%

The average milk payout was NZ\$7.20, up 13.4% from \$6.35 the previous season—the highest since 2013-14 and the third highest average payout in the past ten seasons.

NZ MILK PRODUCTION* (Jun-May)

	MS m kg	change	m litres	kg/ litre
1999-00	981	+11.5%	11,630	11.86
2000-01	1,096	+11.7%	12,925	11.75
2001-02	1,152	+5.1%	13,607	11.81
2002-03	1,191	+3.4%	13,906	11.68
2003-04	1,254	+5.3%	14,599	11.64
2004-05	1,213	-3.3%	14,193	11.63
2005-06	1,267	+4.5%	14,702	11.60
2006-07	1,316	+3.9%	15,134	11.50
2007-08	1,270	-3.5%	14,745	11.61
2008-09	1,393	+9.7%	16,044	11.52
2009-10	1,438	+3.2%	16,483	11.46
2010-11	1,513	+5.2%	17,339	11.46
2011-12	1,685	+11.4%	19,129	11.35
2012-13	1,658	-1.6%	18,833	11.36
2013-14	1,825	+10.1%	20,657	11.32
2014-15	1,890	+3.6%	21,253	11.32
2015-16	1,862	-1.5%	20,914	11.23
2016-17	1,851	-0.6%	20,702	11.18
2017-18	1,840	-0.6%	20,742	11.27
2018-19	1,884	+2.4%	21,217	11.26
2019-20	1,896	+0.6%	21,145	11.15

*All milk processed by NZ dairy companies

STRUCTURE CHANGES

Of the main operating structures found on NZ dairy farms—owner operators, sharemilkers and, to a less extent, contract milkers—sharemilking (traditionally the first step to farm ownership) has been shrinking slowly over the past seven seasons, down from a peak 35% in 2012-13.

This is particularly the case for 50/50 sharemilkers, and those taking a higher responsibility. A total 29% of dairy herds operated under a sharemilking agreement in 2019-20, with a number reportedly moving to contract milking with its greater certainty of income. Contract milkers accounted for 14.3% of herds.

SI FARMS GET BIGGER

Over 71% of dairy herds were located in the North Island in 2019-20, with the greatest concentration (28.5%) to be found in the Waikato region. Taranaki, with 14.0% of dairy herds, was the next largest region. Although South Island dairy herds accounted for 29% of the national total, they contributed 42% of all cows, concentrated in North Canterbury (14.6%) and Southland (12.0%). Waitato in the NI has 22.4% of all cows, and Taranaki 9.5%. So farms in the SI are, on average, larger than those in the NI—both in terms of farm area and cow numbers. North Canterbury recorded the highest (and increasing) average herd production at 354,050kg of milksolids, reflecting a combination of larger herd sizes, high stocking rates and more kg produced per cow.

LAND PRICES FALL

The weighted average sale price of dairy farms was down 13% in 2019-20 to N\$4.45m, with the weighted average sale price per hectare down 10.3% to \$33,410. This was the lowest price in the past decade and down from a peak \$39,557/ha in 2014-15 when, ironically, the average payout fell to \$4.66/kg MS.

Source: DairyNZ/LIC/REINZ: NZ Dairy Statistics

NZ DAIRY HERDS—2019-20

Owner-occupiers	6,268	56.1%
Contract milkers	1,597	14.3%
Share-milkers	3,227	28.9%
—Less than 20%	148	1.3%
—20-29%	616	5.5%
—30-49%	159	1.4%
—50/50	1,857	16.6%
—Over 50%	447	4.0%

WHERE MILK IS PRODUCED

	m kg MS
North Island	1,040.5
—Waikato	401.6
—Taranaki	185.3
—Central Plateau	104.7
—Northland	80.9
—Manawatu	83.7
—Bay of Plenty	64.0
—Wairarapa	56.0
—Auckland	33.4
South Island	855.4
—N. Canterbury	312.6
—Southland	247.2
—Otago	108.6
—S. Canterbury	106.6
—W. Coast	50.7
—Nelson/Marlboro	29.6
NZ	1,895.9

AVGE NZ MILK PAYOUTS*

\$/kg MS	NZ avge	Fonterra
2002-03	3.66	3.63
2003-04	4.25	4.25
2004-05	4.58	4.59
2005-06	4.10	4.10
2006-07	4.46	4.46
2007-08	7.67	7.90
2008-09	5.14	5.20
2009-10	6.37	6.37
2010-11	7.89	7.90
2011-12	6.40	6.40
2012-13	6.18	6.16
2013-14	8.47	8.50
2014-15	4.66	4.65
2015-16	4.30	4.30
2016-17	6.47	6.52
2017-18	6.68	6.79
2018-19	6.35	6.35
2019-20	7.20	7.19

*since deregulation in 2001

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