



BARRY WILSON'S DAIRY INDUSTRY NEWSLETTER

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US

DFA MUST FACE ANTI-TRUST CHARGES IN COURT

DFA cannot hide behind their co-op status to protect themselves from anti-trust claims, the US Dept. of Justice (DOJ) said in a court filing last week. The case involves more than 100 Northeast dairy farmers who opted out of a \$50m class action settlement in 2016. Congress passed the Capper-Volstead Act in 1922 to give farmers greater bargaining power with processors and other corporate handlers of food products, the DOJ said. "It would be inconsistent with the act's text and purpose to allow a defendant to use (it) as a shield when they act as a food processor or exercise monopoly power to harm individual farmers." The trial is scheduled to start on Sept 30. Separately, a North Carolina federal court has rejected an attempt by DFA to escape a lawsuit served by Food Lion and a regional co-op over DFA's purchase of three processing facilities in North and South Carolina. The transaction was part of DFA's \$433m acquisition of Dean Foods assets. US District Judge Catherine Eagles issued an order denying DFA's motion to dismiss the suit.

US

EX-DEAN TEAM TAKE CONTROL OF BORDEN DAIRY

The \$340m sale of Borden Dairy to Capitol Peak Partners and KKR was completed on July 22, three days after court clearance, moving the company out of bankruptcy with capital backing and industry veterans at the helm. Former Dean Foods/WhiteWave CEO Gregg Engles, founder and managing partner of Capitol Peak, is chairman and CEO of the new entity. Pat Boyle, who has worked in the dairy industry since the 1970s, most recently as owner and CEO of Hill Country Dairies, is president. Pat Ford, who was at one time CFO of Dairy Group (Dean Foods) and Southern Foods, is CFO. Pete Schenkel, also a board member, was formerly president and owner of Southern Foods, which later sold to Suiza Foods and became Dean Foods. He is also a former president and board member of Dean Foods. Borden's former controlling and majority equity holders, ACON Investments and Mexico's Grupo Lala, have exited the business. KKR's investment is held by business development companies co-managed by KKR Credit. The sale involved almost all Borden assets including all 12 processing plants, branches, distribution and the Borden brand. All 3,300 staff remain in place.

China

POSSIBLE DUAL LISTING FOR JUNLEBAO DAIRY

Hebei province-based Junlebao Dairy are in talks for a dual listing in Hong Kong as well as mainland China, potentially seeking at least US\$700m in a HK share sale. A listing would follow China Mengniu's sale of their 51% controlling stake in the company last year for over 4bn yuan (\$574m). Junlebao contributed 75.5m yuan (\$10.8m) to Mengniu's net income during the first half of 2019, down from 79m yuan over the same period in the previous year, according to Mengniu's 2019 interim report. Private equity investors Ping An Capital, Primavera Capital and Sequoia Capital are among the company's new backers. Founded in 1995, Junlebao produce yogurt, liquid milk and infant milk powder formula. They produced 75,000t of milk powder in 2019, a 62% increase on the previous year, the company announced in January. They are competing with domestic players such as China Feihe as well as large multinationals Nestlé and Danone for China's huge retail market in infant milk powder, which accounted for 175bn yuan (\$25bn) in sales last year, according to Bloomberg Intelligence.

NZ/China

CHINA'S POWDER IMPORTS SLIP BACK IN JUNE

China's WMP imports slipped behind last year in June, down 6.5% to 36,300t, with 93% coming from NZ. SMP imports were down 6.0% from strong June imports last year, to 23,400t. The US, the second biggest supplier, accounted for 14% of the June volume, almost seven times more than a year earlier and back in line with 2017-18 supplies. Infant formula imports were down 9% to 27,900t and butter imports were down 6.3% to 4,770t. Cheese imports were up 14% to 12,500t, AMF up 107% to 3,700t and lactose up 93% to 10,100t. For the first half of the year, WMP imports were up 1.4%, IMF +0.5%, cheese +5%, butter +43%, AMF +31% and lactose +5.5%. SMP imports were down 12% and caseinates down 10%.

The value of **NZ dairy exports** (milk powder, butter and cheese) in June was up 5% from last year to NZ\$57m, according to StatsNZ. WMP exports to China were up 4% by volume; China accounted for a third of the total, but sharp increases to the UAE, Algeria and Sri Lanka drove total WMP exports up 21% to 112,200t. SMP exports were up 14% to 28,600t despite lower sales to China. IMF exports continued weaker—down 5% to 10,400t. Cheese exports were down 11% to 25,600t and butter down 8% to 15,000t—their lowest June outcome for a decade. AMF exports were up 8% to a new record for June, mainly going to China.

CHINA DAIRY IMPORTS

tonnes	June 2020	v. '19	YTD
WMP	36,300	-7%	+1%
Infant form.	27,900	-9%	+1%
SMP	23,400	-6%	-12%
Cheese	12,500	+14%	+5%
Lactose	10,100	+93%	+6%
Butter	4,800	-6%	+43%
AMF	3,700	+107%	+31%
Caseinates	1,700	+24%	-10%

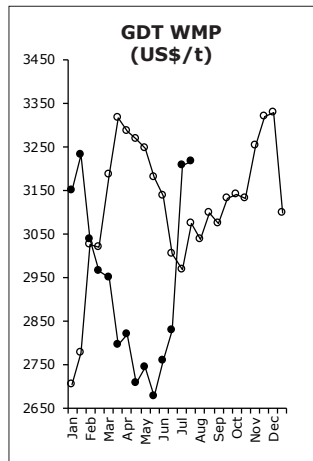
Source: GTT/StoneX

NZ DAIRY EXPORTS

tonnes	June 2020	v. '19	YTD
WMP	112,200	+21%	-5%
SMP	28,600	+14%	+1%
Cheese	25,600	-11%	-6%
AMF	21,400	+8%	+7%
Butter	15,000	-8%	-20%
Infant form.	10,400	-5%	+13%
Casein	3,500	+2%	-7%
Caseinates	3,500	+28%	+26%
Lactose	3,400	+37%	+27%

Source: GTT/StoneX

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Aldi	7	Aurivo	5	DFA	1	Graham's Dairy	7	Mother Dairy	3	St Helen's Farm	6
Amul	3	Bellamy's	3	Fonterra	3	Junlebao Dairy	1	Ornuva Foods	6,7	Sundale Dairy	3
Arrabawn	5	Borden Dairy	1	FrieslandCampina	4	Medina Dairy	6	Prabhat Dairy	3	Watson's Dairy	6



WATCHING, WAITING ON LOCKDOWN LIFTING

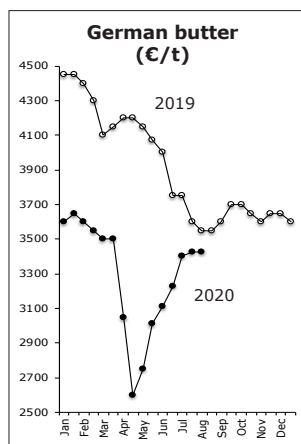
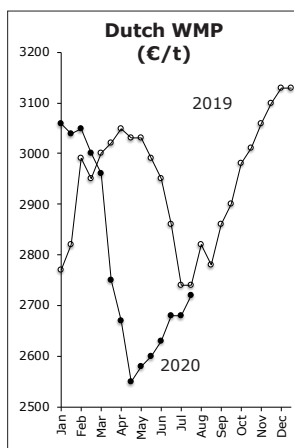
Furrowed processors' brows were starting to disappear in July as Covid lockdown ran its course. Milk collections and factories had largely escaped the worst, and the early predictions of market Armageddon failed to materialise. Indeed, the number of farmers in the UK who applied for the Government's bailout money ended up being around 150—a fraction of the "thousands of affected farmers" predicted by the NFU. The amount of product stored under the emergency Private Storage Aid scheme across Europe was also relatively small, and certainly not enough to rattle trader cages or overhang the market for months.

The market has remained surprisingly robust, epitomised by EU butter prices last week setting a new modern-day record of 15 consecutive weeks without a fall. Markets appear to have been helped by consumers going 'mad for dairy', farmers playing their part across Europe by cutting milk volumes, Trump throwing money at his farmers like confetti at a wedding, and the Chinese continuing to import.

The world watches and waits once more. Covid incidences surge around the world. Relaxed lockdowns tighten again. Nervousness builds about whether there will be second waves, or not. Most of all, manufacturers and sellers want buyers back from their holidays, and the return, they hope, of some semblance of normality, as torpor and market inertia is starting to have an increasingly negative effect on sentiment. Butter and cream is slipping slightly; butter is now said by some to be at €3,200-€3,250/t, which would put UK valuations at below £3,000/t for the first time since May, although other traders dispute this and say it's still above that threshold. Cream has also weakened slightly, and although it is still in the £1.40p/kg range the lack of demand means it is only just holding on in there, and down from the £1.44s of previous weeks.

On powders, WMP continues to wiggle up—with EU product up €10/t 2wks ago, and another €6/t last week to around €2,760/t. The price hasn't dropped for 9wks or so but—unlike GDT WMP—it still isn't back to its pre-lockdown levels. SMP is still under pressure at €2,100/t, and perhaps tellingly both Dutch and German origin fell back last week, albeit by €20 or less, to finish at €2,133/t. Whey remains stable at €700/t. Futures prices are also trending down. NZ futures have fallen across WMP and SMP and both are well below the last GDT auction prices at the equivalent of around €2,600/t for WMP and €2,200 for SMP. NZ milk volumes have started strongly for the new season, which will add to the pressure. EU futures are also at their lowest level in weeks. However, the reality is that butter futures have been way above actual market prices, and are still around €3,400-€3,450/t, and thus way above market realities, with SMP futures at €2,100/t.

European cheese remains stable, with no reported changes in Edam and Gouda or Mozzarella, which are all around €2,800-€2,850/t. Mild Cheddar prices in the UK are also stable with £2,950/t being the cited price from



LATEST GDT RESULTS

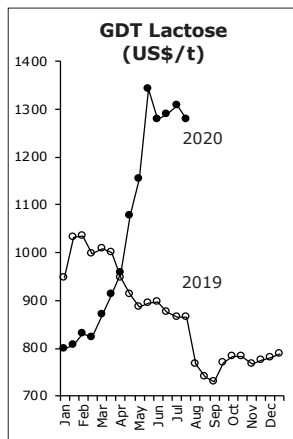
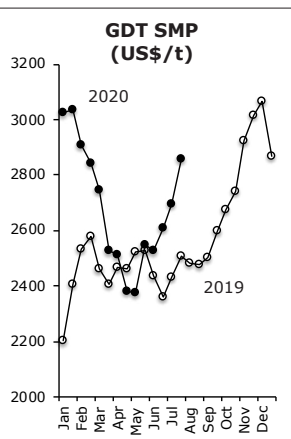
	\$/tonne	Change in 2020
WMP	3,218	+2%
SMP	2,860	-5%
Butter	3,533	-12%
AMF	3,870	-21%
Cheddar	3,803	-5%
Lactose	1,279	+60%
Index	989	-5%

GDT world markets

GDT PRICE INDEX DOWN 0.7%

The latest GDT auction resulted in an overall index down 0.7%. The WMP index was up 0.6% based on an average price of US\$3,218/t and SMP was down 0.5% at an average \$2,680/t. Cheddar was up 0.6% at \$3,803/t. Butter was down 4.9% at \$3,533/t, AMF was down 2.8% at \$3,870/t and the lactose index was down 2.5% at \$1,279/t. BMP was not offered. A total 23,995t of product was sold, down 6.6% from last time and down 4.0% from a year earlier.

WMP prices are now above pre-Covid-19 levels, boosted by China's resurging imports and second-quarter GDP growth of 3.2%. The auction consolidated big gains from the previous one, with the WMP price up 0.6% on the back of a whopping 14% rise in early July. There is still some concern over China's domestic milk powder inventories—local milk supply in China was up 10% from last year in the second quarter of 2020, although differences in taste and colour profiles are making it difficult for manufacturers to substitute NZ WMP with domestic stocks, analysts say.



Weekly market prices @31.7.20

EU OBSERVATORY PRICES

(€/t)	July 29 v. July 15 2020	2020 high	2020 low
Butter	3360 +0.9%	3720	2880
WMP	2750 +0.7%	3070	2610
SMP	2090 =	2620	1910
Cheddar	3070 +0.7%	3190	3010
Whey powder 730	=	830	710

US QUOTES, CHICAGO MERC.*

(\$/t)	July 31 v. July 17 2020	2020 high	2020 low
Butter (AA)	3620 -3.9%	4300	2540
SMP (grdA)	2180 -2.0%	2850	1800
Cheddar			
-40lb blcks	5200 -16.8%	6245	2275
-500lb bar.	5260 -1.4%	5330	2260

*Conv. from US ¢/lb@1 tonne = 2,205lb

EU market indicators

The German IFE institute has estimated an **average EU raw milk value** for the current week of 29.3c/kg at the farmgate level, virtually unchanged (down 0.2c) from last week and staying within a range of less than 1c throughout July. The estimate is based on the official prices of butter and SMP in Germany, France and the Netherlands. The average price of SMP in all three markets was down €12 at €2,133/t and the average for butter was unchanged at €3,385/t.

The **Dutch Dairy Board/ZuivelNL** left most of their official dairy commodity prices unchanged last week. The SMP (food) price was cut by €20 to €2,150/t; butter stayed at €3,330/t, WMP at €2,720/t, SMP (feed) at €2,040/t and whey powder at €700/t.

most manufacturers. There remains little available on the open market—sellers know this, so are in no rush to sell cheaply. Spot milk, meanwhile, remains in the high-29p to over 30ppl range in the UK. Spot prices in Italy continue to fall, now down to around 34c/litre.

US BLOCK CHEDDAR TUMBLES

CME Cheddar blocks in the US have lost ground every day since they topped out at \$3/lb 3wks ago but traders report more than enough cheese to meet demand, especially with continuing Covid uncertainty, even if manufacturers have started to dig into inventories. USDA reported end-June cheese stocks at 1.42bn lb, 2.6% higher than last year, and butter stocks were up 11%.

NZ**FONTERRA FREED FROM SUPPLY RESTRICTIONS**

The NZ Parliament has removed the open entry and exit provisions of the 20-year-old Dairy Industry Restructuring Amendment Bill, meaning Fonterra will not be obliged to accept milk from new entrants. New legislation also removes the requirement for Fonterra to supply milk to competing processors while they get established. A controversial last-minute addition to the Bill removing their obligation to accept milk from farmers who had left the co-op but then wanted to return was also passed. Fonterra had been pushing for this change while independent processors including Open Country Dairy and Miraka had lobbied for its retention. Fonterra had already won the right to refuse milk from farmers who failed to comply with environmental or animal welfare regulation. Fonterra's market share is estimated to have fallen from around 96% when DIRA came into effect to about 80%.

- Fonterra are planning to invest in a new R&D site in Shanghai and to establish a new application centre in Wuhan next year.

Australia**BELLAMY'S JAN CAMERON FACES JAIL**

Tasmanian businesswoman and former Bellamy's director Jan Cameron has pleaded not guilty to criminal charges alleging she failed to disclose her close links to Black Prince, the major investor in Bellamy's. Ms Cameron remained a shareholder until the organic infant formula company was controversially sold to China Mengnui Dairy last year. She faces up to A\$40,250 in fines and 5yrs in prison for two alleged breaches of the Corporations Act. The Australian Securities and Investments Commission allege that in August 2014, when Bellamy's floated on the ASX, Ms Cameron and Black Prince amassed a substantial holding of 14m shares. Black Prince controlled 14.74% of Bellamy's at that time and it is alleged that Ms Cameron failed to disclose that interest as required. ASIC also allege that in February 2017 she lodged a misleading initial substantial holder notice.

Vietnam**MOC CHAU MILK IN \$54m IPO**

Vietnam's Moc Chau Milk plan to issue shares in an initial public offering to raise 1.25tn VND (\$54m). About 43.2m shares will be released to increase equity capital by 65% to 1.1tn VND (US\$47.4m). Some 39.2m will be sold to their strategic investors—Vinamilk and GTN Foods—for 30,000 VND per share, valued at 1.17tn VND (\$51m). A further 3.34m shares will be issued to existing shareholders, offering five new shares for every 100 owned, at 20,000 VND per share, raising about 67bn VND (\$28m) and any remaining will be sold to the strategic investors. Optional ESOP shares will be issued to employees at 10,000 VND per share, raising 6.7bn VND (\$2.8m). Moc Chau are to build a new 4,000-cow farm, upgrade an existing farm and install new processing facilities.

- **Vinamilk** posted second-quarter net revenue of 15.49tn VND (US\$670m)—up 6.1% from a year earlier, attributed partly to their Moc Chau investment.

India**MOTHER DAIRY MOVE INTO BREAD**

The National Dairy Development Board, set up in 1974 under 'Operation Flood', are diversifying into bread. New products will include 'milk and fruit bread' for children. The Rs11,000 crore (US\$1.47bn) company is planning to transform itself into a broader food and nutrition company, according to managing director Sangram Chaudhary. The bread industry in India is valued at Rs5,300 crore (\$710m) and growing. Chaudhary has set a revenue target of Rs100 crore (\$13m) for the bread category in the next 3yrs. Total revenue target is Rs25,000 crore by 2025.

India**PRABHAT PROBED OVER LACTALIS SALE**

Prabhat Dairy's Rs1,700-crore (US\$227.3m) sale of their fresh milk business in April last year to Lactalis of France is being investigated by the Securities and Exchange Board of India. Auditors Grant Thornton have been hired to carry out a forensic audit of Prabhat's accounts for the past 2yrs to see whether accountancy principles, sale proceeds or minority shareholder interests have been compromised. SEBI's investigation follows complaints by some investors that the company had misrepresented its finances.

SODHI SLAMS US-INDIA TRADE PLAN

As part of a new trade deal, India is offering to open its dairy markets to the US while seeking concessions for generic drug exports—a proposal slammed by dairies including Amul. "Under no condition should India allow free trade in dairy products since it would impact millions of small farmers," said R.S. Sodhi, managing director of the Gujarat Cooperative Milk Marketing Federation/Amul.

More support—Direct cash support for farmers would not solve the current oversupply problem, according to Sodhi: state and central government should provide support for milk to be processed into powder, export incentives and milk powder handouts for schoolchildren, he said.

Aiming high—Amul are aiming for group turnover of Rs 100,000 crore (\$13.3bn) by 2024-25, with a view to becoming one of the top three global milk producers. Milk procurement in 2019-20 was 21.6m litres a day, down from 23m litres the previous year. Amul posted turnover up 17% to Rs38,542 crore (US\$5.1bn) in the year to March 2020. Group turnover, including 18 member unions and a range of food businesses, was Rs52,000 crore (\$7bn).

US/South Africa**SUNDALE + SCHREIBER IN BURGER CHEESE JV**

Eastern Cape Province-based Sundale Dairy and Schreiber Cheese of the US are investing R70m (US\$4.2m) in a joint venture to build a new cheese factory in East London to replace burger cheese imports. Some 70% of slice-on-slice cheese in South Africa is imported and Sundale currently supply Burger King and McDonald's South Africa with imported product. They aim to deliver 7,000t of domestically produced preservative-free cheese slices to the African market per annum.

US**TRICKLING SPRINGS OWNER JAILED FOR 10yrs**

The former owner of Pennsylvania organic dairy, Tricking Springs Creamery, who pleaded guilty to defrauding investors of nearly \$60m, has been sentenced to 10yrs in prison. Philip Riehl, an accountant and the majority owner of the business, ran a long-running Ponzi-type scheme that preyed on hundreds of Amish and Mennonite investors. He pleaded guilty in February to securities and wire fraud and conspiracy.

BURNT BURNETT DAIRY TO BE REBUILT

The Burnett Dairy Co-op processing plant in western Wisconsin will be rebuilt after a fire destroyed part of it. It is understood that the fire broke out as a result of a mechanical issue in the original part of the plant. The co-op is supplied by 200 farmer members. Other cheesemakers have stepped into help in the interim.

US/China**THIRD-PARTY AUDITS DROPPED**

US dairy processing facilities seeking to be listed as eligible to export dairy and infant formula products to China are no longer required to provide confirmation to the US Food and Drug Administration (FDA), and vice versa, that a third-party auditor has found them to be in compliance with China's regulatory requirements. The relaxation is a result of the new Economic and Trade Agreement, agreed in January and taking effect from July 1, which effectively eliminates plant audits for dairy and infant formula firms seeking to export to China. China agreed to recognise the US dairy safety system as providing at least the same level of protection as its own.

June milk production**US PROD. UP 0.5%**

June milk production in the US was up 0.5% from last year to 18.3bn lb (8,060m litres) and also up 0.5% in the 24 major producing states to 17.4bn lb (7,660m litres). Total production for the year to date was up 1.8%; year-on-year production has increased every month except for May.

NZ UP 1.8%

NZ's June milk production, the first month of the new season and the low point of the year in terms of output, was up 1.8% in volume from last year to 230m tonnes (223m litres). In milksolids it was up 2.0% to 20.3m kg.

Netherlands

F/C FIRST-HALF PROFIT PLUNGES

FrieslandCampina have reported first-half operating profit down 17% and net profit down 37% on revenue unchanged (+0.3%) from last year at €5.6bn. They say the fall was due to the impact of coronavirus lockdown in the second quarter, including the sudden drop in out-of-home sales, lower basic dairy prices and a fall in infant nutrition sales in Hong Kong due to closed borders with China. It was partially offset by higher profit for Consumer Dairy and Ingredients. The farmgate milk price for member dairy farmers was cut by 3.5% to 36.59c/kg. Milk supply was up 1.1% to 5,144m kg due to favourable weather conditions. Costs—including transportation and shipping containers—increased, CEO Hein Schumacher said. "In this unprecedented situation, our member dairy farmers continued to supply their milk, which was collected on time and processed in full at our production locations. We have also always delivered our products to our customers," he said. "We must now assume that we will enter a global recession in 2020 and that recovery will take time." Further changes to cost structure and productivity will be needed, he said. Investment in brands, innovations, sales channels (e-commerce) and growth markets will continue.

Netherlands

F/C AUG MILK PRICE UP 1c

F/C increased their guaranteed price for farmgate milk in August by 1c to 34.0c/kg—now up 1.5c in 2mths. The protein price will be €5.4548/kg, fat €2.7274 and lactose €0.5455/kg. The increase was due to previously underestimated payout prices of the reference companies and expectation that these will increase slightly with cautious recovery in out-of-home demand. F/C's guaranteed price for organic milk was unchanged at 47.5c/kg.

RESISTANCE TO EMISSION PROPOSALS

Dutch milk producers launched major demonstrations last week against government plans to limit the protein content of livestock feed as the ministry of agriculture seeks more cuts in nitrogen emissions from dairy farming. A-ware have rejected the proposed measure, saying it would be overly restrictive and the government should support more innovative measures. There are also concerns about risks to animal health and welfare.

VANDERSTERRE + PLANT-BASED PRODUCER

Dutch family business Vandersterre, who produced Dutch cheese specialties with the brands Prima Donna and Landana, have partnered with Willicroft, a plant-based cheese company also based in the Netherlands.

Brussels update

JAN-MAY MILK PRODUCTION UP 2.0%

Jan-May milk production in the EU was up 2.0% from last year (excluding the UK), according to the Commission's Milk Market Observatory. Milk production in Germany was up 1.1%, France +0.9%, Netherlands +2.7%, Italy +3.1%, Poland +2.4%, Ireland +4.0% Spain +3.6% and Denmark +0.2%. May milk production was up 0.5% (+0.4% incl. the UK), with Ireland +3.5%. Only six member states produced less milk than a year earlier, including France, who imposed a milk reduction scheme to deal with lockdown.

ASEAN trade deal—An extensive EU-Vietnam bilateral trade agreement came into force on Aug 1—the second deal the EU has concluded with an ASEAN member state after the recent one with Singapore. It paves the way for the scrapping of duties on 99% of all goods traded, with 65% of duties on EU exports to Vietnam eliminated at the start and the remainder gradually removed over 10yrs. Duty on hard cheese (Parmigiano Reggiano, Comté) of 10% will go after 3yrs and all other dairy products (up to 15%) within 5yrs. Geographically protected products are recognised.

Austria

'FAIR MILK' PROJECT ENDS, PLOTS ACCUSED

Last week saw the end of one of the world's first 'fair-price liquid milk' initiatives, in Austria, after 14yrs. The idea was introduced in 2006 by farmer group, Freie Milch, who aimed to break up the pricing structure in the milk market which they claimed hit farmers' returns. In the beginning, sales were encouraging and participating farmers received 10c more per kg of milk. But over the years, more and more farmers exited the scheme and IG-Milch, the Austrian rebel dairy farmers group, blamed open and hidden threats by dairy companies. Freie Milch also accuse the authorities and farmers' association for undermining the 'fair price milk' idea. In the end, sales were down to 30,000 litres a month.

Germany

LOCKDOWN LOSSES FOR SCHWÄLBCHEN

Schwälbchen Molkerei have reported orders for the catering sector dropped by 50% in March and April as a consequence of lockdown. Chairman Günter Berz-List said they took out a third of the truck fleet at the Mainz and Ilsfeld locations, and part-time work was introduced at both sites. Schwälbchen posted group sales in the first 6mths of the year down 14% to €80m, with a 2% increase in dairy unit sales to €45m but fresh products down by a third to €34m. Milk processing was up 1.2% to 58m kg in the first 6mths. In 2019 the Schwälbchen Group posted sales of €184m.

KARSTÄDT TO CLOSE

Arla's closure of their small Karstädt plant in Germany, announced in February, is now timed for next year, with the SMP drying operation shut down by the end of this year. All 19 jobs will be cut. Arla blame decreasing milk supply in the Karstädt area. Production will be transferred to Upahl.

ORGANIC PRICES HOLD UP

Organic milk prices have held up in Germany despite organic milk production up 10% in February, compared with last year, up 19% in March and up 12% in April. Organic butter and organic cheese production also achieved double-digit percentage growth. According to the official milk price survey, in the first half of 2020 (June estimated), dairies paid out around 48c/kg for organic milk (4.0% fat, 3.4% protein, excl. VAT), well over half a cent more than the same time last year.

- The price difference between organic and conventional milk has increased from 14.3c to 15.6c. In 2018 and 2019 the difference was 14c. The biggest gap between the two was in 2016 when conventional milk fetched 26.7c and organic milk prices were 48.2c/kg.

Belgium

MTC UPBEAT OVER LIQUID MILK FUTURES

Belgian Milk Trading Company say liquid milk futures on EEX have signalled an average premium of 2.44c/kg over reported milk prices in the 2yrs since the hedging platform was set up. Since the coronavirus outbreak, MTC achieved premia of up to 7c using the EEX, parcelling a total 320m kg of Dutch and Belgian milk and hedging some 80m kg of this via EEX.

LTO

US PRICES +43% v. EU

The average Class III farmgate milk price in the US in June was a near all-time record of 46.09 euro cents/kg, 67% higher than the May average and 43% higher than the EU average for June, as calculated by the Dutch-based LTO monthly milk price analysis. (The US Class III price is for milk used for cheesemaking, the largest end-use category of farmgate milk in the US). The LTO average for 16 EU prices in the league table was 0.04c/kg higher than the May average at 32.24c/kg, the second lowest average over the past 18mths. The highest price in June was paid by Granarolo (Italy) at 37.87c/kg and the lowest price was paid by Saputo UK at 28.25c/kg.

LTO MONTHLY LEAGUE TABLE

(c/kg)	June	v. May
Granarolo	37.87	=
Valio (Fin)	35.88	=
Danone	34.25	=
Sodiaal	34.20	+0.86
Savencia	33.97	+0.48
Lactalis	33.39	-1.11
Hochwald	32.63	-0.99
Arla	32.56	+0.03
F/C	31.52	-0.48
Kerry	31.27	+0.81
DMK	30.40	-1.53
Müller	30.39	=
Dairygold	30.30	+1.00
Glanbia	30.29	-0.10
Milcobel	28.73	=
Saputo UK	28.25	+0.17
Average	32.24	+0.04
Capsa	31.27	=
Emmi (Switz)	51.08	+2.70
Fonterra (NZ)	28.71	-2.73
US Class III	46.09	+18.45

Ranked according to June prices. For milk with an average of 4.2% butterfat and 3.4% protein.

NZ/EU/US—**David Richmond**, Fonterra’s general manager in trade strategy & stakeholder affairs—EMEA, based in the Netherlands, has started a new role as vice president of operations & transformation for Fonterra’s Americas business, based in Chicago. His successor in the Netherlands is **Mark Casey**, who has been working in Fonterra’s legal team in NZ.



Germany—**Christian Oppitz** (51) is leaving private Gropper dairy where he has been CEO with responsibility for sales. His job will be taken by co-CEO **Wolfgang Hoff**. Gropper’s CEO for export sales, **Stanislaus Syryca**, 67, retired at the end of June.

Netherlands—**Roald van Noort** was named by ZuivelNL (the Dutch Dairy Board) as interim director in Sept-Dec 2020 pending a new appointment. Current director **Janine Lutten** is leaving on Aug 14.

India—**Shamalbhaj Patel**, chairman of the Sabarkantha District Co-operative Milk Producers’ Union (Sabar Dairy), was unanimously elected as chairman of the Gujarat Cooperative Milk Marketing Federation (Amul), replacing **Ramsinh Parmar**. **Valamji Humbal**, chairman of the Kutch District union (Sarhad Dairy), was elected vice chairman, succeeding **Jetha Bharwad**.

Ireland—The dairy committee of ICOS (the Cooperative Organisation Society) has elected **John O’Gorman**, chairman of Dairygold, as their new chairman. **TJ Sullivan**, chairman of Carbery and Drinagh co-ops, replaces former chairman **Peter Fleming** as a member of the committee and board.

Brussels—Frenchman **Denis Redonnet** has been appointed DG Trade deputy director-general, incl. the new role of chief trade enforcement officer. German **Florika Fink-Hooijer** is appointed director-general of DG Environment (Envi). **Nathalie Chaze** of France will be DG Sante director in charge of food chain: stakeholder & international relations, a post previously held by newly-appointed DG Agri deputy director-general **Michael Scannell**.

UK—Meadow Foods have appointed **Neil Chivers** as their new director of speciality ingredients, responsible for sales, new product development and marketing. Chivers previously worked for Addo Food Group.

UK—Former Compass Group lawyer **Mark White** has been appointed Groceries Code Adjudicator, replacing **Christine Tacon** who took on the role 11yrs ago.

EU

ROTTEN CHEESE SEIZED

More than 320t of rotten milk and cheese were seized last year in an EU-wide operation—Operation OPSON—focused on food fraud, according to Europol. They seized products in Bulgaria, Italy, France, Greece, Portugal and Switzerland. An additional 210t of cheese which did not meet the conditions required to be labelled with a protected geographic indication were also seized. One haul of 3.6t of cheese from an unregistered warehouse in Bulgaria, due to be processed into melted cheese, tested positive for E coli and starch.

Poland

JUNE MILK PRODUCTION UP 4.4%

June milk production was up 4.4% in Poland to 1.07m tonnes, a new record for the month. Cumulative Polish deliveries for the half-year to date were up 2.6% from last year to 6.34m tonnes, also a record.

Ireland

ARRABAWN & AURIVO QUIT MILK PRICE REVIEW

Small Irish co-ops Arrabawn and Aurivo have withdrawn from contributing to the KPMG/IFJ annual milk price audit. Both processors said they wanted the money they pay out for liquid milk to be included in the manufacturing milk price review. The annual survey divides only the money paid out on all manufacturing milk supplied, divided by the volume of litres collected. Edward Carr, chairman of Arrabawn, called for the criteria to be changed in the interests of “transparency”. In a letter to suppliers, he said he had evidence that some milk processors were using liquid bonuses to inflate their manufacturing milk price. About 14% of Arrabawn members are liquid milk suppliers. Aurivo CEO Donal Tierney said it was a board and management decision, and the “correct decision for the co-op given what we firmly believe is the flawed nature of a ‘manufacturing milk’ league table that excludes fresh milk sold for domestic consumption”. He said that a secondary “composite milk table” would not be acceptable. Aurivo were placed at an “extreme disadvantage” by the current criteria, he said.

ARYZTA TAKEOVER RUMOURS

Shares in troubled Swiss-Irish bakery/food business Aryzta have risen by over 40% to top CHF0.60 after the specialist bakery giant confirmed they had received a number of takeover offers. Aryzta’s roots lie in the Irish food company IAWS, founded as the Irish Co-operative Agricultural Agency Society in 1897. Irish dairy co-ops including Arrabawn, Aurivo, Centenary, Kerry and Tipperary still hold a significant number of shares—around 1%-2% of the total—potentially leading to a cash windfall of up to €12m, the IFJ report. Aryzta have been under pressure to refresh and reform their board; chairman Gary McGann recently announced

he would step down but tensions between the current board and some of the company’s largest investors have been rife. Rebel shareholders including activist investors Cobas and Veraison are seeking to elect Urs Ernst Jordi, a former Müller director, to the board as chairman. They are also pushing for German entrepreneur and former Müller CEO Heiner Kamps to join the board. Shares peaked in 2008 at over CHF600 but have been mainly trading at less than CHF1 for the past year before the recent surge. An egm is scheduled for Sept 16.

KERRY FARMERS WIN TAX APPEAL CASE

Kerry milk suppliers have won their appeal case against the tax authorities in Ireland over the tax treatment of patronage shares—free shares issued by the co-op as a loyalty bonus. The Tax Appeals Commission ruled that these shares should not be subject to income tax. Over 3,500 Kerry milk suppliers were potentially facing an income tax bill in excess of €20m on shares issued in 2011-13.

Ireland

ALL CO-OPS INCREASE JUNE PRICES

Having mostly held their May prices, all the main Irish co-ops increased their June farmgate milk prices by between 0.5c and 1.5c, according to the latest IFJ monthly milk price league table. Little more than 2c separated the top and bottom payers, compared with over 3.5c in April. There was no change at the top of the league, with the four west Cork co-ops adding 0.5c/litre to top 30c/litre. The other leading co-ops continue to chase Aurivo, who increased their milk price by 0.5c to 29.04c/litre, with Kerry moving up 1c to level with the western co-op again. Glanbia came off the bottom with a 1.4c increase to 28.6c/litre, and Arrabawn moved up five places with a 1.5c increase to 28.94c, leaving Tipperary bottom at 28.23c/litre. The average price was up 0.8c to 29.1c/litre.

IRISH MILK PRICE LEAGUE TABLE c/litre

	June	v. May
2020		
Drinagh	30.37	+0.50
Bandon	30.23	+0.50
Barryroe	30.23	+0.50
Lisavaird	30.22	+0.50
Aurivo	29.04	+0.50
Kerry	29.04	+1.00
Arrabawn	28.94	+1.50
North Cork	28.73	+1.00
Glanbia	28.60	+1.40
Centenary	28.56	+1.25
Dairygold	28.49	+1.00
Lakeland	28.46	+1.00
Boherbue	28.40	+0.35
Tipperary	28.23	+1.00
avge	29.11	+0.84

Source: IFJ

Switzerland

NEGATIVE CHEESE TRADE BALANCE BLAMED ON COVID

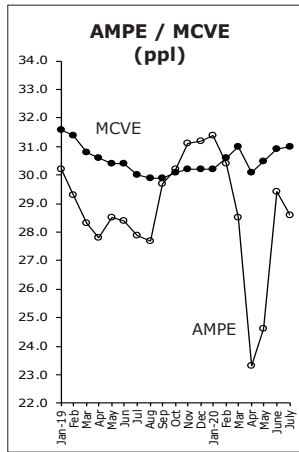
Switzerland’s cheese import volumes increased sharply in the first half of 2020, outstripping exports. Cheese exports were up 2% to 34,593t while imports were up 15.4% (+4,890t) to 36,704t. Switzerland Cheese Marketing attributes this to the impact of Covid-19, with price-sensitive Swiss shoppers, who might otherwise have travelled outside the country to buy cheese, unable to do so. Average import price was down 8% from last year to CHF6.29/kg.

- Swiss butter shortages are estimated at 3,200t for the current year. BOM are calling for imports to be increased by 1,800t, in addition to 1,900t of butter bought in during the first half of the year.

UK wholesale prices

JULY WHOLESALE PRICES LEVEL OUT

After big increases for bulk cream, butter and SMP in June, average UK wholesale dairy prices were relatively stable in July, according to AHDB Dairy. The wholesale price of bulk cream was estimated up 3% from June to £1,430/t, and the average butter wholesale price was also up 3% to £3,070/t—back up to its December 2019 level. Mild Cheddar was up 0.3% or £10 at £2,920/tonne—a 21-month high. SMP was down 6% to £1,920/t. AMPE was down 2.8% in July, reversing the June increase, at 28.5ppl and MCVE was up 0.3% at 31.0ppl. Cream income for a liquid milk processor was up 3.0% to 8.2ppl in July, up 60% since April.



UK company reports

ORNUA FOODS UK PROFIT NOSEDIVES

Ornu of Ireland's main UK subsidiary Ornu Foods UK, formerly Adams Foods, have reported pre-tax profit down 40% to £4.1m on turnover up 10% to £354m in 2019. Ornu pointed to strong underlying performance—sales volumes were up 10%—but said a business transformation programme, aimed at driving future efficiencies, led to the lower profit for the year. They also reported reduced returns from traded commodities. Net assets were up 12.3% at Capex included investment in cheese cutting and packing technology and a strategic investment in a systems upgrade.

- **Ornu Butter Trading** have reported sales for calendar year 2019 down 24% at £43.0m and operating profit down 41% at £262,000. They made a pre-tax loss of £43,000, compared with a profit of £103,000 a year earlier (2018 profits were revised down from previously stated figures).

UK milk prices

JUNE MILK PRICE = 26.9ppl

The UK average farmgate milk price in June was 26.89ppl, according to Defra. This was up 0.8% from May, and down 3.9% from last year. UK milk production in April was unchanged (+0.1%) from last year at 1,290m litres and down 6.7% on May 2020.

- The average price paid for milk in GB in May was 27.16ppl, according to latest AHDB Dairy figures—down 2.7% from April. In NI, the average price was 2.8ppl lower at 24.37ppl, down 0.19c from April.

Company news

MEDINA TO CLOSE WATSON'S DAIRY

Medina Dairy are to close their Watson's Dairy facility in Fareham, Hampshire, with the loss of 144 jobs, primarily, it is believed, because Medina are believed to have lost their supply contract with Sainsbury's. Capacity at Watson's Dairy, which Medina bought 16yrs ago, is about 200m litres but the site is thought currently to be operating at 50% capacity. Remaining production, including Watsons branded milk, is expected to be transferred to Medina's other sites including Buckley's Dairy in West Yorkshire, Severnside in Gloucestershire (via a toll processing arrangement with Müller) and Freshways' Acton dairy in London; Medina now operate as a "processing partner" with Freshways. "The proposed closure reflects the "extremely challenging" market conditions being faced by all in the fresh liquid milk sector and in particular the loss for Watson's of the Sainsbury's contract, which will make the site unviable," Medina said.

FARMERS THREATENING TO SUE MEDINA

Tension has mounted over farmgate milk prices, with farmers supplying Medina, Freshways and now also Saputo Dairy UK voicing their dissatisfaction with milk prices, with a number leaving or threatening to leave. Lawyers' letters are reportedly flying between Medina and a rebel group of 19 of their 156 farmers supplying 40m litres through a registered company, MeadowMilk, who have served 3mths notice on grounds of breach of contract. Medina's removal of their basket pricing mechanism, linking them to other processors' prices, last year is alleged by MeadowMilk suppliers to have cost them 1.5ppl, and extension of payment terms since lockdown was the final straw, they say. August farmgate milk price negotiations between Saputo (formerly Dairy Crest) and their producer organisation DCD last week ended in "disagreement" for the second time this year, triggering the potential for farmers to leave with 3mths notice if the issue is not resolved within 30 days (see I HEAR, p7).

ST HELEN'S FARM IN CRUELTY ALLEGATIONS

Norwegian-owned Kavli, who now trade as Primula, which is made at their Gateshead site, have stopped taking supplies from one of their goat milk suppliers, St Helen's Farm, after an undercover investigation exposed alleged animal welfare breaches. The allegations, first reported in *The Independent*, refer to "a string of brutal attacks" filmed by vegan campaign group Surge. Filming shows animals being punched, kicked, hit with a pole and thrown onto their backs. Injuries went untreated, according to Surge, and there were allegedly dead, dying and lame animals on the property. This is one of two farms owned in the UK by Angus Wielkopolski, who set up the St Helen's Farm brand in 1986, and who also has a majority stake in a goat farm in Waikato, NZ, through his company Elite Goats Milk UK. He said the claims were "totally unacceptable if true". A number of retailers have withdrawn the brand.

UK milk prices

MEDINA LIFT SEPT PRICES

Medina Dairy are to increase their farmgate milk price by 1ppl from September. This is their fourth price increase since June 15, now totalling 5ppl, and takes their milk price back to pre-coronavirus levels—they say 25.75ppl for their standard litre.

After 10mths without change, **Barbers Cheesemakers** have announced that they are to increase their farmgate milk price for September by 1ppl, taking their standard litre (DIN/AHDB) to 28.24ppl. Half of this increase is due to a new 0.5ppl premium to be introduced by Barbers in September as a premium for suppliers with every other day collection, on a monthly basis. Barbers say they have had 16mths to scale up for this, if needed, with many increasing storage capacity. If milk quality matches the levels of Sept 2019 (4.48% b/fat and 3.54% prot.) Barbers say returns will be over 30ppl again, before seasonality payments.

Glanbia Cheese have increased their farmgate milk price by 1ppl for August. **Freshways** are increasing their August milk price by 1ppl.

LOCKDOWN RETAIL CHEESE SALES
12wks to June 14

Type	2020 (£m)	v. '19r
Cheddar	412.4	+28.1%
Continental	172.0	+31.2%
Territorials	58.3	+23.3%
Soft white	66.5	+18.8%
Processed	79.3	+11.8%
Blue	21.1	+10.0%

Source: The Grocer/Kantar

UK markets

CHEDDAR ON A ROLL?

Lockdown saw cheese becoming "massive" in grocery, according to a report in the Grocer magazine, and Cheddar was the major beneficiary. Forced to stay, eat and cook at home, shoppers spent £837m on cheese in the major retailers in the 12wks to June 14, according to Kantar data—up 23% by value and up 21% in volume compared with the same period last year. The surge included a 30% increase in volumes of Continental cheese (excluding blue) and a 26% volume increase in territorials. Only mini-portions saw a drop in volumes. Cheddar sales increased by £90.4m to £412.4m. Overall, prices increased by 6.7% across the category, mainly due to the cut in promotions as supermarkets simplified ranges to keep core lines in stock. Cheesemakers prioritised best-sellers. Volume sales of top brand Cathedral City (Saputo UK) were up 27% and revenue up 36% for 12wks to July 16, according to Nielsen data, driven by block sales. Wyke Farm sales hit 2,000t in March.

TOP 10 CHEESE BRANDS
12wks to July 16

Type	2020 (£m)	v. '19
Cathedral City	83.9	+35.5%
Philadelphia	28.9	+34.7%
Pilgrim's Choice	26.3	+48.1%
Dairyalea	24.5	+5.4%
Babybel	13.2	-3.4%
Strings & Things	11.3	+8.1%
Seriously	10.4	+24.0%
Dairyalea Lunchables	7.4	-1.7%
Galbani	6.5	+68.8%
Laughing Cow	5.7	+0.8%

Source: The Grocer/Nielsen

Scotland**GRAHAM'S TO CLOSE BRECHIN DEPOT**

Scotland's Graham's Dairy are planning to close their distribution site in Brechin, Angus, with the loss of 13 jobs. A consultation process has started with staff. Staff will be offered the chance to relocate to the firm's new £2m distribution site about an hour further north in Kintore, Aberdeenshire.

Retail**DAIRY SALES SPIKE**

Home cooking in lockdown pushed cheese sales up 48% and butter sales in March up 69.8% compared with last year, according to Dairy UK. A total 2.9bn cups of milky tea (+21%) and 2.7bn cups of coffee (+19%) were also consumed over the lockdown period.

ALDI BUY UP 4t OF ARTISAN CHEESE

Aldi are buying up to 4t of British artisan cheese to help cheesemakers affected by the coronavirus lockdown. All Aldi stores are stocking Norfolk Mardler (150g), Cornish Blue (125g) and Sussex Charmer (100g), and some will also stock Cotswold Brie (100g) or Yorkshire Blue (100g)—all at a recommended selling price of £1.49. Aldi's purchase will cover close to 32,000 packs of cheese originally destined for foodservice or supermarket deli counters.

ARLA + SAINSBURY'S

Arla Foods are to partner with Sainsbury's in a new (voluntary) scheme that will see farmers receive a guaranteed price and home for their calves from conception, when producing Aberdeen Angus beef for the retailer's 'Taste the Difference' brand. All calves that meet the specification will be taken in a collaboration with beef processor ABP/Blade Farming.

UK trade**PEERS PUSH FOR TRADE DEAL TRANSPARENCY**

A group of English peers have written to the Government outlining the concerns they've heard from stakeholders about some of the planned trade agreements and calling for "stronger powers for Parliament in scrutinising trade deals". Lord Goldsmith QC, chair of the House of Lords International Agreements Sub-Committee, called for more detail on the progress and objectives of trade negotiations for UK-US and UK-Japan negotiations.

China dairy critic—A Chinese blogger with the pen name of Wang Xiaopi was arrested by police in Shanghai last month. The blog that attracted the attention of the authorities was on the rise of powerful new dairy companies Mengniu and Yili—suggesting (not for the first time, and far from uniquely) that they had achieved their dominance

by manipulating industry standards and silencing opponents with state power. The blogger said they had capitalised on advantages gained in 2005 when they successfully lobbied the authorities to ban the word 'fresh' on milk cartons, removing the ability to distinguish fresh milk from long-life milk. Intense competition pushed Chinese dairy companies to choose speed over quality, with the use of additives including melamine, penicillin, hydrogen peroxide becoming common practice in treating raw milk, and leading to a number of well publicised human health scandals and presumably many less well known. The writer, whose real name is Wang Dingmian, is a former executive director of the China Dairy Industry Association, and now a dairy analyst and critic. Other dairy industry critics have been imprisoned for less. Wang's arrest was reported in the Taiwan press. Not a peep since.

Irish KPMG price survey—The editor of the respected Irish Farmers Journal, Justin McCarthy, took the unusual step last week of writing an open letter to Aurivo and Arrabawn suppliers, taking a whole page in the journal to do so. This rare public stand, signed personally, was against the two co-ops' decision to withdraw from the respected KPMG/IFJ annual milk price audit (see p5), saying the decision would jeopardise the very transparency that the two co-ops argued was compromised by the audit. On the liquid milk issue, he said IFJ had offered to run a separate table for this, which has been refused, and remained "open to considering other developments to ensure data and information presented to farmers was fair and factual". "We would challenge the decision that a co-op board representing the interests of farmers would decide to reduce milk price transparency."

Ornua PPI—Much speculation about the rationale behind the imminent change in the way Ornua calculate their Purchase Price Index (see DIN July 21 p5). Is it part of a long drawn out plot to restructure the Irish dairy sector, which has been under deadly secret machinations for months (see DIN passim)? This seems not to be the case because the PPI changes give the smaller (less efficient) co-ops a leg up in terms of reimbursed processing costs from Ornua. And the coronavirus crisis and upcoming Brexit disaster probably gives the co-ops added need for Ornua's marketing clout (and helped somewhat by the less-than-spectacular roll-out of Glanbia's 'Grass-Fed Butter' in its projected battle with Kerrygold). The new inner board at Ornua also strengthens its independence. The boost to 7c/litre for processing and milk collection payout by Ornua to the co-ops raises other eyebrows: are the Irish co-ops really so inefficient?

ZuivelNL—The Dutch Dairy Board launched its website redesign at the end of July, straight into a maelstrom of speculation about its future. The organisation has proven to be "unstable" in recent months, according to outgoing director Janine Luten, and needs a new direction. Chairman Jorrit Jorritsma, who has been reappointed for a year, has declared that LTO Nederland, the Dutch Dairy



I hear....

Organisation (NZO) and the Dutch Dairy Farmers' Association (NMV) all want to continue their involvement. ZuivelNL is also expected to become more 'transparent' about how it is working. How will all this be achieved? Last year they spent a total of more than €21m. This year the reserves are exhausted and the budget is cut to €9m. The LTO

milk price analysis is a resource the European dairy industry cannot afford to lose—although some co-ops would love to see it go.

UK milk prices—Cheddar markets have remained far more resilient than most expected during lockdown, especially in UK retail (see p6). However, dairy market sentiment remains fragile as AHDB also reports that AMPE (butter and SMP) returns, in contrast to their big hike in June, fell in July. Dairy futures as reflected in the StoneX (formerly Intl FCStone) UK Milk Futures Equivalent also softened in July. Global supply chain uncertainty and continuing Brexit confusion are adding to the challenges. It seems a strange time for the Saputo UK DPO—the only recognised Dairy Producer Organisation in the UK—to fall out with the manufacturer of the UK's leading Cheddar brand. DCD are keen to downplay their "disagreement" about the September price standstill. But refusal to agree, where a DPO is involved, is generally taken to mean deadlock, which is a tool of last resort. Deadlock provides an opportunity for farmers to give 3mths notice, presumably in the expectation of a better price elsewhere. This is the second time this year that DCD has "disagreed" with Saputo—the first was on a second price cut in March, but related, according to DCD, more to Saputo's imposition of a new contract. This led to zero farmers leaving—and it is hard to think who they would go to this time either. Although bottom of the LTO league of European processors last year, Saputo have paid a leading cheesemaking price in the UK for the past 18mths, challenged only by Arla and Barbers, and only by a fraction. Neither of the latter are recruiting.

—A bigger brouhaha is the interesting challenge by 19 Medina suppliers, calling themselves MeadowMilk who have given 3mths notice to quit on the grounds of breach of contract, taking 40m litres of milk with them. The directors are a bunch of Hampshire farmers and the company has been listed in Companies House since 2007 as, oddly, an advertising agency. The nature of the breached 'contract' is understood to be under legal scrutiny on both sides. Part of the dispute hinges not only on the dismal lockdown endured by Medina/Freshways suppliers but also on an apparent agreement between MeadowMilk and Medina that, should the farmgate milk price fall below a certain threshold by more than 2ppl, the farmers could leave with just 3mths notice. Again, where are they going to go? County Milk and Meadow Foods have been mooted as possibilities, but both are a long way from Hampshire and neither are actively recruiting.

Defra look increasingly in the right over the furore last autumn over the apparent "discrepancy" between their published average UK milk price and what processors were actually paying. Defra at the time flagged up higher constituents in the milk, a phenomenon that has gathered pace as more processors seek to pay a constituents-based farmgate milk price—most notably Arla—which is also the reason for AHDB Dairy to seek to amend their AMPE/MCVE prices to reflect higher milksolids.

EXPORT FORECASTS INCREASE AS DEMAND LIFTS

Since the previous USDA World Markets and Trade report published in December 2019, the spread of Covid-19 has resulted in a tumultuous period for dairy industries worldwide as they rapidly adapted supply

chains and pivoted from foodservice sector to grocery sales. During the adjustment phase, prospects for exports dimmed on the back of fears for global demand and a build-up of stocks, especially of SMP in the US and the EU. Although markets continue to adapt, the outlook for exports looks brighter, with strong May and June shipments and surprisingly high Chinese imports. Price competitiveness has been a key factor, especially for US exports, with the US-EU differential reaching over \$250/t at times.

MILK PRODUCTION (MAJOR EXPORTERS)

'000t	2018	2019	2020*	'20 v.'19
EU-28	154,575	155,200	156,700	+1.0%
US	98,688	99,057	100,485	+1.4%
NZ	22,017	21,852	21,900	+0.2%
Argentina	10,837	10,640	11,100	+4.3%
Australia	9,451	8,832	9,200	+4.2%
Total	519,719	524,306	532,306	+1.5%

CHEESE: TOP COUNTRIES

'000t	2019	2020*	'20 v.'19
PRODUCERS			
EU	10,210	10,450	+2%
US	5,959	6,150	+3%
Russia	970	1,000	+3%
Brazil	780	795	+2%
Canada	519	525	+1%
Argentina	429	440	+3%
EXPORTERS			
EU	880	925	+5%
US	357	353	-1%
NZ	335	340	+2%
Belarus	244	260	+7%
Australia	160	170	+6%
IMPORTERS			
Japan	303	285	-6%
Russia	273	275	+1%
S. Korea	131	145	+11%
US	139	124	-11%
Mexico	126	120	-5%

BUTTER/OIL/AMF: TOP COUNTRIES

'000t	2019	2020*	'20 v.'19
PRODUCERS			
India	5,850	6,100	+4%
EU	2,375	2,410	+2%
US	904	925	+2%
EXPORTERS			
NZ	509	510	=
EU	218	265	+22%
Belarus	67	65	-3%
IMPORTERS			
Russia	117	135	+15%
China	91	121	+33%
US	66	71	+8%

PROJECTED PRODUCTION HIGHLIGHTS

• **EU:** Milk output in the EU was surprisingly strong through to April but has since slowed due to dry conditions and pandemic-related cutbacks. On balance, the USDA forecast is revised up from December, but only by 1% to 156.7m tonnes, which would be 1% higher than last year.

• **NZ:** Milk production is moving ahead of last year as drought conditions improve. The pandemic is overshadowing milk price prospects, although global product prices have strengthened. Lower cow numbers are expected and cow condition has been less than ideal; the milk production forecast for 2020 is slightly lowered but remains fractionally above 2019.

• **Argentina:** Favourable weather early in the year has led to a big surge in milk production with cumulative production through to May up 9% from last year. USDA have increased their forecast for this year by 3% to 11.1m tonnes, about 4% up on last year, although the production environment remains challenging with inflation at 2%-3% a month and currency devaluation. A La Niña event later this year would bring drier conditions.

• **Australia:** After years of drought, Australia's milk production is rebounding, fuelled by high milk prices. Forecast production is still below the 10-year average of about 9.5m tonnes.

EU CHEESE EXPORTS REVISED HIGHER

The EU cheese export forecast has been revised up by 3% to 925,000t, which would be 5% more than in 2019. Year-to-date shipments have been running about 9% ahead of last year but are expected to slow down as milk availability eases. Traditionally the US has been the biggest market for EU cheese, accounting for about 16% of total shipments in 2019, but has fallen back as a result of a combination of Covid-19 affecting foodservice demand and US tariffs of 25% imposed last October. However, shipments elsewhere, including Ukraine, South Korea and Japan, have increased significantly. EU butter exports are also growing rapidly. USDA have revised their 2020 export forecast up by 36% to 265,000t, which would represent the highest level since 2005.

SMP: TOP COUNTRIES

'000t	2019	2020*	'20 v.'19
PRODUCERS			
EU	1,760	1,790	+2%
US	1,099	1,160	+6%
India	630	660	+5%
NZ	375	385	+3%
Brazil	158	165	+4%
EXPORTERS			
EU	962	880	-9%
US	701	777	+11%
NZ	373	425	+14%
Australia	128	130	+2%
Belarus	123	128	+4%
IMPORTERS			
Mexico	361	350	-3%
China	344	320	-7%
Indonesia	188	210	+12%
Philippines	177	135	-4%
Algeria	120	150	+25%

WMP: TOP COUNTRIES

'000t	2019	2020*	'20 v.'19
PRODUCERS			
NZ	1,500	1,515	+1%
China	1,334	1,400	+5%
EU	740	795	+7%
Brazil	598	615	+3%
EXPORTERS			
NZ	1,536	1,480	-4%
EU	298	320	+7%
Argentina	97	110	+13%
IMPORTERS			
China	671	680	+1%
Algeria	233	225	-3%

CHINA WMP SEEN +16%

Despite the slowdown in economic growth and port disruptions caused by Covid-19, China's WMP imports have been surprisingly strong. However, China typically imports some 60%-70% of its annual needs in the first half of the year. USDA's import forecast has been adjusted down by 2% to 680,000t, but this would still be 1% up on 2019 imports and a new record.

Source: USDA FAS, *forecasts

DAIRY INDUSTRY NEWSLETTER (DIN)

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