



# BARRY WILSON'S DAIRY INDUSTRY NEWSLETTER

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## France

### LACTALIS ACCUSED OF TAX CHEATING

According to French journalist research network Disclose, Lactalis have, through various mechanisms, diverted more than €1.3bn from France and large amounts of money from their European subsidiaries to a Luxembourg shell company owned by the Besnier family. According to Disclose, after a year-long investigation, Lactalis' alleged tax scam is based on the creation of notional debts, debts between group companies and loans between subsidiaries. The construct allegedly starts with milk collection. The company reportedly delays payment by 40 days in order to create a fictitious debt which is inflated in the group's holding company which owns all Lactalis' factories in France. According to financial documents which Disclose claim to have obtained, this holding company, based in Anderlecht, Belgium, accumulated €900m of "milk" debt in 2018 to increase BSA France's debt to BSA International in order to reduce their profits in Belgium. BSA International's debt reached more than €1.8bn in 2018. Disclose allege that BSA International collect claims from all their subsidiaries. In 2018, these reached almost €1.2bn. The profits of subsidiaries are thus brought back to Belgium in the form of invoices. According to Disclose, in their annual accounts for 2019 BSA France took out a loan of about €1.3bn from Nethuns, a Luxembourg shell company in which BSA International have a stake. This loan has enabled BSA France to reduce their profits and thus their corporation tax bill by 55%. Similar mechanisms are used to reduce taxes in the UK and Spain. The conversion of claims into shares in Nethuns leads to an increase in the value of those shares. According to Disclose, this benefits "the last player in the game", Société Générale Bank & Trust. In 2016, the company's activities were disclosed in the notorious 'Panama Papers'. The beneficial owners of Nethuns are also the owners of the Lactalis Group—Emmanuel Besnier, his sister Marie-Madeleine and his brother Jean-Michel. Lactalis last week denied all these allegations (see I HEAR, p7).

### DANONE LOOK TO RAISE €500m+

Danone are planning their biggest shake-up for years, selling €500m of assets, including the 'Vega' brand acquired with WhiteWave in the US and their Argentinian operations. They also intend to shift marketing, which is mostly managed within product categories, into regions and to review the entire portfolio to identify underperforming areas. CEO Emmanuel Faber said some divisions could "prune" 20%-30% of products. He ruled out an exit from any of their existing categories of dairy and plant-based products, specialised nutrition and bottled water. Danone's third-quarter turnover was down 2.5%. The share price is down around 25% to a 14-year low. The move came 2wks after the €470m sale of their stake in Japanese beverage maker Yakult Honsha Co. "Danone are way behind the curve," said Bloomberg analyst Duncan Fox. "They've seen several years of slow growth. They may need to resort to larger asset sales across their categories for a year of transition in 2021."

- Danone announced they are to build a €35m organic babyfood factory in Haute-de-France, northern France.

## NZ/USA

### FONTERRA AGREE US-WIDE DISTRIBUTION DEAL WITH LAND O'LAKES

Fonterra of NZ have entered a distribution deal with US co-op giant Land O'Lakes to sell "high performance" dairy products to hospitality businesses and major fast food chains throughout the US. Under the 5-year agreement starting this month, Land O'Lakes will initially be selling Fonterra's cream cheese and UHT cooking cream to their foodservice customers. The cream cheese will be exported from NZ in 1kg containers and the cooking cream will be made in the US using US farmers' milk combined with a closely guarded dry ingredient formula that Fonterra call the "black box", which allows chefs to reduce cream in a few minutes and is less likely to curdle or divide. Fonterra, who have been in the US market for some years but had not so far been able to achieve scale, say the exports will be under existing tariffs and quotas that had hitherto not been used. Land O'Lakes are one of the biggest producers of butter and cheese in the US, posting a profit of \$207m on turnover of \$14bn in 2019.

## India

### AMUL GRANTED SMP EXPORT SUBSIDIES

Amul are to ramp up SMP exports after being granted government export subsidies. Gujarat Co-op Milk Marketing Federation (GCMMF), who own the Amul brand, were ordered to purchase milk from private producers unable to sell it due to India's Covid-19 lockdown. In return their 18 member unions are being offered US\$680/t in export subsidies by the government. During lockdown Amul procured 35,000-40,000 litres of additional milk every day, which has led to excess SMP stocks estimated at 90,000t. The export subsidy will be provided by the state government from November, continuing for 6mths to April 2021. Amul managing director RS Sodhi said they planned to export 50,000t of milk powder this year, up from 12,000t last year.

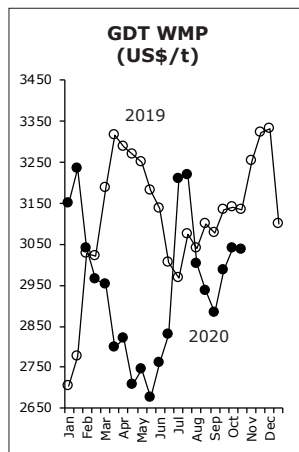
- The Delhi High Court has granted a blanket order against anyone attempting to use the Amul trademark fraudulently.

## Australia

### SAPUTO MOVE IN ON LION DAIRY

Canada-based Saputo confirmed they were in the running for Australia's Lion Dairy & Drinks, which is being sold by Japan's Kirin Holdings. Bega Cheese are also reportedly in the final run in. The companies' bids are now being scrutinised. The Australian Competition & Consumer Commission invited interested parties to submit comments by Oct 20. Kirin were forced to restart the bidding process in Sept after plans to sell to China Mengniu Dairy were blocked and the deal agreed last November was scrapped. Mengniu's bid had been approved by the competition regulator but not by Australia's Foreign Investment Review Board amid rising political tensions with China. In September 2019, Saputo acquired Lion's speciality cheese assets from Kirin.

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**COVID LOCKDOWNS MAKE MARKETS NERVOUS AGAIN**

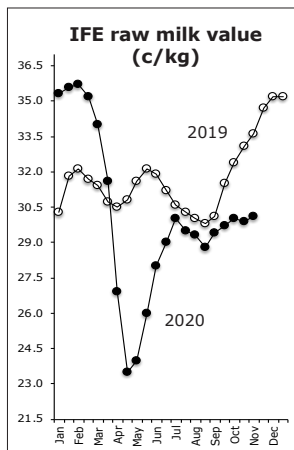
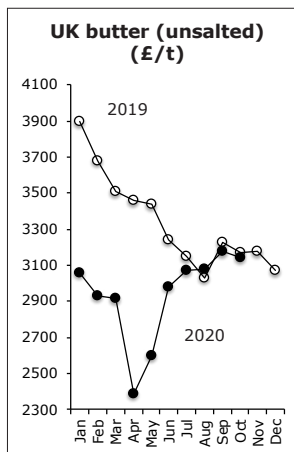
Yet again Covid is sending the world to hell in a hand cart. Or at least, as far as Europe is concerned, it is in France, Spain, the Netherlands and Germany, and the UK embarks on a national lockdown on Thursday. Traders are becoming increasingly nervous on the back of this, with Brexit frustrations also adding to the negative mood because EU buyers are reportedly closing the doors to GB purchases on account of the incompatibility of GB product with their product's EU country of origin status.

As a result of the changing mood, butter last week slipped on the real market by €50 this week to €3,250/t-€3,350/t, although prices didn't move at all on the German, France and Dutch listings—a decent result, maybe, in light of butter increasingly being removed from Private Storage Aid schemes. The average price across the three countries is just over €3,400/t, with UK butter at £3,000/t. Traders report little demand for butter, however, and say those who want it this year have already got it, while those who have the option of making it are only doing so to fulfil order books because selling cream is still more profitable.

Cream is not as profitable as it was. At the start of October the differential between UK butter and cream fat valuations was significant—unsustainably significant. The cream price was in the high £1.50s/kg and even as high as £1.60/kg, but demand has fallen off markedly as lockdown bites, and traders say the price is £1.43-£1.45/kg now.

Powders are also succumbing to the changing sentiment, although WMP is generally stable at an average of €2,750/t but with a wide gap between sources. German origin is over €2,800/t still, while French origin is below €2,700/t. SMP has been making steady gains in recent weeks but again there is nervousness creeping in, and we have to go back as far as August to see French and Dutch feed grade drop in price in the same week. The average price is now just below €2,200/t, with UK prices said to be holding around £1,975/t. It is hard to see major increases on the horizon. US-origin SMP is still much cheaper than the EU, and the EU is still losing export markets to the Yanks. EEX futures prices have also had a torrid time last week, and are down around €100 to €2,150/t or so—below realtime market prices, therefore. They remains around €700/t.

It's the same story for Edam and Gouda too. Like SMP they have been gradually strengthening, although in small steps. They didn't cross the €3,000/t threshold, but they were close at one point. Now spot trades have been done for as low as €2,700/t, for late fourth quarter and first quarter 2021 deliveries, although some traders say that's too low and the price is €2,800-€2,850/t.



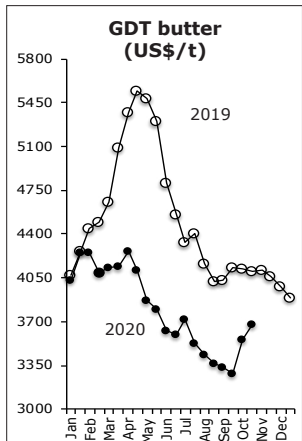
**LATEST GDT RESULTS**

	\$/tonne	Change in 2020
WMP	3,037	-4%
SMP	2,851	-6%
Butter	3,678	-9%
AMF	4,110	-17%
Cheddar	3,803	-5%
Lactose	1,087	+36%
Index	971	-6.5%

**GDT world markets**  
**GDT UP 0.4%**

The latest GDT auction saw the average price index up 0.4%, the third consecutive gain. The WMP price index was up 0.3% on an average price of US\$3,037/t and the butter index was up 3.5% at \$3,678/t. The SMP index was down 0.2% at \$2,851/t. AMF was down 0.5% at \$4,110 and lactose was down 8% at \$1,087/t. The Cheddar index was up 3.0% at \$3,803/t. BMP was not offered. A total 34,648t of product was sold, down 1.3% from the previous auction and 10.5% less than a year earlier. There were 163 participating bidders.

• GDT are no longer disclosing the number of registered bidders, which had fallen by around 100 in 3yrs to some 480. GDT say the move was to increase transparency: "Few, if any, bidders ever request to terminate their registration, so GDT undertakes periodic activity to deactivate those that have not placed a bid in the past 18mths to ensure only genuine 'active' bidders have full access to our sensitive auction information." Because it did not impact rules, the measure did not require approval from the Oversight Board.



Mozzarella is also reported by some to be weakening in Europe, and well below the Gouda price at €2,600/t. But UK manufacturers say they don't understand where such prices are coming from, and would buy at those prices if they could. They can't, they add, and their price remains at £2,600/t.

While further weakening of Edam and Gouda is likely if manufacturers switch out of butter as PSA butter is removed, and prices dip on the back of that, it's hard to see all this having any material effect on Cheddar. Stock levels are already tight after the first lockdown, and if the trend is the same through the second phase then the situation will only intensify.

Despite rising milk volumes, spot milk remains robust, and is still around the 30ppl mark in the UK and 35c/kg in Italy.

**Weekly market prices @30.10.20**

**EU OBSERVATORY PRICES** (€/t) Oct 28 v. Oct 15 2020 2020 high low

Butter	3450	-0.6%	3720	2880
WMP	2720	-1.0%	3070	2610
SMP	2170	=	2620	1910
Cheddar	3040	-0.3%	3190	2960
Whey powder	710	-2.7%	830	710

**US QUOTES, CHICAGO MERC.\*** (\$/t) Oct 30 v. Oct 17 2020 2020 high low

Butter (AA)	3110	-4.9%	4300	2540
SMP (grdA)	2440	-2.5%	2850	1800
Cheddar				
-40lb blcks	6115	+2.2%	6245	2275
-500lb bar.	5460	+14%	5460	2260

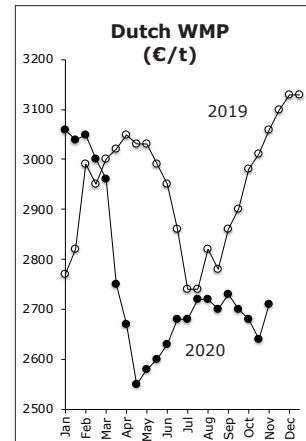
\*Conv. from US ¢/lb@1 tonne = 2,205lb

**EU market indicators**  
**COMMODITY DAIRY PRICES BROADLY STABLE**

The Dutch Dairy Board/ZuivelNL last week raised their official WMP price by €30 to €2,710/t, the third consultive increase. The SMP (food) price was cut by €30 to €2,170/t. The official butter price was left unchanged at €3,350/t, the SMP (feed) price at €2,090/t and whey powder at €720/t.

The Kiel-based IFE institute in Germany estimated an **average EU raw milk value** up 0.1c last week to 30.0c/kg at the farmgate level, based on the official prices of butter and SMP in Germany, France and the Netherlands. With a €20 increase to the German SMP price, and prices down in the Netherlands and France, the average SMP price was €7 down to €2,197/t. The butter average was unchanged at €3,402/t.

**EEX** saw the first 'monthly average' final settlements for European butter, SMP and whey powder futures with nearly 6,400t equivalent going to expiry. EEX report that activity in these contracts continues to develop with open interest in European butter futures now all the way out to December 2021.



**NZ****FONTERRA COUNCIL 'INEFFECTIVE'**

An independent review of the Fonterra Shareholders' Council, completed in mid-October, upheld criticism that it blurs representation and governance and fails to hold the Fonterra board effectively to account. The council was set up in 2001, and has since cost NZ\$50m to run. The review recommends a significant overhaul, offering 27 recommendations to improve its connection with co-op members, develop an understanding of their interests, actively represent those interests and hold the board to account more effectively. Other changes include surrendering their access to confidential and material company information, changing their name and reviewing their budget. The review is expected to be a topic of discussion at Fonterra's agm this month but was delivered too late to be voted on. It was initiated in late 2019 after "significant shareholder concern" about the effectiveness and value of the council, following Fonterra's disappointing results.

**NZ****SYNLAIT SELL DEEP SOUTH ICE CREAM BRAND**

Synlait Milk's newly acquired Dairyworks subsidiary has sold its Deep South ice cream brand and operations to NZ-based food company, Talley's Group for an undisclosed sum. Dairyworks will focus on core dairy brands.

- A spike in **sheep milk sales** will contribute an extra NZ\$250m to the economy over the next 4yrs, according to a NZ Food and Innovation report. Spring Sheep Milk, who sell sheep milk powder into Asia, say the growth has prompted them to open an office in China. The company has four sheep milk farms and will have eight suppliers by next year.

**Australia****M/G SHAREHOLDERS GIVEN 43c PAYOUT**

Shareholders of the liquidated Australian co-op, Murray Goulburn, received a further 43c/share distribution last week. Liquidator, John Lindholm, said a further and final distribution may be made, depending on the outcome of the last remaining legal action. Most of the assets of the once dominating dairy processor were sold to Saputo of Canada in 2018, but a shell company remained to finance litigation and pay for the costs of winding up the company. The company paid \$443m to shareholders and unit holders immediately after the sale. In June, total remaining assets were valued at A\$264m, with \$259m of that in cash.

**Middle East****ARABS BOYCOTT FRENCH PRODUCTS**

A large number of Arab trade groups have announced a boycott of French products in response to what they said were incitements against the Islamic religion and insulting statements in France against Prophet Muhammad. Large chains of supermarkets in several countries removed all French products from the shelves.

- The board of directors of Saudia Dairy and Foodstuff (SADAFCO) have given the go-ahead for the repurchase of up to 8.46% of shares, or up to 2.75m ordinary shares, to hold as treasury shares.

**Oman****MAZOOON DAIRY RAMP UP PRODUCT OFFERINGS**

Omani government-backed Mazoon Dairy are expanding their portfolio of dairy and fresh juice offerings from around 70 items to nearly 250, a year after the integrated business launched its first fresh milk and laban products in Muscat and North Al Batinah. New products include milk with frankincense—allegedly a global 'first'.

**Kenya****NEW KCC TO OFFER PRODUCTION BONUSES**

New Kenya Cooperative Creameries (KCC) have announced a new bonus scheme for suppliers to be launched next year to encourage farmers to increase production. The state-owned co-op has also piloted a quality-based payment system which will take effect when modernisation of their facilities has been completed. Milk production in Kenya was down 50% in March as a result of the coronavirus outbreak.

**South America****MILK POWDER STOCKS BUILDING**

South American exporters are channelling milk production growth into milk powder production. Strong inter-region exports and sufficient domestic sales have been enough to prevent major inventory buildup, says Monica Ganley of the Quatterra consultancy. "However, a loss in demand could quickly lead to a monstrous buildup of stocks." The IMF are forecasting that regional GDP will contract by 8.1% this year as the pandemic persists, giving Latin America the worst economic performance of any emerging region, she said. The end of government support programmes is expected to hit demand. Brazil is the leading destination for exports from Argentina and Uruguay; product is also still being shipped to Algeria, Russia, China and other destinations.

- **Milk production in Chile** in the first 8mths of 2020 was up 6.3% from last year to 1.3bn litres. More than half of the 79m-litre increase came from Fonterra-owned Prolesur, who have been working to rebuild severely damaged relationships with farmers and regain milk volumes lost in 2018-19. Prolesur collected some 147m litres in the 8mths to August, up 42% from the same period last year. They sell most of their production to Fonterra's other Chilean business, Soprole, who also posted an increase, up 3.3% from last year to 124m litres in Jan-Aug 2020.

- Uruguayan dairy co-op **CALCAR** and their labour union have arrived at an agreement that will allow the co-op to continue operating the two plants for 1yr. The union agreed to salary cuts, but with no loss of jobs.

- **Coca-Cola FEMSA** are selling their stake in Panama dairy Estrella Azul to Panama Dairy Ventures, a subsidiary of Lacteos de Honduras.

**Mexico****DAIRY SALES HALTED FOR 'BREACHING STANDARDS'**

Mexico's economy ministry last week stopped retail sales of over 20 dairy products for breaching standards. The items include some of Mondelez's Philadelphia brand (not soft cheese), Danone natural yogurt and Grupo Lala products. Of the 19 brands affected, the violations included erroneously claiming to be '100% milk', using vegetable fat to replace milk, sugar content and providing a lower net weight content than advertised on the packaging. Mondelez said the claims were "totally unfounded".

**US****CHOBANI RAISE MINIMUM WAGE TO \$15/hr**

Greek yogurt maker Chobani are raising their starting hourly wage to at least \$15/hr, more than double the federal minimum wage. The average pay rate at their South Edmeston (NY) and Twin Falls (Idaho) plants will be about \$19/hr when the changes are implemented in the first quarter of 2021. Around 70% of Chobani's employees are paid hourly.

- Seattle-based Darigold have announced they are expanding their pool of organic milk suppliers on Northwest farms and increasing their organic capabilities for retail and foodservice customers.

- Bovine kobuvirus, or BKV, a novel virus that mainly affects cattle and threatens to become endemic in some parts of the world, has emerged in the US.

**Sept milk production****US MILK PROD. UP 2.3% IN SEPTEMBER**

US milk production in September is estimated by USDA up 2.3% from last year to 18.0bn lb (7,930m litres) with production in the 24 major producing states up 2.4% to 17.2bn lb (7,577m litres). Average per cow yield was up 2% from last year, and cow numbers increased for the ninth consecutive month—up 0.4% year on year. The number of dairy cows on farms in the 24 major states was 8.85m head, up by 46,000 from a year earlier.

**NZ MILK PRODUCTION**

was up 1.7% in Sept to 2.71m tonnes. In milksolids production was up 1.8% to 224.95m kg.

- **ARGENTINA:** Milk production growth slowed to +3.6% in September, the slowest year-on-year rate since last December. Cumulative Jan-Sept production was up 7.4%. Milk prices have increased slightly. WMP manufacture has continued to grow and was up 63% in the 3mths to August. Cheese production was down 7% from last year in the same period.

- **MEXICO:** Milk production was up 2.6% from last year to 1,085m litres, with cumulative Jan-Sept production up 2.4%.

**Netherlands**

**F/C CUT ORGANIC MILK PRICE**

FrieslandCampina’s guaranteed farmgate milk price for conventional milk supplied by members in November will be unchanged at 34.25c/kg (excl. VAT). Constituent values for November are: protein 54.949c/kg, butterfat 27.475c/kg and lactose 5.495c/kg. F/C’s average monthly guaranteed price for 2020 so far is 34.40c/kg. This is 3.1% less than the 2019 average.

F/C MILK PRICES—2020		
c/kg	Standard	Organic
Jan	35.75	48.50
Feb	36.50	48.50
Mar	36.25	48.20
Apr	35.00	47.00
May	33.00	45.00
Jun	32.50	45.50
Jul	33.00	47.50
Aug	34.00	47.50
Sep	33.75	47.50
Oct	34.25	46.00
Nov	34.25	44.50
Avg	34.4	46.9

- F/C have appointed financial services provider Captin in place of Rabobank to manage trading days for their member bonds. The trading process will remain unchanged and the credit facility for the purchase of ‘surplus’ member bonds will continue to be handled by Rabobank. F/C were the last external party still trading via Rabobank. Captin specialise in organising trading in financial instruments. The company is supervised by the Dutch Central Bank and the Netherlands Authority for the Financial Markets and, unlike Rabobank, hold all necessary licences. The last trading day through Rabobank will be on Dec 10.

F/C members are expecting to vote on a number of changes in coming months involving the structure, future development and financing of the co-op. A study commissioned from Wageningen concluded that dairy farm numbers will fall significantly. The F/C board is seeking a more direct link between the volume of milk supplied and the co-op’s capital base. F/C are planning more extensive sustainability programmes.

**Denmark**

**ARLA LIFT MILK PRICE BY 1c**

Arla Foods amba announced they are increasing their farmgate milk price by 1.0c/kg from November. The same increase will apply to their organic milk suppliers.

**BETTINEHOEVE MOVE TO GOAT’S MILK POWDER**

Dutch goat milk processor Bettinehoeve will double their capacity for goat milk powder with a new 20,000t dryer in 2022. The existing tower is 5yrs old. Once the new drying plant is operational, Bettinehoeve will switch their focus from cheese production to the growing powder market, with two thirds of milk utilisation to go to powder. Bettinehoeve and their parent company Emmi (90% share) are not planning to produce baby food from the powder, as Ausnutria does in the north of the Netherlands, but rather to supply manufacturers of infant food.

- GROZETTE**—Dutch cheesemaker Grozette are expanding their plant in Woerden. The current premises will be demolished and a new production hall with offices will be built by the end of 2022, on land purchased in 2010. Grozette, with about 100 employees, process cheese into fresh spreadable products and grated cheese for retail, catering and industry. Cheese trader VanderSterre have had a majority stake in Grozette since 2017.

- VREUGDENHIL**—A group of suppliers to Vreugdenhil Dairy Foods have founded the Holland Dairy Producers suppliers association and are looking for more members. One of the main reasons for setting up the group was to address “concern about the development of costs in relation to the milk price”. They will negotiate collectively with Vreugdenhil.

**Germany**

**ASF CASES STILL RISING**

The total number of cases of African Swine Fever confirmed in wild boar in Brandenburg is approaching 100, according to farm ministry BMEL. No cases have yet been found in domestic pigs.

**ALDI STOP BONUS**

Aldi Global Sourcing, who manage procurement for all Aldi operations, are to stop paying the 5c/kg bonus they introduced in the spring lockdown for liquid milk, from November. The bonus was agreed with the German farmers association when Aldi tried to cut prices paid to dairies, which was met with farmer protests.

**Japan/Germany**

**MORINAGA EXPAND LACTOFERRIN PRODUCTION**

Morinaga Milk have announced that their German subsidiary Milei, which claims to have the largest share of the global lactoferrin market, will more than double their production capacity with a €15m investment to increase lactoferrin production to 170t from April 2021. Morinaga have been focusing their research efforts on lactoferrin to develop infant formula that closely resembles breast milk. Milei, in the southern German city of Leutkirch, also produce WPC, lactose and other dairy ingredients.

**Belgium**

**MILCOBEL TO MODIFY THEIR MEMBERSHIP TERMS**

Milcobel are changing their membership conditions as from next May “to achieve better results”. The company have not been able to pay a competitive milk price for years. Delivery volumes will be halved and the cash released redirected into sustainability premiums. Milcobel’s milk deliveries have increased by an average of 4.8% pa recently. Members will have to contribute 7.50c/kg for increased delivery from next year. Departing members will be paid out over 5yrs.

**Croatia/Germany**

**FORTENOVA BUY MEGGLE DAIRY**

Croatian business conglomerate Fortenova Group are to acquire the assets of Meggle dairy in Osijek for an undisclosed sum. In July Meggle announced their decision to close the Croatian plant.

**Brussels update**

**MEPs VOTE AGAINST DAIRY TERMS**

MEPs voted last week to prohibit use of dairy names, such as milk, butter, whey or yogurt, for non-dairy products. The vote was in favour of an amendment to a marketing order and other CAP regulation that would prevent non-dairy products ‘hijacking’ dairy terms, even if words like ‘style’, ‘type’, ‘substitute’ or ‘method’ are added. However, MEPs also voted against curbs on the way plant-based meat substitutes are labelled. Parliament must strike a compromise with EU member states on final policy.

**COMMISSION LIFTS 2020 MILK PROD. FORECAST**

The European Commission have increased their forecast for 2020 milk production in the EU-27 (excl. UK) from +0.7% forecast 3mths ago to +1.4%. According to their latest short-term outlook report, the increase is driven by higher than expected yields over the summer and competitive feed prices. The EU dairy herd is expected to decline by 0.4% this year.

**EU-27 CHEESE EXPORTS** to non-EU countries (excl. the UK) were up 9% to 598,400t in the first 8mths of 2020, according to the Milk Market Observatory. Exports to Japan were up 13% to 86,400t and sales to the US were down 16% to 73,800t. Jan-Aug exports of **SMP** were down 14% to 659,800t, despite a recovery in sales to Algeria, which were up 37% to 95,900t. Exports to China, the second biggest destination, were down 9% to 80,600t and those to Egypt were down 15% to 31,700t. Exports of **butter** were up 42% to 149,500t, with 29,500t (+18%) going to the US and 12,800t (+130%) to Saudi Arabia. **WMP** exports were up 14% to 85,700t (see also p6).

**EU LOSES OUT OVER PALM OIL**—EU dairy exports to Indonesia were down 33% to 80,600t in the first 7mths of this year, claimed to be mainly a result of a new EU energy policy that bans or restricts the use of palm oil, Indonesia’s largest commodity export. The lost trade has been picked up by the US; Indonesia is now the fourth largest market by volume for US dairy exporters.

**August milk production** in the EU-27 was up 0.5% from last year. The EU’s three biggest milk producers all saw year-on-year declines for the month as weather continued warm—production in the Netherlands was down 1.5%, Germany down 0.8% and France down 0.9%. This was offset by strong gains in Ireland (+2.9%), Poland (+2.0%) and Italy (+2.5%). Year-to-date milk production was up 1.8%. Only three member states (Hungary, Latvia and Lithuania) registered a year-on-year decline, according to the MMO.

**EU butter production** was up 2.1% in the first 8mths of 2020. SMP production was up 1.8%, WMP +4.5% and cheese +1.7%.

Germany—Theo Müller Group have recruited **Hansjörg Herermann**, 47, from automotive specialist Mann+Hummel as new COO, replacing **Michael Singer**, 45, who has been a long-term manager in the Müller group. **John Broekmans**, 53, who was hired in April to oversee 'internationalisation', is taking over responsibility for the crucial branded business from **Werner Stegmüller**, 55 (see I Hear, p7).



Ireland—**John Daly** has stepped down as independent non-executive director of Glanbia and **Mary Minnick** will step down as director on Dec 31. **Jane Lodge**, a former senior audit partner of Deloitte, and **Roisin Brennan**, a former CEO of IBI Corporate Finance, will join the board as independent non-executive directors—Lodge this month and Brennan in January.

France—**Cécile Cabanis**, who has been CFO of Danone since 2015 and with the company for 16yrs, will leave at the end of February. **Juergen Esser**, currently CFO of Danone's bottled water business, will replace her as group CEO as the company moves to restructure (see p1). **Shane Grant** has been named regional CEO for North America and **Veronique Penchienati-Bosetta** as CEO for Europe and the rest of the world. **Henri Bruxelles** will become COO.

Australia—The Gardiner Dairy Foundation have appointed **Dr Len Stephens**, a vet, chairman of Australian Seafood Industries, a director of Animal Health Australia and former director of Dairy Australia, as their new chair. He takes over from **Dr Bruce Kefford**. The foundation was created in Victoria in 2000 as part of dairy deregulation in order to manage legacy funding, currently around A\$100m, for the benefit of the industry.

**Germany/Russia**

**DMK RUSSIA PLANT SCHEDULED FOR JUNE 2021**

DMK say the construction of their new cheese plant in Russia will be completed by June 2021 at the latest. Speaking this week, DMK boss Ingo Müller also said the increase in demand from the food retail sector during the pandemic has not compensated for losses in the catering sector. Two-thirds of DMK's Milram business is generated from foodservice. Corrections also had to be made at DMK Baby after there were significant deviations between planned and actual production. DMK plan to return to higher capacity utilisation through partnerships with other companies similar to their co-operation with Arla for Mozzarella.

• The factory lease for Rosen Eiskrem Süd in Prenzlau, Germany, part of the DMK Group, has not so far been extended. It is due to expire at the end of the year, leaving the 80 permanent staff concerned for their future. DMK have confirmed they are in talks with the landlord.

They have consolidated their ice cream division into two locations, Everswinkel and Prenzlau, where annual production is estimated at 230m litres. Capacity has recently been expanded at Everswinkel.

**Russia**

**LABELLING FROM JAN**

After further pandemic-related delays, the transition period for the introduction of mandatory labelling of dairy products in Russia will be extended until May 1, 2021, after which it will be compulsory. The system will be launched in January on a voluntary basis, in stages for different types of dairy products. From May ice cream, butter and cheese will be the first products to require mandatory labelling. Printers are now taking orders from manufacturers, with free codes offered up to May. The total cost to the industry is estimated at about 4bn roubles (€44.5m).

LTO SEPT MILK PRICES		
(c/kg)	Sept	v. Aug
Granarolo	37.87	=
Valio (Fin)	35.88	=
Danone	34.78	-1.72
Sodiaal	34.75	-1.04
Lactalis	34.67	0.63
Savencia	34.44	0.28
F/C	33.78	0.83
Hochwald	33.34	0.71
Arla	32.49	0.67
Dairygold	31.87	1.07
Kerry	31.72	0.03
Saputo UK	31.29	3.10
Glanbia	31.15	0.37
Müller	31.08	0.40
DMK	30.91	=
Milcobel	28.73	=
<b>Average</b>	<b>32.99</b>	<b>0.28</b>
Capsa	31.69	=
Emmi (Switz)	54.92	-0.19
Fonterra (NZ)	28.77	1.64
US Class III	34.48	-6.70
Source: ZuivelNL		

**Latvia**

**FOOD UNION EXPAND ICE CREAM OFFERINGS**

Latvia's Food Union are expanding through e-commerce channels developed since the start of Covid-19, and have announced 17 new ice cream products for sale in Lithuania, Estonia and Belarus. New flavours offer "a form of sensory comfort and escape", according to the company, as winter approaches. Food Union shareholders include founder/global head Andrey Beskhmel'nitskiy along with Hong Kong-based investment company Meridian Capital and major Asia private equity firm PAG, who have financed the construction of two dairy plants in China. The group includes two of Latvia's leading dairy/ice cream companies and plants in Estonia, Lithuania, Denmark, Norway, Belarussia and Russia.

**Ireland/US**

**GLANBIA'S HUGE NEW CHEESE PLANT STARTS UP**

After 2yrs in the making, Glanbia's new \$470m state-of-the-art cheese and whey plant has begun production in Michigan, US. Glanbia Nutritionals began taking in milk at the St Johns site last week, marking the beginning of the commissioning phase which will take place over the next 8mths. When fully operational, the 375,000sq ft facility on 120 acres will process 1.3bn litres of milk per annum to make up to 150,000t of block cheese and value added whey products for US and international markets. A joint venture between Glanbia, DFA and Select Milk Producers, MWC is one of the most technically advanced dairy processing facilities in the US. They are also partners in Southwest Cheese, another JV in Clovis, New Mexico, which is the largest cheese and whey manufacturing facility in the world. Southwest Cheese opened in 2005 and recently concluded a \$130m expansion.

**Ireland**

**GLANBIA ANNOUNCE SHARE BUY-BACK**

Glanbia have announced a share buy-back programme of up to €50m. They say the strong cash flow in the business, which has cut net third-quarter debt by €187.7m (to €628.1m) compared with last year, provides an opportunity to allocate capital to benefit shareholders. The intention is to acquire Glanbia shares on the open market and then cancel them. The programme will begin in November.

**DANONE LEAD CARBON CUTTING PROJECT**

French Danone are leading a project in Ireland to remove 9.1m tonnes of carbon by 2030. Project Clover participants include Dairygold, Glanbia Ireland, Carbery, Tipperary Co-op and Lakeland Dairies. In an initial feasibility stage, participants will explore switching from natural gas to biomethane for their thermal/drying processes. This will require the development of 125 anaerobic digester plants.

**Ireland**

**SEPT MILK PRICE AVERAGE = 29.9c**

Five co-ops increased their farmgate milk prices in September to move up the IFJ's farmgate milk price league table. With a 1c increase, Lakeland emerged as the 'best of the rest' after the four West Cork co-ops, who were unchanged after their August increases. Aurivo (+0.5c) and Dairygold (+1c) also all moved up—Dairygold just behind Aurivo in eighth place, having been bottom in August. Glanbia were up 0.4c with a bonus on top of their 0.4c profit share—but still behind Lakeland, Aurivo and Dairygold. Centenary/Thurles, who supply most of their milk to Glanbia, were also up 0.4c. Boherbue were bottom of the league. The average price was up 0.2c to 29.9c/litre.

**IRISH MILK PRICE LEAGUE TABLE**

c/litre	Sept	v. Aug
2020		
Drinagh	30.87	=
Bandon	30.72	=
Barryroe	30.72	=
Lisavaird	30.72	=
Lakeland	30.36	+0.95
Aurivo	30.00	+0.49
Dairygold	29.98	+1.02
North Cork	29.67	=
Kerry	29.51	=
Arrabawn	29.65	=
Glanbia	29.41	+0.38
Centenary	29.41	+0.38
Tipperary	29.18	=
Boherbue	28.80	=
avge	29.93	+0.16

Source: IFJ, ranked according to September milk prices.

**UK wholesale prices****BUTTER PRICES DOWN £40/t**

AHDB Dairy have estimated the average wholesale butter price in October was down £40 to £3,140/t. Cream and SMP wholesale markets in the UK firmed—the average wholesale price of bulk cream was up £10 to £1,540/t, having started strong but easing mid-month, and the wholesale price of SMP was up £40 to £1,980/t. AHDB's estimate for mild Cheddar was unchanged at £2,920/t. AMPE for October was estimated up 0.25p to 29.75ppl and MCVE was unchanged at 31.6ppl. Cream income for a liquid milk processor was up 0.06p to 8.73ppl for October, close to the highest for the year.

**MOZZ. IS A LOCKDOWN WINNER**

Most dairy products saw an uplift in retail sales during lockdown, according to AHDB Dairy, with Mozzarella the biggest 'winner' in the cheese category as a result of Covid-19 disruption. Mozzarella sales were up 48% in volume compared with a year earlier, attributed to more people cooking pizza at home. Overall cheese retail volume sales were up 16.5% in the 24wks to Sept 6, according to AHDB retail analysis. During this 6-month period, cream sales were up 32% and butter sales up 24%. According to AHDB the data also showed that, this year, 52m out-of-home purchases of cheese sandwiches were lost with fewer people buying lunch from foodservice.

**UK trade****UK CHEESE IMPORTS DOWN 6%**

UK cheese imports from the EU-27 were down 6% year-on-year to 271,600t in the first 8mths of this year, according to latest Milk Market Observatory data from the European Commission. UK butter imports from the EU were down 18% to 29,700t and WMP imports were down 10% to 17,200t. UK imports of SMP from the EU were up 66% to 19,200t.

**AVERAGE FARM PROFIT UP 65%**

Dairy farmers' profits recovered in 2019-20 after falling in 2018-19, but mainly because costs, especially feed costs, were down, according to the latest Old Mill Milk Cost of Production Report. Average dairy farm profit increased from £141 to £233 per cow in the year to March 31, 2020. There is still a big gap between the top and bottom producers, the top 10% averaged a profit of 12ppl compared with a loss of 5.48ppl for the bottom 10%, with 24% of the sample not breaking even.

**Milk prices****ARLA GO UP 0.9ppl TO 29.53ppl**

When applied to their UK suppliers **Arla Foods** 1.0c/kg farmgate milk price for November equates to a 0.9ppl increase to take their price to 29.53ppl (for the AHDB/DIN standard litre). **Barbers** are increasing their December milk price by 1ppl to take their price to 29.18ppl. **Meadow Foods** have announced a 1.00ppl November increase (they don't participate in the AHDB/DIN milk price league table). Other November increases include: **Lactalis** (+0.5p), **South Caernarfon** (+0.5p) and **Yew Tree** (+1.0p).

**Company reports****ARLA CASH IN FROM YEO VALLEY**

**Arla Foods** have cashed in mightily from their licensing agreement with Yeo Valley last year. The new company, **Yeo Valley Dairies**, own and manage the Yeo Valley organic milk brand and act as agents for the sale of fresh milk, butter and cheese under an intellectual property licence, with Arla acting as principle in relation to these sales. The company is a wholly-owned subsidiary of Arla Foods UK. Since the acquisition sales volumes and revenue of Yeo Valley branded products have increased but under the intellectual property licence no royalty costs were payable within the period, resulting in a higher profit margin. The company report results for 18mths in 2017-18, before the partnership agreement and for 13mths in 2019, the first year as a separate entity. Pro-rata for 12mths in 2017-18 revenue totalled £1.7m and pre-tax profit totalled £630,000. Pro-rata for 12mths in 2019 revenue totalled £4.2m and pro-rata pre-tax profit totalled £3.8m.

**Lactalis Nestlé Chilled Dairy UK**, whose UK business includes Rachel's Dairy yogurts and their French imports including Président brand products, reported group sales down 11% to £108.3m in 2019, when Rachel's accounted for 20% of their total sales. Pre-tax profit was down 16% to £3.6m. The company started trading in the UK in 2006 with sales peaking at £157.5m in 2013; they had bought Rachel's in 2008 for £9.3m.

LACTALIS NESTLÉ FIGURES		
£m	Turnover	Post-tax profit (loss)
2010	107.2	(4.6)
2011	111.3	(2.7)
2012	144.5	(1.3)
2013	157.5	0.5
2014	152.2	2.8
2015	139.4	5.0
2016	129.9	2.9
2017	127.5	1.3
2018	121.8	4.2
2019	108.3	3.3

After plunging into losses in 2018, **Volac International** have reported turnover for calendar year 2019 up 7.5% to £193.9m and pre-tax profit up 49% to £11.2m. This excludes sales of £65.5m from their DOC-Volac Nutrition joint venture in the Netherlands; Volac sold their shares back to JV partner DMK for £33.1m at the end of last year. Operating profit was up 57% to £9.9m, giving an operating margin of 5.1%. Shareholders' funds were up 37% to £115.9m. Staff numbers were down from 445 to 443. Remuneration for the highest paid director was cut from £516,000 to £404,000. Dividends of £2.5m were paid (2018: £6.0m). Including DVN, 22% of sales were generated in the UK and 64% in the rest of Europe. Volac say they continue to invest in their Felinbach site with the construction of a new dryer. They say they have currently moved 165 staff to homeworking and all of their factories continue to operate fully. They have extended and increased banking facilities as further protection against potential issues, including Brexit.

**Ornu Ingredients UK**, headquartered in Ledbury, which since 2016 have combined the Ornu subsidiaries Meadow Cheese and Cheese Warehouse, have reported sales down 3.4% to £103.1m for calendar year 2019 and operating losses of £0.5m compared with profits of £1.8m the year before. Pre-tax losses of £1.3m compare with profits the year before of £1.2m. They supply customised dairy ingredients, grated cheese and processed cheese in a range of formats for the food manufacturing and foodservice sectors. Meadow Cheese, who mainly make processed cheese, were acquired by the then-Irish Dairy Board in 2003; Shropshire-based cheese ingredients supplier Cheese Warehouse were bought by the IDB in 2012.

Chris and Peter Timotheou's Little Chalfont, Bucks-based **Tims Dairy**—who mainly supply wholesale markets with yogurt and cultured dairy products—have reported sales up 7% to £12.5m for the year to April 2020 with operating profits unchanged at £630,000, an average operating margin of 5.1%. Pre-tax profits were also unchanged at £540,000. Dividends were unchanged at £288,000 with directors' combined salaries down 15% at £28,000. Staff numbers were up from 70 to 74 with the average wage at £26,000. Shareholder funds were up 5% at £3.63m.

The Walker family's Stockton-on-Tees-based cheese distribution business **Tom Walker & Sons** has been acquired by **HMS**, a privately-owned food ingredient distribution business which includes John Dalglis's dairy trading group **Kent Foods** (2019 turnover: £199m; Dalglis and his two co-directors are also directors of HMS). HMS (2019 turnover: £210.4m) also acquired BFP Wholesale out of bankruptcy this year, bought Henley Bridge Ingredients last year and own Garrett Ingredients and Bailey's of Portsmouth. Founded in 1982, Tom Walker's (2019 turnover: £5.9m), who source, cut and pack cheese, will continue to operate as a standalone business. Managing director Peter Walker and finance director Pauline Chapman are retiring. The business will be headed by Russell Eley, who was previously with Norseland.

**UK company news****SIMON CHANTLER STEPS DOWN AT MEADOW**

Meadow Foods have announced the appointment of Per Harkjaer as chairman, replacing Meadow Foods founder Simon Chantler who will remain as a non executive director. Meadow Foods have been majority owned by private equity company Exponent since 2018. Chantler founded the business in 1992 and over the past 28yrs has grown it to a business with four UK manufacturing sites and a turnover of over £450m. Harkjaer has held executive roles in the food and drink industry for more than 20yrs, including group CEO of United Coffee and Findus Group and roles at Toms Group and Unigate. He is also vice chairman of Caffitaly and chairman of Scandanavian businesses Løgimose Meyers.



Per Harkjaer

**Guernsey****GUERNSEY DAIRY  
REDOUBLE EFFORTS TO  
SURVIVE**

Guernsey Dairy are restructuring and have launched a marketing campaign to try to halt their decline in milk sales. In March the company called for £25m to build modern facilities on a new site; the States (local government) have agreed proposals to seek a new facility, which is expected to be completed in 2024. In the meantime, the dairy has targeted cost savings of £125,000 a year at the current St Andrews plant where the dairy has been based since 1951. They will also promote natural health benefits of locally produced milk, with minimum travel from 'grass to glass'. More than half of the island's 15,250 'vergees' of agricultural land is used by dairy farmers, and sales of milk to the dairy provide their primary source of income. There are currently 13 local dairy farms, and around 1,450 milking cows, producing about 8m litres of milk per year. Three of the farms have completed accreditation for the RSPCA's 'Farm Assured' logo, with others working towards achieving the standard in 2021.

**WYKE EXPORT LAUNCH**

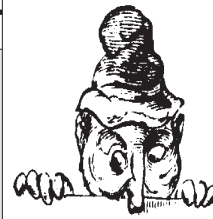
Wyke Farms are launching an export cheese brand called London 1856—their first cheese targeted purely for export to the Asian market. It was named after the date a train line opened between Wyke's base near Castle Cary in Somerset and London, known as the 'milk train'.

**MILLBROOK LAUNCH  
EXPORT CHEESE BRAND**

New trading group Millbrook Dairy, launched less than 2yrs ago by David Evans and Kevin Beer (ex-Ornu), have launched their own export cheese brand, 1057, an extra mature Scottish Cheddar alluding to the year in which (the real) King MacBeth, a Scottish nobleman and allegedly 'good' king, was killed, bringing the line of Celtic kings to an end. They are sourcing manufacturers for the brand, which will use Scottish Cheddar, made with Scottish milk, in black wax with a "rugged, crumbly texture". The business is expanding despite the pandemic, Beer says, by developing niche markets and bespoke relationships and managing exports for smaller clients. Millbrook acquired much of the Campbeltown/Mull of Kintyre Cheddar stocks when First Milk closed the business last year.

**US support**—Government money is estimated to account for at least 36% of total US farm income for 2020. Federal aid to US farmers this year has taken a number of forms: two lumps of the Coronavirus Food Assistance Programme, with \$790m going to dairy farmers in the second tranche alone, of which more than 20% went to farmers in crucial electoral swing state of Wisconsin; the Paycheck Protection Programme; and the Farmers to Families Food Box Programme; not to mention funds available through the CARES Act. Up to 5% of the milk supply this year is estimated to have been bought by the government. In addition to the direct distributions of dairy products in food boxes, retail purchasers have benefitted too. It's no wonder, despite millions of Americans becoming unemployed, that cheese prices are through the roof. What happens when the next surge of excess milk hits? A lot of butter is already being sent into storage—September's USDA report put butter inventory 18% higher than the same month last year. Somehow this is not called Socialism.

**Lactalis hit back**—Lactalis have fought back over Disclose's allegations about their alleged tax cheating (see p1). Their spokesman Michel Nalet tells DIN: "Lactalis are an international group which complies with the tax laws in all 55 countries in which we operate. The results achieved in France are taxed in France, and the results achieved abroad are taxed abroad, with 50% of the taxes owed by Lactalis paid in France while France now accounts for no more than 20% of the group's business. Regarding BSA International, they are a subsidiary of Lactalis Group. For over 20yrs, this company's business has mainly been to acquire stakes in the group's various subsidiaries abroad during external growth operations. BSA International does not carry out any milk collection. No French or European subsidiary has taken out any equity loan with BSA International. The auditor's statement concludes that BSA's accounts are fully certified with no reservations. Regarding Nethuns, the company was created following the acquisition of Galbani in 2006. The aim of this company is to secure long-term financing for the group's foreign subsidiaries. Nethuns' shareholders are BSA International and Société Générale Bank & Trust, with the latter providing banking expertise in support of Nethuns' financing business. Their stock acquisition reflects the long-term partnership developed between Lactalis and Société Générale Bank & Trust to meet the financing needs of the group's foreign subsidiaries. These companies act on their own behalf and not for the benefit of a third party. No member of the Besnier family is a beneficiary of Nethuns. Nethuns did not use Société Générale Bank & Trust to carry out offshore tax arrangements or create a shell company. Likewise, Société Générale Bank & Trust did not use the law firm Mossak Fonseca in Panama on behalf of Nethuns. Regarding the group's activities in France, most of their French plants have been incorporated as a general partnership (SNC, Société en nom collectif). This common legal form is fully adapted to operating industrial sites. The SNC legal structure is also adopted by the group's commercial companies in France. Milk collection from French farmers is entirely performed by French companies and 100% of the group's French

**I hear....**

business is owned by French companies paying their taxes in France."

—The investigative French group Disclose, who published the Lactalis allegations, were set up in 2018, apparently founded by Jean-Pierre Canet, Benoit Collombat and Philippe Pujol, based at Le Pré Saint Gervais just outside Paris. According to Wikipedia they are a crowd-

funding operation and reached their objective of €82,000 in 2018 and are still funded by donations.

**Müller succession**—Who will succeed the inimitable Theo Müller, on the assumption his products do not provide him with the grace of eternity? There have been many false starts but Till Reuter, 52, head of the board of Unternehmensgruppe Theo Müller since 2019, seems to be latest on course to be the new boss and is overseeing significant changes (see People, p5), reputedly positioning himself to take over from Theo Müller, 80, when the time comes. There is still uncertainty about the plans of Theo's son Stefan Müller, 53, who has taken a seat on the Müller board, a rumoured move to succeed his father. He must show his hand at some point. As a business Müller have been treading water, at best, for some years. The UK business continues to struggle and, according to insiders, the group wouldn't have been able to report any profits if it hadn't been for Culina, their logistics division.

**DDB adrift?**—In the Netherlands, lively debate continues about the future of the Dutch Dairy Board, ZuivelNL. The organisation, which is expected to represent the whole milk chain, is under fire for lack of transparency. A recent commentary in farming newspaper Boerderij suggests they do a bit of everything—communicating, researching, collecting data—but deliver insufficiently to be of much help to producers. The levies paid for ZuivelNL (0.5c/kg of milk delivered) should be used to strengthen their hand, commentators say.

**Froneri in Covid meltdown**—Generally, ice cream manufacturers have survived the pandemic pretty well, given a warm summer and consumers looking for treats. Not so Froneri (formerly UK-based R&R Ice Cream), who appear to have delivered disappointing results for Nestlé and private equity firm PAI Partners. Operating margin in 2019 was a 'lacklustre' 8% and coronavirus has brought the business under more pressure, despite a general surge in ice cream consumption. Froneri lost important out-of-home sales channels in the UK and gains in supermarket sales have been insufficient to make up for this, given the lower margins achievable. Froneri have reacted by drawing up a cost-saving plan, with 130 jobs to be axed in Germany by outsourcing sales and logistics. Nestlé and PAI Partners are not able to sell off Froneri before end of Jan 2023. Froneri made three acquisitions last year, with Nestlé's US ice cream business being the biggest. Sales have grown to €4.3bn making the company the second biggest ice cream player worldwide. They are now targeting an operating margin of 20%.

**Watson's closed**—Medina's liquid processing facility at Watson's Dairies, Southampton, closed in October, just after their 3-year contract to supply liquid milk to Sainsbury's ended. Medina had invested about £3m in the facility. It is believed that Medina only paid 50% of the Sainsbury farmers on Oct 29, 2wks later than scheduled, leaving the remainder outstanding.

**DUTCH PHOSPHATE PROBLEM FORCES A RETHINK**

The abolition of milk quotas at the end of March 2015 and, at the time, the generally promising outlook for the global dairy sector, prompted new investments in dairy farming and the industry, resulting in significant capacity and production growth through modernisation, expansion and new construction. The ensuing expansion of the dairy herd quickly led to the Dutch exceeding their EU phosphate ceiling in both 2015 and 2016. A phosphate reduction plan came into force in 2017 and the phosphate rights system has been in effect since January 2018. Under pressure from these measures, the dairy herd has now been brought back to the level of around the time the quota system was abolished, according to the Dutch Dairy Board/ZuivelNL, pushing phosphate production back to well below the permitted sector ceiling. Further reduction in nitrogen, greenhouse gas emissions and fossil fuel also have to be addressed as the industry looks to the future.

DUTCH PRODUCTION 2019		
tonnes	2019	v.'18
Cheese	891,000	+13.0%
Butter/oil	231,000	-1.3%
WMP	177,000	+9.9%
SMP	61,000	-5.9%

MILK DESTINATION	
Cheese	56%
Milk powder	15%
Drinking milk	7%
Condensed	6%
Butter/butter	2%
Other	16%

**CHEESE AND SMP DRIVE EXPORT VALUE**

The value of Dutch dairy exports reached €7.8bn in 2019 (about 1.3% more than in 2018), with imports of €3.8bn leaving a positive trade balance, including intra-EU trade, of €4bn. The increase in exports was mainly down to cheese, with exports up 6% or €200m as a result of higher prices and higher volumes. The value of SMP exports also rose by almost €67m (+25%). In line with global markets generally, and having increased by almost 5% in 2018, the export value of butter and buttroil was down 9% although volumes were up 6% with exports to third countries up 34%. The value of WMP exports was down 2%. Trade with other EU member states accounted for more than €5.6bn, almost three-quarters of the total export value. Belgium, Germany and France took a combined share of 70% and, with Spain, accounted for most of the increase in cheese exports (up 3.1% to 911,000t). Non-EU exports increased only slightly. Despite this, the Netherlands remained, alongside Germany, the most active member state on the world dairy export market after NZ, the US and Belarus. The Dutch share in total world dairy trade was 4.7%, or 3.9bn kg of milk equivalent. The top five destinations outside the EU were China/Hong Kong (by far the most important destination for Dutch infant milk formula with sales valued at €1.7bn in 2019), UAE, Saudi Arabia, South Korea and Japan. Export volumes eased from a record 2018 to 200m kg.

**DUTCH DAIRY 2019—AT A GLANCE**

- 16,260 dairy farms supplied 13.8bn kg of milk to the industry, processed into cheese (56%), milk powder (15%), drinking/fresh milk products (7%), condensed milk (6%), butter and buttroil (2%);
  - Export revenues €7.8bn;
  - 1.6m dairy cows and heifers and over 1.1m ha of grassland and feed maize (26% area of the Netherlands);
  - 77% outdoor grazing (6.4% partly outdoor);
  - 25 dairy companies with 53 processing plants;
  - Average dairy farm produced almost 861,000kg of milk with 97 dairy cows and cows in-calf;
  - 16,200 dairy farmers (38% of total) milking more than 100 cows;
  - Average milk yield 8,870kg per cow (2018: 8,687kg);
  - Export revenue totalled €7.8bn (Dutch origin €6.2bn, re-exports €1.4bn);
  - 49,000 jobs in dairy farming and milk processing;
  - Average per capita consumption is about 20kg of cheese.
- Source: ZuivelNL

**PHOSPHATE CURBS CUT MILK PRODUCTION BY 0.7%**

Dutch milk production was down 0.7% in 2019 to 13.8bn kg—about 9% of the EU total. The Netherlands was the only top producing member state, apart from France and Italy, to post lower production, but the decrease was less drastic than occurred in 2018 when drought compounded the effects of phosphate challenges. The dairy herd shrank for the third consecutive year and the number of dairy farms fell by 4% to 16,260, according to Statistics Netherlands—well above average annual wastage of around 2% pa since 2010. This was partially offset by yield per cow exceeding 8,870kg, more than 2% higher than the previous year. The volume of milk processed was slightly higher than in 2018, at an estimated 13.85bn kg. Cheese production was up 1.3% to 891,000t, accounting for about 4% of global cheese production, and WMP production was up 10% to 177,000t, recovering from 2018's sharp decline. Less milk was processed into butter/oil (down 1% to 231,000t) and SMP (down 6% to 61,000t). Despite consolidation and structural changes, the number of dairy companies and plants has remained unchanged, according to ZuivelNL.

**DUTCH CHEESE EXPORTS**

€m	2019	Share
Total	3,655	100%
EU-28	3,060	84%
Germany	1,197	33%
Belgium	476	13%
France	373	10%
Spain	224	6%
Italy	131	4%
Japan	978	3%
US	82	2%
Mexico	38	1%

**DUTCH BUTTER/OIL EXPORTS**

€m	2019	
Share		
Total	1,361	100%
EU-28	1,183	87%
Germany	408	30%
France	309	23%
Belgium	180	13%
Italy	71	5%
UK	67	5%
Indonesia	21	2%
Japan	20	2%

**DUTCH WMP EXPORTS**

€m	2019	Share
Total	585	100%
EU-28	153	26%
Germany	38	7%
Belgium	35	6%
France	25	4%
UK	16	3%
Italy	13	2%
Kuwait	69	12%
China/HK	45	8%
Nigeria	33	6%
Angola	31	5%

**DUTCH SMP EXPORTS**

€m	2019	Share
Total	323	100%
EU-28	122	37%
Belgium	29	9%
Germany	28	8%
Italy	20	6%
France	14	4%
Spain	11	3%
Philippines	22	7%
Saudi Arabia	21	6%
China/HK	20	6%
Indonesia	17	5%

**DAIRY INDUSTRY NEWSLETTER (DIN)**

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