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Ireland

KERRY'S BUYOUT PROPOSAL ANNOUNCED

Under a proposal tabled to Kerry Co-op on Friday, the Co-op could buy the entire Irish milk processing division of Kerry Group within 3-5yrs. Reports leaked to the Irish press suggest that Kerry Co-op will bid in the region of €625m-€650m for the assets. Under 'Project Seafield', the first step would be the purchase by the co-op of 60% of a new entity formed by a proposed joint venture between Co-op and Group. The co-op would have the option of 3yrs, or Kerry Group 5yrs, for the co-op then to buy the remaining 40% for cash at the original bid value, plus interest. Both organisations would sign an agreement on ownership and governance of the holding company for as long as Kerry Group retain their 40% share. The deal would include five manufacturing facilities, the feed mill and 29 agri-stores. The Kerry name would not transfer but brand names such as Charleville, Dairygold and Pure will transfer to the co-op. All products of the new business will be sold to Kerry Group for 5yrs under "an exclusive contract processing arrangement" and the co-op would be barred from competing with the Kerry Group for 2yrs after that in a deal which needs further explanation. Kerry Group products would not compete with 'Seafield' for 2yrs in Ireland and the UK except via minority interests. According to the proposal, for Kerry Co-op's initial 60% share, a bank loan to 'Seafield' would be secured on a mortgage, and a loan to the co-op would be secured over Kerry Group shares. The 60% purchase is also expected to be part refinanced by a Kerry Co-op Redemption Scheme 'haircut' and farmer contributions. A capital redemption scheme will be available for co-op members who don't wish to become invested in the new business. If a full Co-op buyout fails, Kerry Group will be able to pursue outstanding amounts, appoint a receiver to sell the co-op's 60% share or take over the co-op's share and sell the whole business.

France/Brazil

LACTALIS SEAL MAJOR NEW ACQUISITION

Lactalis of France, through their Brazilian subsidiary Lactalis do Brasil, have acquired dairy assets in Brazil from the Cativa co-op and have signed a ten-year milk supply contract with them with an option to extend. Lactalis will buy Cativa's processing and warehouse facilities in Cerqueira Cesar in the southern state of São Paulo, and also in Londrina and Pato Branco, Paraná—the second largest milk producing state after Minas Gerais. The terms of the deal have not been disclosed. Cativa president Paulo Cesar Maciel said the co-op would now focus on relationships with their 4,000 producers, and on milk quality and collection. The deal builds on Lactalis's acquisition in 2019 of dairy company Itambé Alimentos in Minas Gerais, after protracted legal wrangling with Mexico's Grupo Lala, who claimed the deal infringed a former shareholder agreement with previous owner Vigor, which they acquired. Lactalis do Brasil posted turnover of 9.8bn reais (US\$1.7bn) in 2020, processing 2.7bn litres. Cativa reported a turnover of 1.1bn reais (\$166m) and processed 360m litres last year.

India

MILK PRODUCTION. CLOSE TO 200m tonnes

The Indian Department of Animal Husbandry & Dairying provisionally estimate milk production in 2019-20 at 198.4m tonnes, up 5.7% compared with the year before. Indian milk production has increased by 76.6m tonnes (+63%) in the past 10yrs (see I HEAR p7).

Netherlands

PLANT-BASED CONTAMINATION RISKS FOUND

Research at the world-renowned Dutch institution NIZO on microbial contamination in plant-based food ingredients has now uncovered several risks. The research shows that plant-based ingredients can contain unknown species and levels of micro-organisms. The ingredients often need specially careful processing. Treatments at high temperatures can compromise functional or nutritional properties but mild processing conditions may not be sufficiently inactivate micro-organisms. The NIZO researchers found that many plant protein ingredients contain significant levels of microbial contaminants, including the spore-forming bacteria *Bacillus cereus*, *B. subtilis*, *B. amyloliquefaciens*, *B. licheniformis* and *t.*

• NIZO, based at Ede in the Netherlands, are a private, independent company, claiming to be one of the world's most advanced R&D centres.

China/Japan

MEIJI TO BUILD TWO NEW YOGURT PLANTS

Japanese dairy group Meiji Holdings say they will build two new plants in Chinese Tianjin and Guangzhou provinces by 2023 to make pasteurised milk and yogurts. The company started to market two new types of functional yogurts, LG21 and R-1, in China's eastern market last week, which are made at Meiji's plant in Suzhou but, due to the limited production capacity, are currently available only in Shanghai. The two new types of functional yogurts are designed to enhance immunity and reduce helicobacter pylori symptoms; they have been successfully tested in Japan for more than a decade (see I HEAR p7).

China/NZ

FONTERRA RAISE \$552m FROM FARM SALE

Fonterra have sold their Ying and Yutian farming hubs in China for US\$552m. Fonterra announced the possible sale to Inner Mongolia Youran Dairy Co last October; all regulatory approvals have now been received. An additional \$39m of settlement adjustments have boosted the original sale price of \$513m. Fonterra have previously said the funds will be used to pay down debt. Under their new management, Fonterra have turned their focus on to their core NZ milk business and selling overseas assets and underperforming plants. They invested more than \$1bn in their Chinese farms over 10yrs. Fonterra expect to sell the 85% interest in the Hangu farm to majority shareholder Beijing Sanyuan Venture Capital Co by June, they said.

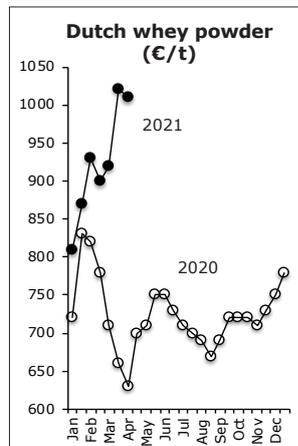
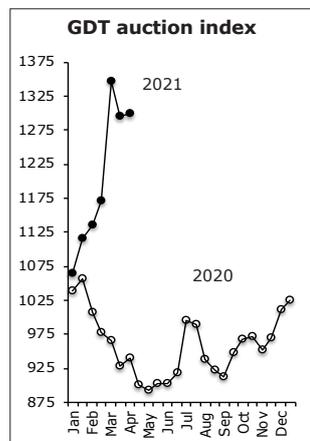
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COOLER APRIL FOLLOWS OVERHEATED MARCH

March saw the dairy market overheat, then cool. April has seen them gently simmer, with the Easter break taking some heat out with reduced demand from buyers during the holidays. The prospect of the UK starting to come out of lockdown from this week has failed to inject much life into it, say traders. But it hasn't cooled completely, and there may be a slight uptick in demand, they report—but slight is all that it is. Stability is therefore the order of the day for most commodities, and nothing could emphasise this more than the 0.3% change in the GDT last week (see tables below). Nor was there much movement on the EU powder markets—the Dutch Dairy Board moved SMP

up €10 to €2,530/t but it was the only origin that did move, and it also dropped WMP by €40/t to €3,260/t, in so doing settling slightly ahead of German and French prices. Dutch origin whey also fell €10/t but the price still remains north of €1,000. It was also the only mover. Butter has recovered from a pre-Easter slip down to as low as €3,800/t and is back to €3,950/t, say traders. It's below the €4,000/t prices quoted by the DDB and French and German authorities, therefore. UK butter is between £3,350/t and £3,400/t with currency once again playing tricks with its own volatility, with sterling down from €1.175 to €1.155 in a week. Cream prices in the EU have

picked up again, say traders, to around €4,650/t, having dipped as low as €4,450/t at the end of March. This is not the case in the UK, however, and a very wide price range is being cited, from a low of £1.38/kg for the domestic market to as high as £1.48/kg. The consensus seems to be £1.44-£1.46/kg, however. There is one exception to these generally stable prices: after months of remaining static at a base price of £2,950/t, UK mild Cheddar has finally edged up to £3,000/t. It's a significant move on the back of an extremely strong curd price (which is effectively at parity with mild, after maturation and storage costs have been factored in) and good export demand for British Cheddar, particularly in the US. Edam and Gouda are also lending support at a bullish €3,000/t, with Mozzarella higher at €3,100/t. Loosening of lockdown will, at some stage, result in added demand for cheese, at a time when retail demand is still strong—a major positive driver. All these factors are keeping sellers bullish, despite relatively strong milk flows coming up to peak milk, which will happen in the next two weeks in Europe, and the next three to five weeks in the UK and Ireland. Milk flows are taxing processors the most. Ireland is believed to be maxed out and the UK has also been setting new production records on an almost daily basis. In contrast, though, France continues to trail previous years by around 3%. The cold snap will have taken the gloss off some of these runaway volumes, but the shine has come off the spot price in the UK. Factory breakdowns last week didn't help, with skim milk having to be dumped in digestors until the problem was sorted. This dropped the price to below 20ppl, but last week it had recovered to as high as 23p, report traders.



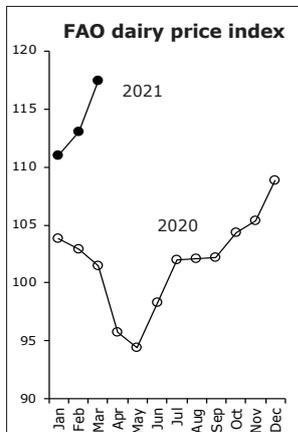
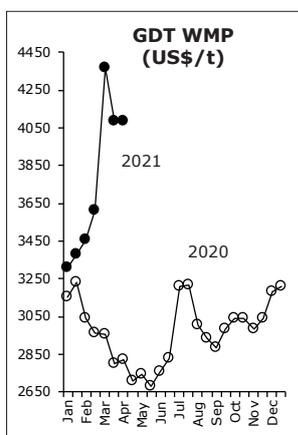
LATEST GDT RESULTS

	\$/tonne	Change in 2021
WMP	4,085	+23.6%
SMP	3,367	+10.6%
Butter	5,776	+27.6%
AMF	6,209	+34.9%
Cheddar	4,393	+7.7%
Lactose	1,307	+18.9%
BMP	3,710	+29.0%
Index	1,299	+22.0%

GDT world markets

PRICE INDEX +0.3%

After its first decline in nine events and a three-week gap, the overall price index at last week's GDT auction was up 0.3%. The WMP index was unchanged from last time, based on an average price of US\$4,085/tonne; this is up 45% from the same time last year, and up 24% this year so far. The SMP index was up 0.6% with an average price of \$3,367/t. Butter was up 2.0% at \$5,776/t, Cheddar was up 2.2% at \$4,393/t, AMF was up 0.8% at \$6,209/t and BMP was up 17.6% from 5wks ago—the last time it was offered—with an average price of \$3,710/t, the highest since May 2014. The lactose index was down 6.5% at \$1,307/t. A total 25,104t of product was sold, 6.6% less than last time but 24% more than a year ago.



FAO DAIRY PRICE INDEX UP 3.9% IN MARCH

The FAO Dairy Price Index averaged 117.4 points in March, up 3.9% from January and the tenth consecutive increase, 16% above March 2019. Butter quotations increased, underpinned by tight supplies in Europe and returning foodservice demand. Milk powder prices were also higher, supported by a surge in Asia imports and declining milk production in Oceania. Cheese prices fell slightly.

Weekly market prices @9.4.21

EU OBSERVATORY PRICES

(€/t)	Apr 7 v. Mar 24	2021	2021
		high	low
Butter	4000 +2.0%	4000	3350
WMP	3190 +0.6%	3190	2710
SMP	2460 +0.4%	2460	2190
Cheddar	3080 =	3090	3080
Whey powder 980	+4.2%	980	780

US QUOTES, CHICAGO MERC.*

(\$/t)	Apr 9 v. Mar 26	2021	2021
		high	low
Butter (AA)	4060 +7.1%	4060	2835
SMP (grdA)	2630 +3.2%	2630	2470
Cheddar			
—40lb blcks	3865 +5.0%	4215	3505
—500lb bar.	3490 +9.4%	3540	3075

*Conv. from US ¢/lb@1 tonne = 2,205lb

EU market indicators

DUTCH WMP & WHEY POWDER PRICES CUT

The Dutch Dairy Board/ZuivelNL last week announced cuts to their official WMP and whey powder prices. WMP was down €40 to €3,260/t (the first cut this year) and whey powder down €10 to €1,010/t. The official SMP (food) price was raised by €10 to €2,520/t. The butter price was left unchanged at €4,040/t and SMP (feed) was also unchanged at €2,450/t.

The German-based IFE institute's estimated average EU raw milk value—now 27% higher than this time last year—was down last week for the first time this year, by 0.1c to 36.0c/kg at the farmgate level. This price is based on the official prices of butter and SMP in Germany, France and the Netherlands. The average price of butter was down €37 to €4,107/t. The SMP average was up €3 to €2,522/t.

EU

EUROPE COMPETITIVE ON WORLD MARKETS

Combined with rising SMP prices, EU milk equivalent price should increase this year, according to the latest short-term Agricultural Outlook from the European Commission. This will provide incentives for milk production growth. Up to March, EU butter and whey powder prices recorded the highest increase (+13%), followed by WMP (+11%) and SMP (+9%). EU butter price is currently at €3,800/t, the highest for 21mths. Despite increasing domestic prices, the EU remains competitive on world markets, notably for butter and WMP. At the beginning of March, EU butter price was 26% below Oceanian price and 11% less for WMP—see back page for full report.

China**MENGNUI SALES & PROFITS SLUMP**

China Mengniu Dairy Co have reported declines in both revenue and profit last year as their supply chain was hit by Covid-19, and after it sold its once lucrative milk powder subsidiary. China Mengniu posted a profit of 3.5bn yuan (\$535m), down 14% year-on-year, on a revenue down 4% at 76bn yuan. This financial report also came after it sold Shijiazhuang Junlebao Dairy Co in 2019, which contributed 11.1bn yuan in revenue to the company that year.

India**PARAG MILK TO RAISE \$43m**

India's Parag Milk Foods plan to raise Rs316 crore (US\$43.1m) to replace short-term working capital limits and reduce debt. They will raise the funds mainly via a preferential share issue.

Kenya**SHORTAGES BOOST MILK PRICES**

Kenyan cabinet secretary Peter Munya said dairy farmers were currently being paid a strong price of between Sh40-Sh45/litre (37-42 US cents). Last year, the Ministry of Agriculture had imposed a minimum price of Sh33 (30c), to be reviewed after every 6mths. Producer milk prices had risen following a shortage in the country due to Covid and other factors, Munya said. He told farmers to take advantage of the demand for milk and the stabilised prices and invest in production. Munya said anyone paying less than Sh33 was committing an offence and would be fined.

Malawi**DAIRY PLAN IN JEOPARDY**

Mach Milk Co, a newly established milk powder production operation in Malawi, with a possible 200 staff and supplied by 5,000 farmers, have failed to make their promised start to operations due to high electricity costs. The company have already invested over K150m (\$200,000) with K65m (\$80,000) via a loan from the Malawi Agricultural and Industrial Investment Corp., were set to start operations this month but to get connected to the national grid the Electricity Supply Corp. of Malawi are demanding a down payment of K32m (\$40,000). Most dairy products in Malawi are imported and local production finds it difficult to compete.

Analysts**US LEADING HIGHER WORLD MILK PRODUCTION**

Rabobank forecast prices for most basic dairy products to peak in the second quarter of 2021, suggesting continuing stability or a slight increase for average EU farmgate milk prices in coming months. Global growth in milk production is forecast to decline slightly, with a 1.1% increase in milk production expected in the Big 7 dairy producing regions in 2021, down from +1.6% in 2020. Most of the growth is expected in the US, where milk production was up 3% in Sept-Dec 2020, with first-quarter growth this year forecast at 1.8%. While China's import demand is expected to remain strong in the short-term, there are signs it could slow in the second half of the year, Rabobank say.

OCEANIA DAIRY MARKETS 'IN A SWEET SPOT'

Oceania dairy markets are in a "sweet spot" that will continue into the new season, says Westpac senior agri economist Nathan Penny. GDT prices have edged up on higher than normal volumes, suggesting demand remains strong. WMP prices are 44% higher than at the same time last year amid a surge in demand from China, driven by a desire for better nutrition and increased health awareness after Covid-19, Penny said. He said last week he expected Fonterra to raise their forecast milk price for their 10,000 farmer suppliers, forecasting a 30c increase to NZ\$7.90/kg MS for the season.

US**DFA PROFITS DOUBLED, SALES +13%**

Dairy Farmers of America are reported, from an unofficial website—not confirmed by DFA—to have more than doubled net income in 2020 to \$170.6m on net sales up 13% at \$17.8bn, mainly due to the acquisition of most of Dean Foods' assets out of bankruptcy.

In 2020, DFA oversaw the marketing of 27.8bn litres of milk for members and others, about

28% of total US milk production last year. Cash distributed to members totalled \$46m. Construction was completed of a new cheese facility at St. Johns in Michigan, a joint venture partnership with Glanbia of Ireland and Select Milk Producers Inc.

- Animal rights group Direct Action Everywhere have filed criminal complaints against **Land O'Lakes** after a new 3-year investigation into 14 of the co-op's farms in California and Wisconsin.

NZ**SYNLAIT HIT BY A2'S CHINA PROBLEMS**

A2 Milk's supplier Synlait Milk's half-year net profit was down 76% and they expect to do no better than break even for the full 2021 year after posting profits of NZ\$75.2m in 2020. First-half revenue was up 19% to \$664.2m while EBITDA fell 29% to \$47.7m. Chairman Graeme Milne said it had been "a period of significant uncertainty and volatility". Synlait's biggest customer A2 Milk has been hit hard as Covid-19 severely curtailed the important "daigou" unofficial trade channels into China. Consumer-packaged infant formula sales were down 16% to 18,085t. Lactoferrin production was up 16% to 13.6t. Dairyworks, which Synlait bought in 2019 for \$112m, reported revenue of \$112.6m.

- **OCEANIA DAIRY EXPANDS**—The new A\$25m laboratory at Oceania Dairy's expanding South Canterbury plant has been completed and 40 staff recruited. Work will start soon on a new 7.5km wastewater pipeline to the Pacific Ocean. Oceania's milk pool is set to substantially increase in 2021-22, with more production planned for UHT and infant formula products. They say that all their future plans are "fully funded" with their banks.

Australia**MANNING VALLEY LOSE PLANT**

Sydney dairy company Manning Valley's bid for the Nestlé factory in Tongala, northern Goulburn, has failed. Nestlé said that exclusive negotiations with an "interested buyer" will not progress and discussions are to take place with other parties.

- **M/G CHALLENGE**—The Federal Court in Australia has found against AIG after the insurer argued that the company securities-part of their policy didn't cover all the investor class action claims made against former dairy co-op Murray Goulburn—now owned by Canadian Saputo—and their unit trading arm after the co-op's surprise price cuts and profit downgrades in 2016.

Egypt**JUHAYNA BOSS JAILED**

Safwan Thabet, the chairman and owner of Egypt's largest dairy company Juhayna, has been given a one-year sentence in absentia for producing products that "do not meet market standards". A Cairo court set bail for Thabet at LE1,000 (\$145) and fined him LE10,000 (\$1,450). "I know nothing about the verdict or the case. I am not even in Egypt," Thabet told an Egyptian newspaper. In December, Egypt's prosecutor-general imposed a travel ban on Thabet for being involved in corruption. In 2012, an Egyptian court sentenced two employees from Juhayna to a year in jail for watering down milk. Juhayna posted net profits of LE328.3m (\$47m) in 2013, their latest figures. The company employs 4,600 staff in Egypt.

US**FEB EXPORTS +15%**

US dairy exports were up 7% to \$565.5m in February, on volumes up 15% from a year earlier, despite ongoing container problems and shipping delays. The increase was driven mainly by NFDM/SMP exports to Mexico and Southeast Asia, and whey products to China. Cheese exports were the highest for 7mths (30,200t) despite sales to Mexico down 11%.

IFCN milk price est**WORLD PRICE AT 2-YR HIGH**

The German-based IFCN consultancy estimate that the world farmgate price of milk, based on the value of dairy products worldwide, should have been 40.5 US cents/kg in January. This was 8.2% or 3.1¢ up from December, and the highest price since May 2019. The price of animal feed in a milk price equivalent was 31.1¢/kg, a 7-year high.

EU/Australia**HALOUMI TEST**

Australia's dairy industry is bracing for a fight over the name 'Haloumi' after the EU last week voted to restrict cheese manufacturers outside of Cyprus from marketing Haloumi cheese under that name. This is seen as a test case over impending EU-Australia trade talks. While Haloumi is not listed as a Geographical Indications application, it could now be added.

Brussels update**NEW ORGANIC TARGETS—BUT WHERE'S THE BEEF?**

In a 21-page blueprint 'European Green Deal & Farm-to-Fork Strategy', the European Commission aim to increase land farmed organically in the EU from the present 8.5% to 25% by 2030 but provide no new financial incentives or concrete plans for this "revolution". The Commission confess that just 1.8% of the EU's €7.5bn farm budget is devoted to organics. Share of agricultural land currently under organic farming range from a low of 0.5% in Malta to a high of 26% in Austria and 20% in Sweden, Italy, Latvia and Czech Rep. EU Farm chief Janusz Wojciechowski acknowledged that the Netherlands, Poland, Ireland and Bulgaria lagged well behind. The action plan aims to "boost demand for organic farming among farmers and consumers" but no concrete action is proposed. A fund of €49m has been set up to make organic food more accessible via Green Public Procurement such as in public canteens. Copenhagen is the first city that has reached 100% organic public canteens and Vienna has a network of organic urban gardens of around 860ha that also supplies public canteens. Availability in school meals is also to be promoted. Consumer sales of organics in the EU have grown by 120% to €38bn over the past 10yrs but in most markets this still makes up less than 10% of total food sales.

The **average farmgate milk price** in the EU in February was 34.98c/kg, up 0.1% from January and level with a year earlier. The biggest increase was in Ireland (+4.4%). Italy was up 0.3%; Netherlands and Belgium were unchanged. France was down 1.2% and Germany down 0.1%.

The Commission's impact assessment on the **free trade agreement with the Mercosur** countries of Latin America by the London School of Economics predicts that GDP would increase by an additional €10.9bn or 0.1% in the EU and €7.4bn or 0.3% in Mercosur by 2032 if the trade deal is implemented—and more if the ambitious scenario prediction plays out. European dairy exports would benefit significantly with the reduction of Mercosur countries' high import tariffs.

Germany**MEGGLE FAMILY SETTLE DISPUTE**

The inheritance dispute in the Meggle family has, reportedly, been resolved; no details have been disclosed. The Bavarian-based Meggle dairy company dates back to 1882. Three heirs had sued for the payment of a compulsory portion, and now a settlement has been agreed for an estimated €25m-€125m. The value of the Meggle Group was estimated at €500m in the proceedings. Three of the five children of Toni and Marina Meggle filed a lawsuit in July 2018. The dispute related to the compulsory part of the family's inheritance. When the challenge was launched, it was reported that if the plaintiffs were to win, Meggle would have to extract more than €150m from the company's assets, with potentially far-reaching consequences.

- More than €3m has been invested in the **Kohrener Landmolkerei** plant since its revival by Conzima Food following the previous owners' bankruptcy. The company has reported annual turnover of €36m.

Italy**GRANAROLO'S PLASTIC MOVES**

Granarolo are testing a new, material-saving variant of their PET plastic bottles for drinking milk in some Italian regions. The packaging already contains 25% recyclate but is now also reduced in thickness, saving 16% of material. In addition, the bottles now have a firmly connected/tethered closure as will be obligatory under new EU rules. With their #bontàresponsabile project, Granarolo aim to save the emission of 2,500t of CO2 by 2021-2023. The new packaging should use at least 440,000kg less plastic per year and a reduction of at least 1,600t CO2.

Belgium**MILCOBEL BLOCKING A-WARE DEFECTIONS**

Belgian co-op Milcobel are refusing all supply contract cancellations from April 5 until July 1, 2021, mainly, it is thought, members with 200m litres of milk wanting to join Dutch group A-ware. The management decision, which was announced in a registered letter sent out to all 2,470 members on April 3, effectively means that no-one can leave the co-op before April 1, 2022. According to the company, the move aims to give Milcobel the opportunity to continue working on a reorganisation plan without disruption. It was also made in light of the number of cancellations since the end of last year. The co-op's articles of association state that the company can refuse to accept resignations if the financial situation of the company is under threat. Milcobel are expecting to receive 1.4bn kg of raw milk this year. This is partly to compensate for the loss of a drying contract with Arla in January. The company say they are looking for opportunities to work with other companies. Dutch A-Ware, who say a large number of Flemish suppliers were signing up with them before they had terminated with Milcobel, said they were not concerned by the delay in transfers. "We are patient. We are in for the long haul," they said.

Netherlands**F/C SIGN 'GREEN' LOAN**

FrieslandCampina have signed an agreement with ING Bank for a new €300m sustainability-linked loan that refinances part of their current short-term liabilities for up to 3yrs. The loan carries a variable interest rate based on EURIBOR and is discounted if ambitious sustainability performance targets are met.

- **Farmgate milk prices on the up:** For April milk, **DOC Kaas** have increased their milk price by 1.06c to 33.13c; the maximum price with all bonuses is 36.37c; **A-ware** are up 1.55c to 34.49c, with up to 41.24c payable with bonuses; **DMK** are up 1c to 33c including VLOG and Milk-master bonuses; **Bel Leerdammer** are up 0.4c to 34.29c (max 38.14c), and their organic milk price goes up 1.55c to 52.29c. **Cono Kaasmakers** have increased by 0.61c to 36.06c, with a maximum payable of 40.56c and **EkoHolland**, Netherlands' biggest organic dairy co-op, are paying 51c in April, 0.4c more than in March.

AFLATOXIN SCARE

Excessive levels of aflatoxin in maize byproducts affected several hundred Dutch dairy farms last week, with a number temporarily having to stop milk collections. The problem with the maize byproducts from Tate & Lyle came to light from random checks at an animal feed company.

Netherlands**F/C MILK PRICE UP TO 36c/kg**

FrieslandCampina put their guaranteed milk price for April up 0.75c/kg on March to 36.00c/kg. The price includes a downward correction of 0.2c as a result of lower reference prices in the previous period. The prot. value is €57.76/kg, fat €28.88/kg and lactose €0.58/kg. F/C put their April organic price at 48.5c/kg.

LTO EU milk prices**MILK PRICES UP 1.8c (5.6%) IN 9mths**

EU milk prices have increased every month for the past 9mths by a combined 1.8c/kg (+5.6%), according to the LTO milk price league table of 17 of the biggest milk processors in Europe. The biggest increase in February was by Glanbia (Ire) of +1.08c/kg taking their price to 35.98c, just 0.2c below Dairygold (Ire) on 36.0c/kg; Irish participants in the league table placed them higher than ever before, and not as a result of special bonuses. German prices took the biggest hit, down by an average of 0.4c to 32.0c, 2.25c below the French average (34.25c/kg).

LTO LEAGUE TABLE MONTHLY MILK PRICES—2021

(c/kg)	Feb	v. Jan
Granarolo	39.32	=
Valio (Fin)	36.08	=
Dairygold	36.00	+0.72
Glanbia	35.98	+1.08
Sodiaal	34.75	+0.11
Savencia	34.60	+0.19
Lactalis	34.24	=
F/C	34.16	+0.72
Saputo UK	34.10	+0.77
Kerry	33.45	+1.00
Danone	33.41	=
Müller	32.86	+0.27
Arla	32.12	+0.01
DMK	31.32	-0.51
Hochwald	31.90	-1.00
Capsa	31.83	+0.14
Milcobel	30.62	+0.50
Average	33.98	+0.21
Emmi (Switz)	48.13	-3.59
Fonterra (NZ)	34.58	+2.25
US Class III	31.98	-0.52

Germany/France**MEGGLE ACQUIRE CHEESEMAKER**

German Meggle Group have acquired Stegmann Emmentaler Käseerei in France whose annual sales are about €120m; they were part of giant French co-op Sodiaal. Meggle have been expanding into cheese by introducing cottage cheese and most recently grill cheese to the German market. Stegmann make Emmentaler and Raclette.

Germany/Denmark—Dairy giant Arla have named **Patrik Hansson**, currently head of Arla Foods in Sweden, as the new managing director of their German division as from June. He will report to Arla Europe board member, **Peter Giørtz-Carlsen**.



UK—**Tim Rycroft** has been appointed the new CEO at the AHDB. Rycroft, who is currently COO at the Food and Drink Federation, will start at the levy board in August, replacing **Jane King** who left last month after 6yrs in the role.

UK—**Emma Lawes** has been appointed as a new head of marketing at Trewithen Dairy as they look to expand nationally. She previously worked at Virgin Media.

Germany—**Matthias Brune** has left Ornua Germany where he was working as director sales and marketing and member of the board. His tasks will now be shared by **Verena Schley**, director of marketing, and **Holger Spee-Girbig**, director of sales.

UK—**Jonathan Dixon** has been appointed senior vicepresident of sales at Arla Foods UK. He has worked at Arla since 2004.

France—Maisons du Monde have appointed **Régis Massuyeau** as chief finance officer. Massuyeau has been on the finance committee at Danone, a company he joined in 2008. He began his career at Coca Cola Enterprises in 1997.

UK—**Daniel Jaouen** has resigned as a director at Lactalis McLelland.

US—Darigold Inc. and the Northwest Dairy Association have announced the appointment of a new board member, **Linda Massman**. Most recently, Massman served as president and CEO of Clearwater Paper.

Russia

DAIRY IMPORTS DOWN 10% IN JANUARY

Russian dairy product imports in January were 10% lower than in 2020 and were about the same as in 2019. A total of 580,000t of dairy products worth \$203m (-25%) were imported, according to the National Dairy Producers Union of Russia (Soyuzmoloko). The biggest suppliers were Belarus (75%), NZ (8%), Argentina (5%), Uruguay (4%), and Kyrgyzstan (2%). The main dairy products imported by Russia in January were cheese (46% of imports in value terms), butter (22%), milk and cream, powdered and condensed (10%), including SMP (5%) and WMP (2%) and fluid milk and cream (8%), fermented milk products (8%) and cheese products (5%).

• According to Soyuzmoloko director Artem Belov, Russia is the now fifth largest producer of raw milk in the world, third biggest producer of cheese, fifth biggest butter producer, ninth with SMP production and 10th for WMP.

Latvia/Lithuania

LITHUANIAN VILVI GROUP BUY STAKE IN LATVIAN MILK POWDER PRODUCER

AB Vilkyškių Pieninė, part of the Lithuanian Vilvi Group, have bought a 70% stake in SIA Baltic Dairy Board in Latvia who specialise in producing dairy ingredients from whey separation, with 2020 turnover of €4.9m. Vilkyškių Pieninė thus aim to strengthen their high value-added dairy ingredients business. The Vilvi group, with 450 staff, are one of the few northern European companies developing and manufacturing galactooligosaccharide products used in baby foods. They process separated whey at their new plant in Tauragė.

Romania

BONAS RAISE €2m AHEAD OF LISTING

Small Romanian dairy producer Bonas Import Export, who operate mainly in Cluj-Napoca and the Transylvania region, have raised close to RON10m (€2m) in a private placement of shares. The company's shareholders sold 1.99m shares, representing 40.76% of the company's capital, to 117 private investors at a price of RON5/share. The next step will be to list on the Bucharest Stock Exchange's AeRO market. After the listing, Bonas plan to increase their share capital by RON9.78m by allowing all shareholders to buy two newly issued shares for each share held. Founding shareholders—brothers Vasile and Emil Nas and their brother-in-law Petru brad—plan to reinvest some of the money they raised from the placement in the company. They are planning to build a new production unit to expand their operations. Local brokerage firm Interdealer Capital Invest managed the private placement and will prepare the listing.

Ireland

DAIRYGOLD CLAIM PROCESSING CAPACITY TO '25

Dairygold have posted an operating profit down 27.4% to €26m in 2020, after property deals boosted profits in 2019, on turnover down 0.3% at €1,017m, which the co-op says reflected "improved performances by core dairy and agri businesses, despite the challenges of the Covid-19 pandemic". Underlying earnings (EBITDA) were down 4.9% at €53.8m, including a €7m charge on completion of their decade-long, €425m capital investment programme. EBITDA from their core dairy processing business was up 9% at €50.3m. The co-op cut net bank debt by €38.7m to €119.2m. At the end of 2020, the net asset value of the co-op was up 3.9% at €387.7m. Dairygold processed 1.43bn litres of milk from its members in 2020, up 2.7% from 2019. They say they now have the weekly peak processing capacity in place to process forecasted milk growth by their members of about 2.6% pa, to 2025.

• Dairygold completed the infrastructure to support the new Jarlsberg Cheese manufacturing complex, in Mogeely, last year, for their new partnership with Norwegian dairy co-op TINE. The redevelopment of the demineralised whey production facility at Castlefarm was also completed, and a new milk evaporator and dryer added to the Mallow Nutritionals Campus.

WOULFE TO STAND DOWN

Dairygold CEO Jim Woulfe last week announced he would retire at the end of the year after 42yrs in the business and 12yrs at the helm. Dairygold are now recruiting for a successor. Born in Ardagh, Co Limerick, Woulfe, 60, graduated in Dairy Science from University College Cork and joined Ballyclough Co-op in Mallow in 1979. Neighbouring Mitchelstown and Ballyclough Co-ops merged in 1990 to establish Dairygold. Since July 2009, when he became CEO, Dairygold sales have increased from €555m to €1.02bn, with net asset value of the co-op increasing by 88%, from €206m to €388m.



Jim Woulfe

Irish milk price league

ALL IRISH CO-OPS RAISE FEB PRICES

All the big Irish co-ops increased their base prices for February, according to the IFJ's league of farmgate milk prices. Glanbia were on top, closely followed by Centenary, who, along with Dairygold, in third place, were both at the bottom as recently as August. Unconditional bonuses were included in both Glanbia and Dairygold prices. The biggest increase was by Aurivo—but it is the March prices, when the milk really starts coming in that will count. The average price was up 1.2c to 32.23c/kg.

IRISH MILK PRICE LEAGUE TABLE—FEBRUARY 2021

(c/kg)	Feb	v. Jan
Glanbia	34.44	+1.13
Centenary	34.18	+0.94
Dairygold	34.05	+0.60
Aurivo	32.92	+2.46
Lakeland	32.57	+0.94
North Cork	32.50	+1.97
Drinagh	31.86	+0.50
Arrabawn	31.78	+1.42
Lisavaird	31.71	+0.50
Bandon	31.69	+0.49
Barryroe	31.69	+0.49
Kerry	31.35	+0.99
Boherbue	30.40	+2.00
Tipperary	30.13	+0.95
Average	32.23	+1.2

Source: IFJ

ORNUA PPI UP 3.8%

Ornua's Purchase Price Index for March, measuring value paid to member co-ops for products marketed by Ornua, was 112.6 in February, up 3.8% from February. This converts to 33.3c/litre at the farmgate level—up 1.5c. This price includes VAT, based on Ornua's product purchase mix and assumed costs of 7c/litre. The Ornua Value Payment payable to members in the month was €6.15m.

MILK PRICE TRACKER

Arrabawn, with a base milk price of 33.35c/kg, are top of the ICMSA/Agri-land February Milk Price Tracker, based on 3.3% prot. and 3.6% b/fat. They are followed by the four West Cork co-ops and Dairygold. The tracker also reports from comparable base EU constituents (3.4% prot./4.2% fat), which put the West Cork co-ops on top.

UK company news**BARTONSHAM FARM BOUGHT BY COTTESWOLD**

Tewkesbury-based Cotteswold Dairy have acquired small Hereford liquid dairy Bartonsham Farm Dairies. The Matthews family's Bartonsham Farm have been producing and supplying milk and dairy products to Hereford and surrounding counties for nearly 150yrs; father and son are both ageing with no succession. Cotteswold Dairy process more than 80m litres of milk each year with turnover of £54m in 2019—one of only half a dozen regional liquid milk suppliers surviving in the UK. Cotteswold operate four different service depots located in Cheltenham, Shropshire, North Wales and Hereford, as well as their main production site in Tewkesbury, and are supplied milk by more than 40 local farms.

FIRST MILK LAUNCH 'WORLD-LEADING' SOIL CARBON TESTS

First Milk, Nestlé and Agricarbon have announced the launch of a pioneering soil carbon capture project—claimed to be the first of its kind in the world. The project, which establishes a comprehensive and scientifically robust soil carbon baseline for F/M farms, will use state-of-the-art machinery to carry out intensive soil carbon analysis at a fraction of the usual cost. The approach allows soil carbon sequestration to be quantified over time to support F/M's net zero ambitions. The initial phases of the project are being carried out in partnership with Nestlé, who have an exclusive milk supply contract with F/M. The project, guided by Dr Helaina Black at the James Hutton Institute, will see high intensity, field-by-field soil carbon stock quantified across 40 farms, with the intention to extend this to 100 F/M farms by the end of 2021.

Green troubles**B&J MILK SUPPLY RUNS INTO TROUBLE**

A dairy farm near Eccleshall, Staffs, the latest of only 12 selected nationally on animal health, welfare and silage quality criteria to supply milk to American ice cream company Ben & Jerry's, now owned by Unilever, has run into planning problems over a new slurry lagoon. Local residents have raised objections to the proposed lagoon and silage clamp. It is thought that milk would have to be transported 85 miles to Unilever's Barnwood ice cream plant.

UK milk production**MILK TO CONTINUE TO EDGE UP**

GB milk production could reach nearly 12.75bn litres by the 2023-24 season, according to AHDB estimates. This would be 1.7% higher than 2020-21, equivalent to an extra 210m litres. The biggest jump in this forecast is in the next 2yrs, mainly due to an uplift in young-stock numbers recorded in 2020. But most analysts expect the milking herd to continue shrinking with increasing land use restrictions. The GB dairy herd fell 7.5% in the 3yrs to January 2021—2.5% annually. This rate of decline is expected to continue. At the same time cow yields are expected to continue improving at an annual average rate of +2.3%.

Company reports**PATTEMORES SALES DOWN, PROFITS UP**

Somerset-based **Pattemores**—who trade as **Pattemores Ingredients** but report as **Pattemores (Transport) Crewkerne**—have reported turnover for the year to April 2020 down 7% at £33.7m, due mainly to the fall in raw milk prices, but operating profit was up 20% at £1.1m, lifting average operating margin from 2.5% to 3.3%. Pre-tax profit was up 25% at £1.0m. Their tax charge was up 28% at £205,000. Total equity was up 23% at £3.7m. Dividends were up 8% at £181,000. The company started in haulage over 80yrs ago, mainly milk, and moved into milk processing 30yrs ago at their 24-acre Misterton site. They are now supplied with milk by 40 dairy farmers in Somerset, Dorset and Devon and they have another 36 farms for their customers' organic and goat milk products. They say the first Covid lockdown was very damaging with loaded trucks returned to site with few avenues for resale; sales were down 30% last March but no milk was lost and all milk was fully paid for. They have now increased capacity for additional creams, with improved storage facilities almost completed. They are awaiting planning approval for a larger workshop, lorry parking and a solar park. Staff numbers were up from 111 to 119. Sale of goods accounted for 90% of turnover, milk collection and processing for 6.5%, and haulage for 3% (see I HEAR facing page).

Orpington, Kent-based dairy traders **Staple Dairy**—now under new management after Derek Robbins retired and sold the business to the management in 2019—have reported turnover almost halved to £13.3m for the year to March 2020—without explanation—but operating profits were up 26% at £308,000, lifting average operating margin from 0.9% to 2.3%; pre-tax profits were up 40% at £290,000. Total equity was up 2% at £470,000. Dividends for the three directors were cut by 44% at £225,000. Staff numbers were down from 21 to 18.

South Wales-based **Llaeth Cymreig** ('Welsh Milk') have reported, from very abbreviated accounts which show neither revenue nor profits, that their net assets/members funds were down 47% at £373,000. They said their board had agreed to support their members' milk price during the year from cash reserves. Staff numbers were unchanged at seven. They had total debtors of £633,000.

Preston, Lancs-based **Tom Barron Farms**, who ceased cheese-making after a major fire several years ago and now operate as bottled milk buyers, report from very abbreviated accounts for calendar year 2019, shareholdings funds down 45% to £43,000 and total staff of 11.

Harvey & Brockless parent company **Blackwater Food Provision** have reported pre-tax profits, also defined as dividends to their three directors, up 40% at £1.1m for the year to September 2019. For the same 12mths, H&B reported sales of £112.3m.

Scotland**KERR MILK BUSINESS EXPANDS TO ABERDEEN**

Dundee-based Kerr's Family Dairy say they have experienced a sharp rise in demand amid the pandemic and they have now agreed a six-figure funding package with Royal Bank of Scotland, partly to buy extra vans and to fund a new depot in Aberdeen. They are also re-locating their main operations base to a new, bigger, site in Dundee. Director Kelvin Kerr said: "Between our Dundee and Aberdeen depots, we now serve a customer base of more than 13,000, well ahead of targets."

Carbon zero target**DAIRY GROUP LEAD CARBON RESEARCH**

UK researchers, co-ordinated by national dairy advisory company the Dairy Group, are developing a new roadmap specifically for UK dairy farmers to become net zero within 20yrs. The ambitious 12-month project will make recommendations aimed at measuring and reducing carbon emissions on farm. The farming industry aims to reach net zero in England and Wales by 2040. The Trehane Trust, which provides awards for dairy industry research, has awarded £15,000 to the Dairy Group to help deliver the roadmap.

Milk prices**SAPUTO UP 1.5ppl FOR MAY/JUNE**

Saputo Dairy UK announced an increase to the milk price they pay to their **Davidstow** farmers by 1.5ppl to 30.36ppl (for their variable contract, for the DIN/AHDB standard litre) phased over 2mths between May and June. This takes their price to fourth in our league table, behind only the three Müller retailer contracts.

First Milk are increasing their member milk price by 0.5ppl for May, taking their price to 28.64ppl (for the DIN/AHDB standard litre). F/M also announced that they are dropping their liquid contract; everyone will now be put onto their manufacturing contract—the 4.2% b/f & 3.4% prot. also more accurately reflect the quality of milk members are producing, F/M say. Members will also receive their member premium on April 20 for all milk produced in 2020-21; for the average member this amounts to just over £4,800.

Defra milk price**FEB MILK PRICE = 29.93ppl**

The average UK farmgate milk price in February was 29.93ppl, up 0.18ppl on January (29.75ppl), according to Defra. The average price in Jan-Feb was 29.84p, 3.7% up on 2020. Prices for the past 3mths (Jan-Mar) have been static, up by an average of no more than 0.2ppl; in these months last year prices fell by about 2.00ppl.

- **Feb milk production** was 1,148m litres, according to Defra—2.8% less than Feb 2020. Production in the first 2mths of 2021, totalling 2,401m litres, was down 1.2%.

Wholesale price increases

JERSEY MILK UP 5ppl

The wholesale price of Jersey Dairy milk in the Channel Islands is to increase by 5ppl due to "significant increases in farm costs". The company says exports have also been affected by lockdown measures in the UK. They say cattle feed and staff costs have risen 46% and 58% respectively over the past 3yrs.

DALE FARM RAISE PRICES TO RETAILERS

Northern Ireland's Dale Farm have informed retailer customers that the price of their milk and cream will increase from April 11, blaming the hike on rising raw milk prices and "substantial increases" in the cost of plastic bottles. Retailers will pay an extra 1p for a pint of milk, with two litres rising by 4p, and 3-gal containers by 29p. Half a litre of Dale Farm cream will rise by 8p, and two litres by 32p.

Liverpool Cheese Co

ONLINE SUCCESS

With a CBILS (coronavirus loans scheme) loan, the Liverpool Cheese Company has reinvented itself. When the pandemic shut the economy down, the business lost a large revenue stream as their wedding cake orders stopped and they were forced to close their cheese 'school'. But cheese-loving boss Vickie Anderson and partner Ian Tomlinson adapted by rebuilding the website to stock more than 200 products. They are now doing around 250 orders a week online, with year-on-year e-commerce takings up tenfold. Many customers buy cheese as gifts.

• **Connage Highland Dairy** last week launched an 'express' store that allows customers to purchase products such as cheese and milk using self-service vending machines. Jill and Callum Clark, from Ardersier, near Inverness, are now able to sell their own organic milk—both pre-bottled and for self-service refills and claim a big response from locals via Facebook.

Wales

SCC SCORE AGAIN

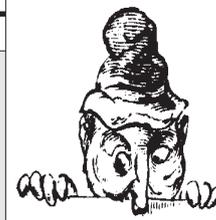
North Wales co-op South Caernarfon Creameries have reached Level Three on the Welsh 'Green Dragon' standard after major reductions in electricity, water and oil use, cutting waste and turning more of it into energy. They have also bought more energy efficient lorries for the milk tanker fleet. SCC are producing over 10,000t of cheese a year, with 127 farmer members.

Indian miracle—It has gone almost unnoticed but then it has done so for many years: the continuing Indian milk miracle. The Indian authorities have provisionally estimated 2020 production at 198.4m tonnes and they will certainly top 200m tonnes for the first time this year. It is less than 25yrs—and DIN was there to note the milestone—since India surpassed the US as the world's biggest milk producer, the result of the pioneering Dr Verghese Kurian's 'White Revolution' campaign to use milk production as a means to lift India out of rural poverty: today milk constitutes no less than one-third of rural incomes in India. Last year India produced almost twice as much milk as the US. The EU produced less than 150m tonnes. NZ is often touted as the world's fastest growing milk producer: in 50yrs their production has grown 5-fold; India are up 9-fold. By a coincidence, Indian milk production 50yrs ago almost exactly equalled what NZ produces today.

—Despite headlines India is only a marginal exporter. Amul/GCMMF, by far the biggest Indian dairy exporter, exported about 12,000t of milk powder last year, mainly to Bangladesh, Afghanistan, UAE, Oman and Malaysia.

Japan/China—Meiji are obviously bullish on the prospects for China's yogurt market (see p1) but have no intention of competing head-on with the local giants. Instead, the Japanese firm is opting to make a push into the market for lactic acid bacteria. Chinese consumers have become more health conscious in the wake of the coronavirus pandemic. Meiji are now making sustained efforts in China. They invested CNY145m (US\$22m) to expand their Suzhou factory in 2019. The company also announced the construction of a new plant in southern China last July and set up their first factory in northern Tianjin in September 2019. To address the milk supply issue, Meiji bought a 25% stake in AustAsia Investment Holdings for \$254m last year. AustAsia owns seven farms, each with over 10,000 cows, and situated strategically close to Meiji's plants. At the end of 2020, Meiji also unveiled a 650m yuan (\$100m) capital increase at their Shanghai subsidiary to expand their ice cream business further. These investments are clearly in response to Chinese demand far outpacing Meiji's production capacity. Meiji China are also under pressure to expand their overseas markets; the parent company aims to increase overseas revenue from 5% to 10% of total revenue in 5yrs. But they are being careful not to compete directly with Chinese industry giants, aiming instead to introduce new products that are well tested in Japanese markets.

Milk pricing codes—Australian dairy industry Code of Conduct-regulated new milk price contract arrangements have "fundamentally altered the way dairy farmgate prices are set in Australia, according to Dairy Australia's latest Situation and Outlook report. But the report then proceeds to contradict this conclusion when it says: "This season has seen aggressive opening prices to secure supply. This pattern will be repeated while excess milk processing capacity remains." In other words, supply and demand at work again. The UK dairy sector, backed by the minister for agriculture, for some unknown reason—probably because he thinks the farmers want this—are also trying to agree a code of practice for milk pricing. This won't work, it never



I hear....

US v. INDIAN MILK PROD.

m tonnes	US	India
1970	53.1	22.2
1980	58.2	31.6
1990	67.0	53.9
2000	75.9	80.6
2010	87.4	121.8
2020	101.2	198.4*
In 50yrs	+90%	+800%

*Provisional official estimate

does. The tougher the code, the less risks the milk processors will take in setting prices they know are too high. Farmers and the unions press hardest for codes when prices are low, ie, not now. Only in France has the sector connived at a price fixing model which usually gives them a bonus. February prices, according to the LTO (see p4) gave the French average at 34.25c/kg, 0.27c better than the LTO average and 2.25c ahead of the German average. But it has taken decades for the French dairy sector to get to this cosy arrangement, which usually works best when prices are low.

US shenanigans—Last year we reported on the manoeuvres of Borden Dairy, under new ownership, in registering separate businesses for each of their processing plants and associated trans-

portation depots. It transpires that Prairie Farms co-op were busy doing something similar after they acquired eight of the bankrupt Dean Foods processing plants in April 2020. Between April and July, a business name that had been rattling around the Prairie Farms portfolio since a 1986 acquisition—East Side Jersey Dairy—was newly registered in 13 states, adding to the 10 states where it was already listed, and now the company's website shows that East Side Jersey Dairy (a business originally based and established in Anderson, Indiana in 1920) is a separate trading subsidiary of the Prairie farms business and includes six of the former Dean Foods plants in its estate of 10 processing plants and 61 depots. East Side now operate alongside the Hiland and Turner Dairy joint ventures that Prairie operate with DFA, their own 'Prairie Farms Dairy' and three other specialist businesses. We can only speculate that this move is designed to create the impression of competition where none really exists. Of course the use of a strapline like 'Incorporated 1920' normally helps to confuse consumers. By the time Prairie Farms acquired East Side Jersey dairy in 1986 it was trading as 'Best Ever Dairy'. Would the boss, Ed Mullins, have the gall to use that name again somewhere soon?

Van Dairy—Australia's largest and oldest dairy farm has been hit with detailed fresh claims of animal welfare abuse and overstocking of cattle, leading to contamination of waterways. Catastrophic failures by the Chinese Moon Lake Investments, who bought the 23 Van Dairy farms in Tasmania for A\$280m in 2016, have been revealed in confidential documents, photographs and accounts from employees and locals obtained by The Sydney Morning Herald and The Age. Surely this will now be addressed?

Pattemores—Large round of applause for Pattemores, UK West Country dairy ingredients producer, and a brilliant advertisement for localism. But this week's cheers are for Pattemores' annual report presented recently to Companies House (see facing page). Pattemores report is very unusual—and we scrutinise up to 200 such reports annually—in that it describes what the business actually does and what some of their future plans are. If only others would do the same! This doesn't require the disclosure of state secrets!

Moo-R—Is the milk used in the ice cream organic? Maybe you can find out with the use of Yeo Valley Organic's 'Moo-R' codes. The company says it has shaved the codes into its 400 Friesian cows. Scanning one takes you to a website purporting to be a social network for the herd. But this was in the UK's Daily Telegraph on April 1 (geddit!).

EU dairy markets – short-term outlook

Since the beginning of 2021, EU dairy prices have been on a rising trend, according to the latest short-term Agricultural Outlook publication from the European Commission. European dairy markets have been supported by both sustained world demand and domestic use. Up to March 2021, EU butter and whey powder prices recorded the

highest increase (+13%), followed by WMP (+11%) and SMP (+9%). EU butter price is currently at €3,800/t, the highest for 21mths. Combined with a rising SMP price, the EU milk equivalent price should also increase, providing further incentives for milk production growth and compensating for potentially higher cost of purchased feed. The EU raw milk price reached close to 35c/kg in January, well above the 5-year average. Despite increasing domestic prices, the EU remains competitive on the world market, notably for butter and WMP. At the beginning of March, the EU butter price was 26% below the Oceanian price and 11% less for WMP. For Cheddar cheese, EU prices are almost at the same level as the US ones (just 1.3% above). The US is more competitive for SMP (11% below the EU price).

The EU dairy sector proved its resilience during the Covid-19 crisis in 2020. In 2021, more milk is expected to be produced, driven by an increase in yield (+2%), more than compensating for the continuing decline of the EU dairy herd. Good global and EU demand is expected to improve further with the re-opening of foodservices, especially later this year. This could continue supporting EU dairy prices, translating into higher EU raw milk prices paid to farmers.

• **CONSUMPTION**—EU cheese and butter consumption could particularly benefit from the foodservice recovery while retail sales of those products are expected to remain at a higher level compared to the pre-Covid period. EU SMP and butter exports could grow (by 6% and 4% respectively), driven by competitive EU prices. Liquid milk consumption should remain higher, but probably below 2020 levels as stockpiling is unlikely to be repeated.

• **MILK DELIVERIES**—In 2020, for the 5th year in a row, the EU dairy herd continued to decline down by an additional 1.1%. Among the EU largest milk producing countries, only Ireland saw an increase in their dairy herd (+2%) while Germany and France declined by the same rate (-2%). The number of heifers at the beginning of 2021 is at its lowest in the past 10yrs (with a -7.4% annual reduction of the number of heifers per 100

cows). This implies a lower replacement rate in 2021. Nevertheless, the EU milk production increased by 1.7% in 2020, supported by a strong annual yield growth (+2.8%).

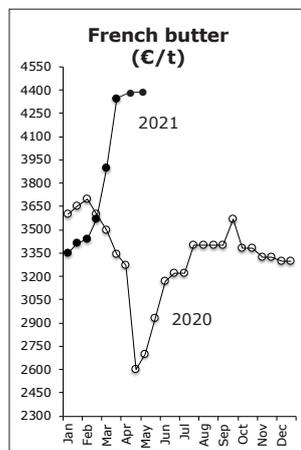
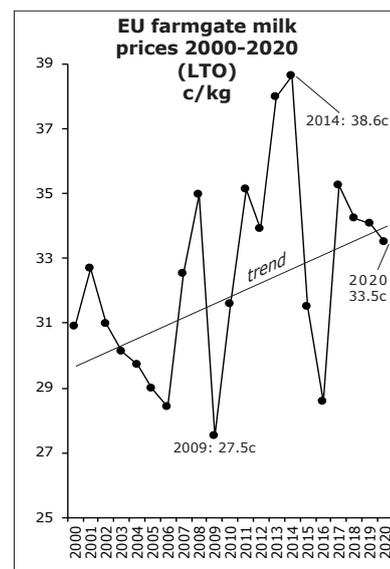
In 2021, 1% EU milk production growth is expected, driven by yield increases, while the dairy herd could contract by close to 1%. Assuming favourable spring and summer weather conditions to produce farm-grown feed, and good quality and availability of grass, should outweigh current concerns of rising feed costs. As initial developments suggest, first quarter milk production could be lower than in 2020 and more milk is expected to be produced after that. Among EU countries, Ireland should

continue its growing production path thanks to an increased dairy herd (around 4%). Milk production is also expected to grow in Poland (+2%), Italy (+2.5%) and Netherlands (+1%). Production in Germany and France will increase marginally (+0.2%).

• **CHEESE**—Covid-19 restrictive measures are expected to be progressively lifted allowing foodservice recovery in the second half of 2021. This should support EU cheese consumption. Retail sales should remain strong but lower than in 2020. EU cheese production is expected to take a 21% share of the extra milk produced in 2021. The recovery of foodservice should support a 1% EU cheese consumption growth. At the same time, EU cheese exports should grow by 4%, reaching more than 1.4m tonnes (+33% over past 10yrs). Shipments to Japan and the temporary lifting of tariffs imposed by the US are likely to be the main drivers of such an increase which should allow stocks getting to normal levels. Thanks to good export demand driven by China for whey products, EU whey exports could increase by 5%.

• **FRESH PRODUCTS**—Because of Covid-19 2020 EU consumption of fresh dairy products reversed its long-term decline. This was reflected by a significant increase in drinking milk production. As a result both EU production and consumption of fresh products grew in 2020 by 1.7% and 1.2% respectively. This is not likely to be repeated in 2021. The continuation of teleworking and home schooling will keep home consumption and retail sales at high levels and limit the use of dairy products in canteens and cafes. In addition, EU production of drinking milk and yogurt are likely to fall somewhat in 2021 while cream could slightly grow marginally. EU consumption of fresh products is still likely to be above 2019 levels (83.4 kg per capita). EU exports could grow by 5%, mainly to China (drinking milk and cream).

• **EXPORTS**—Competitive EU butter prices resulted in historically high export levels in 2020. Despite the increase in tariffs imposed on some EU products, shipments to the US grew by 14%. In 2021, EU butter retail sales and the gradual re-opening of foodservice allowed EU consumption to grow by close to 1%. World demand for EU butter will continue growing and EU exports could be 4% above 2020 levels. More milk is expected to be channelled into SMP production, resulting in a 3.5% annual increase in 2021. Driven by the demand from southeast Asia and oil producing countries, exports should recover following a drop in 2020 of around 12%. As a result, EU exports could reach 880,000t in 2021. Demand for SMP used in food processing is growing. World demand for WMP, driven by China, remained strong during 2020 with the increased demand mainly covered by Oceania, with the EU supplying other markets. In 2021, EU WMP production is to keep up with domestic (around 57% of the production).



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