



BARRY WILSON'S DAIRY INDUSTRY NEWSLETTER

COPYRIGHT—All rights reserved, PHOTOCOPYING, SCANNING OR REPRODUCING ANY PART WITHOUT PERMISSION IS STRICTLY PROHIBITED
Dairy Industry Newsletter's internet service is at: <https://dairyindustrynewsletter.co.uk> (see back page for full details)

US

CHOBANI TO GO FOR \$10bn IPO WITH BIG PLANS

American Greek yogurt giant Chobani are considering an initial public offering in 2021 in a listing that would value the company at an estimated \$7bn-\$10bn. Hamdi Ulukaya, Chobani's founder and CEO said the company was looking at all options to fund ambitious growth plans, especially with oatmilk and plant-based products. Since starting up in 2005, the Greek yogurt pioneer in the US has been rapidly expanding product offerings. They have expanded into oat-based milks and creamers, yogurts blended with nut butters, a line for children, a variety made from plants and a lactose-free Greek yogurt. In December 2020, they launched a line of yogurts and drinks fortified with probiotics. Their latest move last month was the introduction of ready-to-drink cold brew coffees. "We've got a lot of plans to go beyond yogurt," Peter McGuinness, president of Chobani, said last summer. Chobani sales have grown to \$1.5bn in the past 10yrs. They explored selling a minority stake 5yrs ago but decided against it.

Vietnam

DOMESTIC SALES BOOST FOR VINAMILK

Vinamilk, the dairy market leader in Vietnam, have posted consolidated net revenue up 6.0% to VND59.6tn (US\$2.58bn) in 2020. The company said costs of sales and management were up 7.9% to VND15.4tn (\$668m); they reported profit after tax up 6.5% to VND11.2tn (\$485m). Domestic sales were up 6.9% at VND50.8tn (\$2.2bn), accounting for 85% of the total. Vinamilk say they expanded into new markets including Korea, China and Singapore, despite the pandemic. In April 2020, they exported their first batch of condensed milk to China. They are also selling into Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan.

• **Kido Group**, a Vietnamese packaged food producer, have announced a new joint venture with Vinamilk to produce ice cream and healthy non-carb. soft drinks. The total initial investment is estimated to be around VND400bn (US\$17.5m), with Kido holding 49% and Vinamilk 51%. The first products are expected to be launched in April.

American Greek yogurt giant Chobani are considering an initial public offering in 2021 in a listing that would value the company at an estimated \$7bn-\$10bn.

Hamdi Ulukaya, Chobani's founder and CEO said the company was looking at all options to fund ambitious growth plans, especially with oatmilk and plant-based products. Since starting up in 2005, the Greek yogurt pioneer in the US has been rapidly expanding product offerings. They have expanded into oat-based milks and creamers, yogurts blended with nut butters, a line for children, a variety made from plants and a lactose-free Greek yogurt. In December 2020, they launched a line of yogurts and drinks fortified with probiotics. Their latest move last month was the introduction of ready-to-drink cold brew coffees. "We've got a lot of plans to go beyond yogurt," Peter McGuinness, president of Chobani, said last summer. Chobani sales have grown to \$1.5bn in the past 10yrs. They explored selling a minority stake 5yrs ago but decided against it.

Egypt

SECOND JUHAYNA ARREST

Juhayna Food Industries, Egypt's largest dairy products and juices producer, announced last week that CEO and deputy chairman Seifeldin Thabet had been arrested and held for questioning. His father, former chairman and CEO, Safwan Thabet, was arrested in December. In a disclosure to the Egyptian stock market, Juhayna said the investigation involved "personal accusations unrelated to the company". Juhayna's shares fell 17% on the disclosure. In 2015 a judicial committee established by the government ordered the seizure of Safwan Thabet's assets due to alleged links to the Muslim Brotherhood, which is banned and listed as a terrorist organisation. After Safwan Thabet's arrest, Juhayna appointed his son, Seifeldin, as acting chairman, before appointing Mohamed el-Dogheim as chairman.

NZ/China

DAIRY IMPORT DUTIES GONE BY 2024

Chinese duties on NZ dairy products will be eliminated within 3yrs following the signing of a new protocol between the two countries. The protocol, signed by Wang Wentao, Chinese minister of commerce, and Damien O'Connor, NZ minister for trade and export growth, upgrades the China-NZ free trade agreement for the first time since it was signed 12yrs ago. Duty on dairy products will start to be lifted within a year, with duty on milk powder expected to be cancelled within 3yrs. All dairy products imported to China from NZ will be exempt from customs duties from January 2024.

• **FONTERRA LIFT PAYOUT FORECAST**—Fonterra have increased their forecast farmgate milk price in NZ for the 1920-21 dairy season by 20c to NZ\$6.90-\$7.50/kg milk solids. Fonterra's farmgate milk price has exceeded \$7.00/kg only four times in the co-op's 20-year history: \$7.59/kg in 2008, \$7.60 in 2011, \$8.40 in 2014 and \$7.14/kg in 2020.

India

MOTHER DAIRY UNDER INVESTIGATION

The Indian government has ordered an inquiry into Mother Dairy, a wholly-owned subsidiary of the National Dairy Development Board. The company had reported losses of Rs142 crore (US\$19.5m) for the year to March, 2019, and of Rs249 crore (\$34.2m) in 2020. The inquiry is believed to relate to a complaint by an individual alleging fraud amounting to Rs1,000 crore or linked to investments of Rs190 crore (\$137m) in infrastructure company IL&FS in 2018.

UK milk production

15bn LITRES FIRST TIME FOR 34yrs

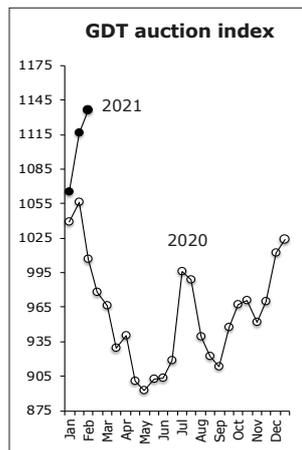
Provisional figures for December put UK milk production in 2020 at 15,001m litres, the first time production has topped 15bn litres for 34yrs, despite the disruptions of the pandemic and the closure of food-service markets for most of the year. Production reached 15.4m litres in 1986, down from the all-time peak of 16.4m litres in 1983, the year before milk quotas were introduced. Production in 2020 was up 247m litres (+1.7%) since quotas were ended in 2015. Curiously production was up by more (+15%) in the 5yrs before the end of quotas, as farmers clearly planned for the end of the regime. In the 5yrs between 2015 (when quotas disappeared) and 2020—and Brexit—EU milk production increased by 7%; UK production increased by 7%, German production by 3.5% and French production stagnated.

UK MILK PRODUCTION m litres

Year	Production (m litres)	% Change
2015	14,753	+2.7%
2016	14,1239	-4.7%
2017	14,705	+4.6%
2018	14,750	+0.3%
2019	14,985	+1.6%
2020	15,001*	+0.1%

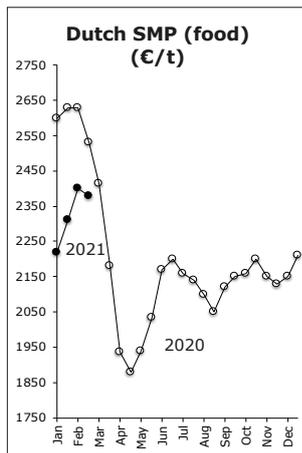
* Provisional est.

In this issue		Capital Dairy		Fonterra		Kido Group		Mother Dairy		Saputo	
Arla Foods	4,6,7	Chobani	1,7	FrieslandCampina	3	Lactalis	6	Milk Specialties	3	Vinamilk	1
Borden Dairy	3	Danone	7	Glanbia Co-op	5	Lidl	4	Mzuzu Dairy	3	Wyke Farms	6
Calidad Pascual	4	Fan Milk	3	Juhayna Food Indus.	1	Mondelēz	4	Norco Co-op	3	Valio	5



CHINA DRIVES DEMAND AS EUROPE FREEZES

Last Friday was Chinese New Year's Day where, supposedly, a fifth of the world's population were celebrating with a traditional, but a pandemically constrained, food-fest. Certainly sellers, particularly those on the GDT, have been celebrating in recent weeks as the Chinese have been buying commodities like they are going out of fashion in a bid to fatten up as many pigs and chickens as they can. This has driven the GDT to recent highs, with the average price now the highest it has been since 2018, and with WMP at its third highest level since 2016. Enjoy the ride, though, as there may be a sting in the tail later in the year—on the one hand the insatiable Chinese demand for feed raw materials means these are also rocketing upwards, which could temper milk flows as farmer margins come under pressure, despite the prospect of rising milk prices. On the other hand, the high forecast price from Fonterra (see p1) could very well boost NZ volumes when the new season starts. In the meantime, there are more than enough uncertainties to keep traders on their toes, not least the effect that the current deep freeze across Europe will have on milk flows. Plunging temperatures had an immediate effect on spot milk prices in the UK, for example, which previously had been slipping back towards the mid-20p level. But with people all over the UK putting the kettle on more frequently to keep the shivers at bay, the increased demand for milk and fall-off in production restored prices to 29p-31ppl.



LATEST GDT RESULTS

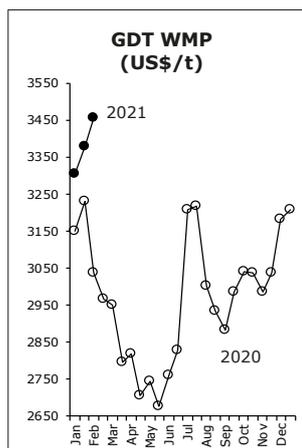
	\$/tonne	Change in 2021
WMP	3,458	+2.2%
SMP	3,198	+6.5%
Butter	5,028	+4.6%
AMF	5,463	+17.2%
Cheddar	4,178	+0.1%
Lactose	1,217	+6.7%
Index	1,136	+6.7%

GDT world markets

GDT INDEX +1.8%

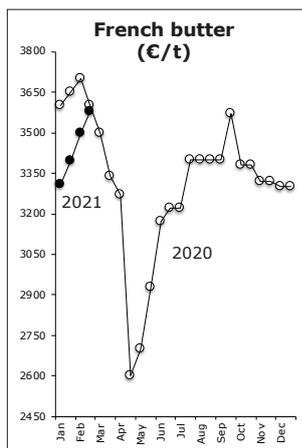
The overall price index at last week's GDT auction for Fonterra was up 1.8%, the sixth gain in a row. The WMP index was up 2.3% with an average price of US\$3,458/tonne and SMP was down 1.5% at \$3,198/t. AMF was up 1.3% at \$5,463/t, butter up 6.2% at \$5,028/t and BMP up 10.7% from a month ago at 3,180/t. Lactose was up 3.8% at \$1,217/t and the Cheddar cheese index was up 2.3% at \$4,178/t.

A total 28,707t of product was sold, down 3.0% from last time and down 1.0% from the same time last year. The average price index is at a record high.



EU BUTTER STABILISES

Other commodities have yet to react, with the market described as being stable to positive. It looks as if the market has paused for breath, with butter stabilising at €3,550/t to as high as €3,650/t after €300/t rises through January. In the UK the price remains around £3,100/t. Butter is a more profitable outlet for fat than cream, certainly in the UK, where Brexit export blues mean the domestic cream price is languishing at £1.32-£1.35/kg, but with export loads up as high as £1.38/kg. That means the 10p or so gap that has opened up between UK and EU cream remains. It used to be around 5p. In EU terms, cream is at €4,250/t. If buyers think the butter prices are already too high they should have a glance at the futures. Fourth-quarter prices are all over €3,800/t, and those in Q3 are in the high €3,700s.



SMP was on a slight decline after posting decent gains in recent weeks but the ONIL tender for an estimated 30,000t of powder for March-May deliveries has acted as a short-term positive. While sourcing from the US would be a more economic option right now given the price differentials between the EU at €2,400/t and the US at around €2,150/t, problems with shipping out of the US are giving EU sellers a non-fiscal edge. Some sellers are licking their lips accordingly, but the reality is that prices have stopped falling, rather than started to move up. It might be a psychological boost, rather than an economic one. WMP continues to trend upwards and has now crossed the €2,900/t threshold for the first time since lockdown. Whey prices dipped, though, last week, but still average over €900/t.

FAO dairy price index
JANUARY INDEX UP 1.6%

The FAO Dairy Price Index averaged 111.0 points in January, up 1.7 points (1.6%) from December 2020, the eighth consecutive increase and 6.9% above the same month last year. Butter and WMP price quotations increased, underpinned by China's high purchases ahead of the New Year holiday festivities. SMP quotations were also higher, pressured by high import demand for spot supplies and lagging production in Western Europe, FAO say. Cheese prices fell slightly due to limited sales in Europe and a stock build-up in the US.

Weekly market prices @12.2.21

EU OBSERVATORY PRICES

(€/t)	Feb 10 v. Jan 27	2021	2021
		high	low
Butter	3540 +2.6%	3540	3350
WMP	2860 +2.5%	2860	2710
SMP	2340 +2.6%	2340	2190
Cheddar	3080 =	3090	3080
Whey powder	860 +7.5%	860	780

US QUOTES, CHICAGO MERC.*

(\$/t)	Feb 12 v. Jan 29	2021	2021
		high	low
Butter (AA)	2895 +2.1%	3110	2835
SMP (grdA)	2470 -3.6%	2625	2470
Cheddar			
-40lb blcks	3535 +0.8%	4215	3505
-500lb bar.	3305 +7.4%	3540	3075

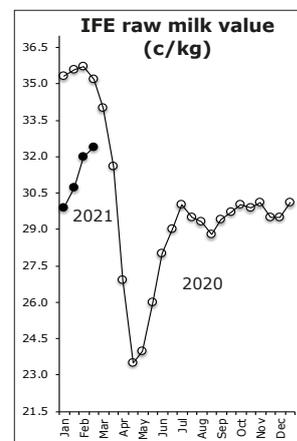
*Conv. from US ¢/lb@1 tonne = 2,205lb

EU market indicators

DUTCH BUTTER UP €60/t

The Dutch Dairy Board/ZuivelNL last week increased their official butter price by €60 to €3,560/t and increased their WMP price by €20 to €2,890/t. The SMP (food) price was cut by €20 to €2,380/t, SMP (feed) was unchanged at €2,310/t and whey powder was cut by €10 to €900/t.

The German-based IFE institute's estimated average EU raw milk value was up 0.4c last week to 32.4c/litre at the farmgate level—the sixth consecutive increase and now up 8.7% since the end of December. This price is based on the official prices of butter and SMP in Germany, France and the Netherlands. The average SMP price for all three countries was unchanged last week at €2,387/t and the butter average was up €80 at €3,577/t.



There's no major change on cheese, which is still strong and strengthening with curd at €3,200/t, Edam and Gouda at €2,900/t, and Mozzarella at €2,800/t in Europe and £2,650/t in the UK. Mild Cheddar remains unchanged at £2,950/t with very good demand at retail, offset by hardly any demand from foodservice. Trade is still light as a result.

US**MILK SPECIALTIES DOUBLE LACTOSE CAPACITY**

Protein ingredients supplier Milk Specialties Global have doubled their lactose production capacity with an investment of around A\$20m in their Visalia, Calif., facility. The company said the investment was made in order to meet increased demand for dairy ingredients in Asia and other overseas markets. The upgrade also improved operational efficiencies to cut the facility's carbon footprint. Milk Spec. say lactose is in high demand for applications in bakery, confectionery, dairy and other prepacked foods and beverages. They began producing milk protein concentrate at Visalia in 2012, and acquired the facility, which also produces milk proteins and micellar casein, in 2019. Milk Spec. also have facilities in Wisconsin, Minnesota, Nebraska and Illinois.

US**GOVT HANDOUTS BOOST MILK**

Dairy cow numbers in the US have increased more in the past 6mths than in any other 6-month period for at least 22yrs. A total 93,000 dairy cows were added to the dairy herd in the second half of 2020 and while analysts initially believed the pandemic would force milk production to be cut by 3%-10% to match supply with weaker demand, total 2020 production was actually up 2.2%. Analysts cite direct government Covid payments to farmers as the likely reason. According to Stonex (formerly INTL FCStone), the weighted average payment from the two rounds of the Covid Assistance Program works out at around 2.14¢/lb (4.9¢/litre)—an 18% boost to average farmgate margins.

- **USDA's February WASDE report** has increased their **2020 US milk production** estimate to 223.1bn lb (98.2bn litres), +2.2% from 2019, and **forecasts 2021 production** at 227.4bn lb (100.1bn litres), +1.9%.

- **Record exports in 2020**—The US exported nearly 2.4m tonnes of dairy products in 2020, up 10% from 2019, according to the USDA's FAS. The total value exceeded \$6bn for the first time since 2014. Top markets were Mexico \$1.4bn (down 8%), Canada \$680m (+1%) and China \$540m (+45%). SMP/NFDM generated the most revenue at \$2.0bn, up 22% and cheese exports were valued at \$1.3bn.

PRAIRIE FARMS BOOSTED BY PANDEMIC

Illinois-based dairy co-op Prairie Farms have reported sales of their products in the baking/cooking category—butter, cream cheese, half & half, whipping cream—up 60% during the early pandemic months as a result of stay-at-home cooking, with a calendar year gain of nearly 40%. In the frozen category, Prairie Farms ice cream and North Star frozen treats were up by almost 40% in early pandemic months.

- **Borden Dairy** closed the Grove Hill milk distribution centre in Alabama last week. Chapter 11 bankruptcy protection has been filed.

Netherlands/Pakistan**F/C ENGRO POST PROFIT FOR 2020**

FrieslandCampina's Engro Pakistan subsidiary reversed their 2019 losses of Rs955m (US\$6.0m) into a profit after tax of Rs177m (\$1.1m) in 2020, on sales up 14% to Rs44.2bn (\$276m), despite Covid-19 related lockdowns and closure of retail and leisure outlets. They reported an 80-basis points improvement in gross margins but say costs remained challenging due to record food inflation and devaluation of the Pakistani rupee. The dairy and beverages unit reported sales up 17% to Rs40.5bn.

Nigeria**FAN MILK LAUNCH NEW FLAGSHIP FARM**

Nigerian milk processor Fan Milk, owned by French Danone and private equity company Abraaj, have signed a partnership agreement with the Ogun state government to establish a flagship dairy farm at the Odeda Farm Institute.

Uganda**KIGEZI GET GOVT ASSISTANCE**

Kigezi Dairy are one five dairy co-ops selected for a government programme that will upgrade their milk processing facilities. Dairy Development Authority chairman Prof Dr Micheal Kansime has told farmers that the programme will enable them to start processing milk into other dairy products including yogurt.

NZ**OPEN COUNTRY DAIRY SALES UP 14%**

NZ's second biggest dairy processor Open Country Dairy have posted profit up 115% to A\$67.7m in the year to Sept 2020 on revenue up 14% to \$1.6bn. Profits were boosted by a reduced foreign exchange expense, down from \$15.9m to \$2.3m. Milk collections from the company's 1,000-plus farmers in the North and South Islands were up 1.6% and the volume of products manufactured was up 2.6%. No dividend was paid. Retained earnings drove net equity at balance date up 14.7% to \$526.4m. Auckland-based Open Country, owned by the Talley family and Singapore's Olam Int., said their Awarua expansion in Southland was completed at the end of the financial year. The company has commissioned a \$20m wastewater treatment plan at Waharoa.

- **Waikato Regional Council** turned down **Open Country's** resource consent application to discharge contaminants from the Waharoa site into the Waitoa River. However, their application for air discharges was approved. The company was convicted last September for discharging odour that sickened local residents, and fined \$137,500. They were also ordered to put \$120,000 in a trust for the community as reparation. It was the fifth environmental prosecution against Open Country in the Waikato.

Australia**NESTLÉ SELL TONGALA FACTORY**

Sydney-based Manning Valley Fresh Dairy say they will buy Nestlé's Tongala factory in the Goulburn Valley of Victoria, subject to due diligence. MVF, founded and owned by Steven Elvidge, plan to install a spray dryer at the site to manufacture infant formula. They currently produce butter, cheese and cream products on contract. Nestlé had been winding down the 23,000sq m factory. It was put up for sale in November.

DECEMBER MILK PRODUCTION DOWN 2.0%

Australian milk production is estimated by Dairy Australia down 2.0% in December year-on-year—the biggest fall of the season so far—at 960m litres, leaving production up 0.7% in the first 6mths of the season. Dec production was up 0.8% in NSW, and up 0.8% in Tas but down in all other states, with Victoria down 3.1%, Qld -2.8%, SA -0.8% and WA -0.6%.

NORCO STILL LEAD WITH MILK PRICE

NSW-based Norco Co-op have increased their farmgate milk price by 2c/litre to 77c/litre until the end of the season, pushing their average for the year to just over 70c, similar to last season. Norco CEO Michael Hampson said that improved trading conditions and strong consumer demand prompted the increase. They are doubling ice cream production at their Lismore, NSW plant. Norco source 215m litres of milk from over 200 farmers in northern NSW and southern Queensland.

- **A recycling plant** is being built for domestic plastics at Albury, NSW. The \$45m facility, due to open in October, will be the biggest of its kind in the country. The project is a joint venture between Cleanaway, drinks giant Asahi and plastics manufacturer Pact Group.

NZ under pressure**FRESHWATER GAINS 'OFFSET' BY DAIRY**

Freshwater improvements in NZ have been offset by the expansion in dairy farming, a new study has found. While the flow of some contaminants into fresh water between 1995 and 2015 was significantly reduced by livestock farmers, with phosphorus loss to water down 20%-25%, nitrogen loss increased by about 25%, with dairy farming almost entirely responsible. Study authors were led by Dr Ross Monaghan of AgResearch and the Our Land and Water National Science Challenge.

Malawi/Australia**CAPITAL DAIRY RAMPS UP MILK**

Malawi's Capital Dairy are stepping up milk procurement efforts after expanding their operations in the southern region. Capital, a subsidiary of Australia's Pacific Group, are collecting about 300,000 litres of milk a month; total capacity with their new factory at Aboo, is 1m litres. They are offering farmers loans and technical advice and increased their farmgate milk price to 210 kwacha/litre (22 eurocents/litre).

- **Mzuzu Dairy** say they have invested K75m (\$97m) to double their milk processing in Malawi.

France

LIDL & SODIAAL/LACTALIS AGREE PRICE HIKES

Lidl (1,550 stores in France) have announced marketing agreements with Sodiaal and Lactalis for the third year in succession that will value farmgate milk at a base price of 37.0c/litre and 38.5c/litre with all bonuses. This is 0.5c more than last year. For Sodiaal (Entremont, Candia etc) the agreement covers all milk, cheese and yogurt, for private label and own-label brands, amounting to about 235m litres. They say this price is passed on in full to their 17,000 producers. For Lactalis, the agreement covers cheese, drinking milk, butter and cream and ultra-fresh products, involving 230m litres of milk from their 12,000 suppliers, and applies to private label (Président, Galbani, Lactel etc) and brands such as Milbona, Envia and Chene d'Argent that are produced by Lactalis for Lidl France.

Netherlands

PLANT-BASED LACK FUNCTIONALITY

Dairy alternatives lack functional properties needed to be used as ingredients, according to the head of Dutch biotech start-up Legendairy Foods, Dr Britta Winterberg. Dr Winterberg told the 'Reformulate: Fermentation-Enabled Alternative Protein' digital summit that plant-based dairy alternatives cannot meet 'flexitarians' expectations. Cheese substitutes lack functional properties such as meltability and stretching, so they are not suitable for heated products such as pizza, she said. Substitutes for yogurt or cream cheese break down too quickly, and tend to form lumps. Legendairy advocate fermentative production of dairy ingredients using traditional cheese-making techniques.

- **Farmgate milk prices**—DOC Kaas cut their February milk price by 0.54c to 31.52c/kg. The maximum payable with bonuses is 34.77c/kg. DOC and German parent company **DMK** are referencing the German IFE Institute's Kieler Milchwert, which was down 0.4c in January. German DMK members will receive an annual bonus of 0.3c/kg for 2020. **Bel Leerdammer** are holding their February price unchanged at 33.89c/kg, up to a maximum 37.14c with bonuses (4.41% b/f, 3.47% prot). **A-ware** increased their milk price by 0.85c to 32.94c/kg with a maximum payable of 39.49c. Organic milk is up 0.75c to 50.74c/kg.

Denmark

ARLA POST 2020 PROFIT UP 11%

Arla Foods have posted sales up 1.1% to €10,644m in 2020 and net profit up 10.9% to €345m, with 60% of their business generated in Europe, as they reshaped the business to meet the spike in home consumption and offset the collapse in foodservice and out-of-home sales. Pre-tax profit was up 11.2% to €347m and EBIT increased by 12.8% to €458m. Arla's 'performance price'—measuring the value created per kg of owner milk—was 36.9c/kg, up 0.3c from the previous year. Total milk volume has been unchanged for 3yrs at 13.7bn kg. Members' profit share of revenue was 3.2%, up from 3.0% in 2019. Arla will pay a 13th payment of 1.75c/kg. The 'Calcium' €400m cost-cutting programme led to savings of €130m in 2020, well above the €75m-€100m targeted for the year. Arla plan to invest €700m in 2020 (see also p6 and I HEAR, p7).

ARLA FOODS

c/kg	13th payment	Perf. price
2016:	1.25	30.9
2017:	1.28	38.1
2018:	2.30	36.4
2019:	1.50	36.6
2020:	1.75	36.9

Germany

CHANGES AT ZOTT

Private German dairy Zott have embarked on new plans to improve profitability over the next 5yrs. CEO Frank Uszko said the transformation would produce major cost savings. Sales will focus on four core markets (Germany/Austria/Switzerland/Poland; Czech Rep/Slovenia/Slovakia; and Vietnam) plus a few "with potential", such as Russia. Zott posted 2019 sales of €980m, with exports accounting for 60%, with an 890m kg milk pool and 3,090 staff.

AMMERLAND LIFT LIQUID MILK PRICE

Molkerei Ammerland have increased their price for liquid milk. The price of pasture and organic milk sold under the brand 'Ammerländer' has increased by 10c since early February in response to recent farmer protests. There won't be a significant increase in milk prices, however, as Ammerland process 75% of their milk into cheese and butter.

Italy

SUPPLY COMMITMENTS

Italian co-op Compral Latte have signed with private dairy Inalpi. 'Milk Plus' aims to improve efficiency and competitiveness in the Italian province of Piemonte over the next 4-5yrs.

LTO

DEC AVGE = 33.53c/kg

The monthly EU farmgate milk price for December was 33.53c/kg, up 0.16c in the month but down 0.66c from Dec 2019, according to the Dutch-based LTO survey of 16 of the biggest milk processors in Europe. The biggest increase was by Glanbia of Ireland (+2.6c) due mainly to an early calving bonus. Other price increases were by Friesland-Campina (+0.9c), Müller (+0.54) and Sodiaal (+0.12c). Price cuts were posted by Danone (-1.24c) and Saputo UK (-0.37c) due to devaluation of the £. The class III (cheese) milk price in the US converted into euros fell by 16.3c to 31.9c/kg; US cheese milk prices in 2020 were more volatile than ever, increasing 90% in July, falling 36% in Sept, increasing 41% in Nov and falling 33% in Dec.

The average EU monthly milk price in 2020 was up by 2.0% compared with 2019 but these prices are not definitive and some will be boosted by 13th payments. Milk prices for 2021 are mixed but both Arla and F/C cut January prices by 1.2c and 0.9c respectively. It appears that prices paid by Saputo in the UK will continue to be recorded by LTO despite Brexit.

LTO LEAGUE TABLE MONTHLY MILK PRICES—2020

(c/kg)	Dec	v. Nov
Granarolo	37.87	=
Valio (Fin)	35.88	=
Sodiaal	34.94	+0.12
Savencia	34.60	=
Glanbia	34.21	+2.60
F/C	34.09	+0.90
Lactalis	34.03	+0.04
Hochwald	33.62	=
Danone	33.46	-1.24
Arla	33.31	-0.02
Saputo UK	32.84	-0.37
Müller	32.61	+0.54
Dairygold	32.37	=
Kerry	32.01	=
DMK	31.93	=
Milcobel	28.73	=
Average	33.53	+0.16
Capsa	31.69	=
Emmi (Switz)	52.23	-0.30
Fonterra (NZ)	31.00	+0.14
US Class III	31.90	-16.32

Ranked in order of Dec prices

Brussels update

MONDELÉZ PROBED OVER 'TRADE RESTRICTIONS'

The European Commission confirmed last week that it was opening a formal investigation into food processing giant Mondelez (Kraft) over alleged trade restrictions. The accusation is that the US company restricted competition in a range of national markets for chocolate, biscuits and coffee by hindering trade between Member States, "ultimately leading to higher prices for consumers". Mondelez is one of the biggest makers of these products in the EU.

JAN-NOV MILK PRODUCTION UP 1.7%

EU-27 milk production (now excl. the UK) in the first 11mths of 2020 was up 1.7%. German production was up 0.5%, France +0.6%, Netherlands +1.3%, Italy +4.5%, Poland +2.4%, Ireland +3.8%, Spain +1.4% and Denmark +0.8%, according to the European Commission's Milk Market Observatory. Milk production in November was up 1.1%, with the biggest increases by Ireland (+8.6%) and Italy (+4.0%). November production was down in only five member states, including Spain, France and Germany.

The **average weighted farmgate milk price** in the EU-27 in December was down 0.2% from the previous month to 35.31c/kg. The biggest increases were in Belgium (+3.9%) and Austria (+3.3%). Ireland posted an average cut of 4.2%, Denmark -3.4% and the Netherlands -2.7%.



UK—Omsco last week announced the appointment of **David Williams** as CEO, a new role for Omsco, starting in April. Williams is currently Arla's global head of finance, members, milk & trading, based in Viby, Denmark and was previously head of corporate finance at Milk Link.

US—The International Dairy Foods Association have announced the new members to the executive council and sector boards. **David Ahlem**, CEO and president of Hilmar Cheese will chair the council alongside vice chair **Patricia D. Stroup** (Nestlé), secretary **Stan Ryan** (Darigold), treasurer **David Nelsen** (Albertsons Companies) and immediate past chair **Dan Zagzebski** (Great Lakes Cheese).

Netherlands—FrieslandCampina have announced **Erwin Wunnekink** as their new chairman with effect from June 16, succeeding **Frans Keurentjes**, who has decided to step down. **Sandra Addink-Berendsen** will take Wunnekink's place as vice-chair.

Germany—**Kurt Hardt**, 50, CEO of Sales and Marketing at Ehrmann since 2015, is moving to Müller where he will become CEO responsible for sales and marketing for the branded business in the German

speaking area. He will replace **René Roth**, who is leaving Müller. **Christian Oppitz**, 51, take Hardt's place as CEO, marketing and sales at Ehrmann in April. Oppitz had a similar role at private dairy Gropper for the past 15yrs.

Austria—Austrian ingredients firm Agrana have appointed **Markus Mühleisen** from Arla to the role of group CEO from June, following the retirement of long-serving CEO **Johann Marihart**.

Austria—**Hannes Wieser**, CEO of Froneri Austria, left the company in January and is replaced by **Jouni Palokangas**.

Brussels—Portfolios have been assigned to the European Commission's Trade Cabinet: agriculture and trade go to Spain's **Cristina Rueda-Catry**, who will also cover Mexico, LatAm and the UK post-Brexit. **Zaneta Vegnere** will cover China, investment policy and subsidies. **Andrea Beltramello** has responsibility for trade and sustainable development. **Kevin Keary** covers Australia, NZ, ASEAN, Japan and South Korea and **Elina Melngaile** the Transatlantic Relationship (US & Canada), G7 and G20 and, with Keary, WTO dossiers. **Maija Celmina** will cover digital trade and Ukraine.

Finland

ALL VALIO FARMERS SIGNED UP FOR WELFARE BONUS

All 4,300 dairy farmers supplying Valio in Finland have committed to new sustainability criteria set by the company. Every qualifying farm receives a 2c/kg bonus for meeting improved animal welfare and healthcare standards. Farms must accept a veterinary visit at least once a year to assess progress and set targets for the following year. The programme also includes targets for zero carbon emissions from milk production. Valio said they will now be focusing on increasing grazing and year-round outdoor access.

Switzerland

CHEESE TRADE UP

Switzerland exported 77,100t of cheese in 2020, up 1.6% from the previous year, according to TSM Treuhand and Switzerland Cheese Marketing. Export value was up 3.9% to CHF694m due to higher prices as well as volumes. On average, 1kg of cheese exported generated CHF9.19 (2019: CHF 8.97). EU member states took 80%, with Germany 32,900t, Italy 10,500t and France 5,800t. Cheese imports were up 11.7% at 71,700t, valued at CHF452m (+4.2%)—an average CHF6.31/kg. Most imports came from Italy (+12% to 25,600t), Germany (+14% to 19,600t) and France (+6.9% to 13,500t).

• From Feb 1, Swiss organic milk supply organisations have lifted waiting lists for new organic dairy farmers, adding 90 new farms to their supplier base. High demand, especially for organic butter, has prompted the move. Last year, no new organic milk suppliers were accepted.

Ireland

FARMERS ARGUE OVER MILK PRICE REPORTING

Irish dairy processors will now report two sets of farmgate milk prices, as of January 2021, after Dairy Industry Ireland announced prices should be expressed on the basis of 4.2% butterfat and 3.4% protein, which is the European standard and close to the average milk constituents in Ireland. The current 3.6% b/f, 3.3% prot. model will be retained to allow comparison between years. DII said the change would allow for a better comparison of Irish milk prices and those quoted elsewhere in the EU, although they will not be quoted in c/kg. Average Irish constituents in 2019, according to DII, were 4.17% b/fat and 3.54% prot. "so it is time to choose a new base". There will be no change in total amounts paid for milk as suppliers will receive the same payment as per their internal co-op constituent payment formula (A+B-C). The Irish Farmers Association has written to all milk processors opposing the change, saying there was no consultation with farmers' representatives. "Processors want to look like they are paying more for milk when nothing has changed, we are still getting the same price for our milk as we did 25yrs ago," said IFA dairy committee chairman Stephen Arthur. The IFA has called for the milk price to be stated on a euro per kg of milksolids basis (see I HEAR, p7).

Ireland/NI

NI MILK 'DENIED EU AID ACCESS'

Irish dairy products which contain NI milk will not be eligible for any EU market support measures, should they be needed for the dairy sector, the IFJ has reported. According to Daera, the NI department of agriculture, the European Commission had indicated that there would be an issue in relation to the eligibility of products that contained milk from outside the eurozone. EU support, such as private storage aid, requires that all products submitted must come from the EU. Some 35% of NI milk is processed in the Republic.

subsidiaries. Glanbia have announced a continuation of the scheme under the same terms into 2021. The Co-op will also continue their monthly profit distribution payment of 0.4c/litre (plus VAT) for milk supplying members as their share of GI profit. Members' annual dividend for their 60% share in GI equates to 30% of the milk processor's annual profit after tax, ringfenced for distribution to active farmer members and adjusted to reflect milk constituents. A total €12.9m was paid out in 2020. Glanbia Co-op also paid a total of €10m in share interest (dividend) payments or 28.5c/share to all co-op members (including grain producers and retired farmers).

• **Limits on peak milk not ruled out**—Glanbia has said they were able to process all milk this season, but with continuing supply growth and delays in the development of the big new cheese plant at Belview due to objections and legal action, they cannot rule out limiting milk supply in the next spring flush.

IFJ milk price league

GLANBIA ON TOP FOR NOV

A late season bonus of 1.8c/litre put Glanbia on top of the IFJ's league of farmgate milk prices paid by the leading Irish dairy co-ops in December. Centenary also increased their milk price by 1.8c, to 31.72c, to match Glanbia. Most other prices were unchanged, including November leader Lakeland Dairies (31.63c) although this includes a 1c bonus. Boherbue stayed bottom with a 0.8c cut. The average paid by all 14 co-ops was 30.4c/litre, up 0.2c from November.

IRISH MILK PRICE LEAGUE TABLE c/litre

2020	Dec	v. Nov
Glanbia	31.80	+1.83
Centenary	31.80	+1.83
Lakeland	31.63	=
Drinagh	30.87	=
Bandon	30.72	=
Barryroe	30.72	=
Lisavaird	30.72	=
Dairygold	30.45	=
North Cork	30.15	=
Kerry	29.99	=
Aurivo	30.00	=
Arrabawn	29.89	=
Tipperary	29.18	=
Boherbue	29.00	-0.80
avge	30.43	+0.20

Source: IFJ, ranked on Nov milk prices.

ORNUA PPI UP 3%

Ornua's Purchase Price Index (PPI) for January, measuring value paid to member co-ops for products marketed by Ornua, was 107.3—up 3.0% from Dec. This converts to 31.4c/litre at the farmgate level incl. VAT, based on Ornua's product purchase mix and assumed costs of 7c/litre. The Ornua Value Payment payable to members was €0.9m, down from €5.2m in Dec, taking the Jan equivalent price to 33.7c/litre incl. VAT.

Milk supply contracts

STATUTORY CODE TO 'CREATE FAIRNESS'

A statutory Code of Conduct will be introduced by the government in response to the consultation on farmgate milk prices and the contractual relationship between farmers and suppliers. Defra's response to last year's 12-week consultation, launched in June, concedes that there are imbalances of power within the supply chain. According to Defra, the responses to the consultation "clearly demonstrated" the need to introduce new rules to set minimum standards for milk contracts. The new code will seek to provide a 'guiding framework', which establishes minimum standards but also provides businesses with the flexibility to adapt contracts to their individual circumstances. Defra said further engagement with industry will be needed to develop the standards to be specified within this framework. Particular issues in Northern Ireland, with its prevalence of co-ops and a highly integrated cross border supply chain with Ireland, are likely to be reflected in regulations. The Government will now work with the devolved Administrations and industry to flesh out a Code, using Section 29 of the Agriculture Act 2020.

Milk supply contracts

LACTALIS MOVE TO TOUGH SEASONALITY CONTRACT

Until this year, Scotland's Milk Supply Association have been selling milk to Lactalis on three contracts, a "profile" contract, a "seasonal" contract and a "standard" contract. But this will all change in January 2022 when all suppliers will go onto what looks like old-fashioned tough seasonality contracts. Those already on the profile contract will stay on this but if they exceed +/-10% they will automatically go onto the new seasonality contract. All other producers will now go onto a tough new seasonality contract on which they will pay penalties of 6p-7ppl in Mar-Jun (only charged at 50% for the first year, 2022) for all litres more than 5% above their average Sept-Dec 2021 daily volumes, but bonuses of 1.7p-2.0ppl will be paid on Aug-Feb production more than 5% above their Sept-Dec daily average production. The full new seasonality contracts come into force in January 2023.

Milk production

AHDB EST. 2020-21 MILK PRODUCTION UP 0.2%

AHDB's preliminary estimate for 2020-21 milk production is up slightly on last season, assuming no restrictions on spring production. They are currently expecting GB production to total 12.56bn litres, up 0.2% from 2019-20. For calendar year 2021 they are forecasting 12.59bn litres, up 0.5%. The 2021 spring flush (Apr-June) is expected to be up 1.2% from last year to around 39m litres. "However, processing capability could still be a concern if, among other factors, foodservice demand remains limited or coronavirus increases absenteeism in plants," AHDB say.

Company news

MONDELÉZ TO INVEST £15m AT BOURNVILLE

Mondelēz are planning to invest £15m in the historic Cadbury's Bournville factory in Birmingham, increasing production by a third. The investment will make Bourneville the centre for Cadbury's production again—since 2010, when Cadbury's were controversially bought by Kraft Foods, now Mondelēz International, for £11.5bn, production had been drifting away to various sites in Europe. The investment will boost capacity by 12,000t a year from 2022, making 125m more Dairy Milk bars (see facing page).

MORE COVID GRIEF FOR MÜLLER

Müller's Warth Park, Raunds distribution site at Wellingborough, Northants, was the latest to be affected by Covid, with over 60 staffers self-isolating a fortnight ago. The site was forced to scale down operations. There have now been three deaths in total in the company this year. Around 30 staff at Droitwich were self-isolating out of a total 607 and of 333 employees tested at Bridgewater, 44 tested positive and 64 were self-isolating. Müller say these numbers are now substantially lower.

Company report

ARLA BRANDS STILL WINNING

Although full financial results are not published for their UK business until later in the year, Arla Foods last week reported UK revenue up 8.7% (on their currency conversion) to £2.12bn. The increase in sales was driven by a 13% increase in branded volumes and own-label growth of 4%. Volume sales of the Arla brand were up 8.8%, Cravendale +23%, Lactofree +11%, Anchor +9% and Lurpak +15%. The Arla Pro brand, mainly for foodservice, was down 6%. Production of other brands was hit by the pandemic, including Skyr (-12.9%) and Big Milk (-5.1%).

• £25m investment plans for Arla's Settle facility to start producing Lactofree, currently imported from Denmark, are delayed due to the pandemic.

Milk prices

ARLA'S 13th = 1.58p

In annual results released last week (p4) Arla announced a 13th payment of 1.58ppl for UK members. **Paynes Dairies** have cut their Feb milk price by 0.5ppl. **Pensworth** have cut their Feb milk price by 1ppl. **Medina** have cut their March milk price by 1ppl. **Freshways** warned suppliers they will be cutting their farmgate milk price for March by 0.5p-1ppl.

FARMGATE PRICES—2021		
ppl	Jan/Feb	Feb price
Müller—Tesco	+0.40	31.51
Barber, AJ & RG	-	29.20
Saputo UK	-	28.86
Crediton Dairy	-	28.66
South Caernarfon	-	28.45
Wyke Farms	-	28.39
Arla manuf.	-1.02	28.11
F/M Manuf.	+0.26	28.05
Pattemores	-	27.87
Glanbia/Llangefni	-	27.60
Belton	+0.50	27.57
Freshways	-	27.27
Müller Direct	+0.22	26.74
Pensworth	-	25.31

Source: AHDB

WYKE COMPLETE NEW EXPORT FACILITY AND SET UP IRISH COMPANY

Wyke Farms last week announced the completion of their new export 'centre of excellence' in Wincanton, Somerset. Wyke have also set up an Irish company to help access EU markets. The centre includes cheese maturing capacity for an additional 2,500t of Cheddar to be aged on site to support increasing exports of 18-month-old Ivy's Vintage Cheddar. It also provides greater cheese despatch storage to help consolidate container orders, a long-life packing line and a new chilled dispatch store to allow central distribution for larger customers and consolidation of multi-product orders, saving storage offsite and road miles in the UK and overseas. The facility also boasts a cheesemaking museum, including retired cheesemaking equipment from the past 200yrs. The investment was supported by a £1.3m food processing grant under the government's RDPE growth programme. Wyke say it was built to the highest environmental standards, including solar, heat recovery and air sourced heat pumps.

Northern Ireland

FOOD CHECKS HALTED IN NORTHERN IRELAND PORTS

Food checks agreed under the Brexit deal for animal-based foods were suspended last week at Belfast and Larne ports in Northern Ireland over staff safety fears. Council staff at Larne were withdrawn from their duties following an "upsurge in sinister and menacing behaviour in recent weeks". Graffiti had appeared in the area referencing tensions over the NI protocol and describing port staff as "targets". Staff also reported seeing individuals taking down their number plate details. The council said the situation had caused "extreme distress and worry to staff". Although an initial 'soft touch' was pledged for NI borders, the protocol has been an issue for supermarkets and food businesses trying to bring goods into the region from the UK, as well as a source of tension among loyalist communities. Police warned last month that loyalist discontent was "growing". A shortage of vets has been adding to the problems and delays at the check points.

• UK and Irish officials released new guidance last week to help ease pressure on 'groupage' movements of mixed loads into Northern Ireland. However, it was dismissed as "unclear and not fit for purpose" by the Road Haulage Association. "It also fails to address the complexity and overly bureaucratic requirements designed for external trade and does not recognise the shortage of vets," the RHA said.

Cheese shows

INT. CHEESE AWARDS MOVED TO OCTOBER

The International Cheese and Dairy Awards, originally part of the Nantwich Show in July and due to be moved to Staffordshire Showground when Covid-19 hit last year, will be a virtual event on October 21-23, 2021. The live event is scheduled to return to June 30-July 2 in 2022.

• **The Virtual Cheese Awards**, founded last year in lockdown by Sarah de Wit and hosted by foodie broadcaster and lover of loud shirts Nigel Barden, will stage another event online this year on Friday May 7. The awards will increase from 300 to 400 individual entries across nine categories, with a total of 42 individual classes. Categories include Best Cheddar Cheese, Best Territorial, Best Blue and Best Speciality cheese as well as a new Dairy Free category. An overall Best of British Cheese will be chosen from the winners of the seven main cheese categories. There are also classes for Most Innovative Cheese Packaging, Sustainability in Cheese production and Cheese Hero. Closing date for entries is March 24. Last year's winner was Renegade Monk—a soft blue cow's milk cheese made by Feltham's Farm from organic pasteurised cows milk and rind-washed in ale.

Environmental regs

F/M MILESTONES

First Milk report that their Haverfordwest creamery, at Merlin's Bridge, hit its target of sending zero food waste to landfill for the first time in Dec 2020, with all such waste going to anaerobic digestion plants. In addition, the amount of water recovered from processing activities reached 50% of all water used at the site.

DAIRY FARMERS FACE TOUGH NEW RULES

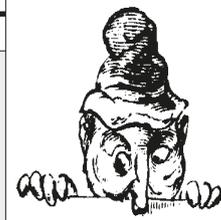
As part of the Clean Air Strategy the Government is planning to extend environmental permitting to dairy and intensive beef farms by 2025. Currently, 87% of ammonia emissions come from agriculture, 23% are said to be from the dairy industry. Defra has laid out what action agriculture needs to take, including incorporating solid manures on cultivated land within 12hrs; low emissions spreading by 2025; covering slurry and digestate stores by 2027; and design standards for livestock housing. For the first time, air quality will become an objective in Countryside Stewardship grants.

Danone under more fire—Late last week US investment company Artisan Partners upped the pressure on Danone to split the roles of CEO and chairman, echoing similar demands from others. The pandemic has hit sales to the restaurant sector, especially their bottled water, and Danone have been in the spotlight over their weak share price performance. The

move by Artisan Partners, who said they had a stake of more than 3% in Danone, follows a similar demand by activist investor Bluebell. Artisan said they had written to independent director Gilles Schnepf to outline their concerns. Emmanuel Faber has been Danone's CEO since 2014 and took on the chairmanship 3yrs later. He has taken steps to try to ward off criticism, including a plan to cut 2,000 jobs. But Artisan and Bluebell feel Danone could do better, with shares having fallen nearly 30% in 2020. "Our attraction to Danone is simple: they have one of the best collections of assets in the global food industry," wrote Artisan. "Unfortunately, their financial performance is not consistent with the quality of their assets."

Arla results—Despite the shocks of last March as the first lockdowns were imposed, Arla—probably the biggest cheesemaker in the UK and the second biggest liquid milk supplier—have emerged with higher sales and profit (see p4 and p6). But the presentation focus of their annual results last week was on the volume increases in branded product sales—their new profitability drivers. These results were uniformly positive, with gains in every country/region. Rightly so, as these results were uniformly positive, with gains in every country/region. Revenue outcomes were not always so strong. While volume growth in Europe, where Arla generate 60% of their business, is highlighted at +5.9%, revenue growth was a more modest +0.9%. Similarly, Lurpack, Puck and Starbucks have been making headway in international markets—Arla reported their convoluted headline 'strategic branded volume driven revenue growth' up 11.6%, whereas revenue was up 9.6%. For all that, the speed at which Arla changed course to meet shifting markets, also supporting communities and their farmers, and still delivered €130m of cost savings (helped by many employees working from home) and posted higher profits suggests the business has come a long way from its loss-making liquid milk-driven base. They are also driving progress, along the way, on sustainability action from cow to consumer. A lot to keep up this year, as recession starts to bite.

Chobani—The transfer of Chobani's corporate HQ from New York to Delaware, where laws and taxes are more corporate-friendly, in 2014 was seen as a signal that the company was preparing for a public float of their shares (see p1). In 2016, the company explored selling a minority stake to fuel diversification plans but decided against it after PepsiCo and other suitors wanted a majority stake. For years Chobani, steered by founder Hamdi Ulukaya, a Turkish immigrant who set the business up in 2005, seemed content building and innovating in their core Greek yogurt offering. But while this remains the biggest revenue generator for the New York dairy giant, now a \$1.5bn+ business, Chobani have moved aggressively in the past couple of years to expand into other fast-growing areas popular with consumers and transform itself into



I hear....

a modern food company. They recently hired new executives to shore up their board, including Jody Macedonio as CFO. Is the boss finally cashing in his chips, or is there a great investment-led leap in the pipeline? And will Ulukaya honour his pledge to staff in 2016 that he would give them shares worth up to 10% of the company when it went public?

Brexit bonus—Cadbury's first Dairy Milk bar was made in Bournville back in 1905. In one of the first Brexit bonuses so far, Mondelez's investment in the Bournville factory will see the return of production that had gradually shifted to Ireland, Germany, Hungary and Poland since Kraft/Mondelez acquired Cadbury's in 2010. The move will bring almost all Dairy Milk production back to Bournville, presumably to the detriment of the overseas factories. There is also mention that £4m will go to expanding production at Cadbury's Marlbrook chocolate crumb plant in Herefordshire, maybe one in the eye for their crumb factory in Ireland.

Saputo UK—Has it all gone a bit quiet at Saputo UK? They have had almost 2yrs to bed down their £1bn acquisition of Dairy Crest's cheese business, after a long run-in, announcing they would expand their international presence. They then extended the financial reporting year of the business, and fell silent. No plans for the future announced, no comment on the impact of Covid. It wasn't all plain sailing for them in the UK last year but they did sell an extra 2.2m kg of Cathedral City at retail—worth an extra £27m—and they have continued to spend money on ad campaigns. The Davidstow brand dropped out of the top 20 cheese brands—but they've launched a website for direct-to-consumer sales with a bespoke new range of cheeses, suggesting they are looking for alternatives to their existing retail offering. They are tinkering with packaging and, of course, exporting to Canada and North America. In Saputo's recent third-quarter results, passing mention was made of their challenge in the UK on the ingredients side, and the hit being taken by infant milk formula suppliers. Maybe the GOS plant—DC boss Mark Allen's final legacy—has simply added to a bundle of other problems, including the standoffs last year with their supplier group DCD Direct.

Irish masochism—Irish dairy farmer lobbies do love to beat themselves up over farmgate milk prices, insisting wherever possible that farmgate milk prices be shown as low as possible, with many (see p5) continuing to insist that prices be compared for milk with archaic constituents of 3.4% butterfat and 3.2% protein when actual Irish averages are 4.2% b/f and 3.5% prot., with the latter valuing milk about 15% more than the former. This fetish is boosted by the IFJ which continues to publish monthly prices for a milk that no longer exists. Farmer lobby ICMSA say milk price quotations should be entirely a matter for farmers. ICMSA do confess that the Dutch LTO league table could have a role to play. The LTO

€/litre	LTO avge	Irish cos. in LTO	Irish diff.
2000	31.8	31.0	-2.5%
2005	29.9	28.5	-4.7%
2010	32.5	30.3	-6.8%
2015	32.4	28.4	-12.3%
2020**	34.6	31.3	-9.5%

*For milk with 4.2% b/f & 3.4% prot.
**DIN est.

is the benchmark and surely the LTO tells a story that is bad enough for Ireland; it shows the annual averages for 2020 will put the Irish milk prices close to 10% below the EU average.

MILK POWDER IMPORTS

tonnes	2018	2019	2020	v. '19
WMP	512,600	664,000	633,700	-5%
- NZ	459,600	614,100	573,100	-7%
- Australia	13,400	18,800	25,000	+33%
- Uruguay	8,700	11,600	18,000	+55%
- Netherlands	3,600	3,200	5,400	+69%
- France	6,600	2,600	3,300	+25%
- Argentina	200	1,300	3,100	+149%
SMP	280,500	343,700	335,600	-2%
- NZ	127,400	139,800	116,900	-16%
- Australia	33,400	44,500	48,500	+9%
- Finland	12,000	18,100	23,300	+29%
- US	21,300	6,500	23,100	+256%
- France	10,900	23,000	22,800	-0.8%
- Belarus	8,000	14,900	20,600	+39%
- Germany	20,400	29,100	19,530	-33%
- Ireland	8,200	18,100	16,700	-8%

INFANT FORMULA & LIQUID MILK IMPORTS

tonnes	2018	2019	2020	v.'19
IMF	333,100	356,400	348,600	-2%
- Neth.	108,900	111,000	119,700	+8%
- NZ	52,600	69,600	72,400	+4%
- Ireland	44,800	47,500	42,300	-11%
- France	35,000	40,100	38,600	-4%
- Germany	33,900	25,800	24,000	-7%
Liquid milk	544,500	729,300	845,400	+16%
- Germany	170,300	253,800	330,900	+30%
- NZ	169,900	196,300	207,000	+5%
- Poland	32,300	77,200	107,100	+39%
- Australia	77,400	100,500	99,700	-1%
- France	30,300	20,700	13,800	-33%
- Belgium	10,800	16,100	12,700	-22%

WHEY & WPC IMPORTS

	2018	2019	2020	v.'19
Whey	554,800	450,900	622,400	+38%
- US	261,900	161,700	246,600	+52%
- Belarus	25,200	36,700	59,300	+62%
- Netherlands	49,700	33,900	57,100	+69%
- Poland	33,000	29,400	54,200	+84%
- France	62,800	54,400	52,800	-3%
WPC	29,200	29,900	39,900	+33%
- Germany	10,600	10,800	14,300	+33%
- US	9,200	8,800	11,900	+35%

Source: DIN, Eucolait, Global Trade Atlas/IHS Markit

CHANGING DEMAND DRIVERS FOR CHINA

China's 2020 dairy imports are put at 3.31m tonnes, up 11.4% from the previous year, but the outcome was very mixed in terms of product category. Much of this year's potential global trade is likely to depend heavily on demand from China, whose WMP imports in 2020 were down 4.6% in volume to 633,700t. Infant milk formula imports were down 2.2% to 348,600t and SMP imports were down 2.3% to 335,600t. This, however, was after record imports in 2019. On the positive side, imports of whey products were up 38% to 622,400t as China restocked after the African Swine Fever outbreak led to the slaughter of 40% of the national pig herd. UHT milk/cream imports were up 57% with milk demand up 16% to 845,400t, cheese imports were up 12.5% to 129,200t and butter imports up 39% to 85,600t. Over the past 5yrs, milk and cream imports have soared to accounting for a third of imports, while whey has dropped from a 25% share to below 20%. WMP, SMP, butter, cheese and IMF imports have stayed proportionally similar.

CHINESE CHEESE, BUTTER & AMF IMPORTS

tonnes	2018	2019	2020	v.'19
Cheese	108,400	114,900	129,200	+13%
- NZ	55,000	66,800	72,800	+9%
- Australia	19,800	17,100	18,000	+5%
- Denmark	4,500	4,700	7,300	+57%
- US	12,000	7,500	7,200	-5%
Butter	87,200	61,600	85,600	+39%
- NZ	75,800	48,500	66,800	+38%
- France	4,900	5,000	5,600	+12%
AMF	26,100	24,000	30,000	+25%
- NZ	24,700	22,400	28,400	+27%

CHINESE LIQUID MILK IMPORTS UP 55% IN 2yrs

Among the big winners were exporters of liquid milk to China last year, with imports up 16% in 2020 to 845,400t and have increased by over 50% since 2018. Germany shipped 30% more last year than in 2019, at 33,900t, and Poland has made rapid inroads, overtaking Australia's volumes, largely at the expense of France and Belgium. The 38% surge in whey volumes was from a lower base in 2019 as China wrestled with AFS, and the US jumped in with 246,600t, up 52%, giving it a market share just short of 40%. Belarus was the second biggest supplier last year, above the Netherlands.

NZ supplied over half of China's cheese imports last year, but European cheeses are growing in popularity, although UK cheese exports were down 18% to 1,100t. NZ also accounted for 78% of the increase in butter imports but there were also gains for European suppliers, including the UK (+40% to 555t). AMF imports, almost all from NZ, were up 25% to 30,000t.

NETH STILL TOP INFANT FORMULA SUPPLIER

The top five infant formula suppliers to China were unchanged, with the Netherlands maintaining a market share of around a third with volumes up 8% to 119,700t. NZ's share of this market has increased from 16% to 21% in the past 2yrs.

NZ LOSING WMP TRADE

NZ, still accounting for 90% of China's WMP imports, lost some market share to Australia, Uruguay and others in 2020, with volumes slipping 7% to 573,100t. Both Uruguay and Argentina, experiencing a year of higher milk production and the need to earn foreign currency, gained traction. Ukraine, the fourth biggest supplier of WMP in 2019, almost disappeared, largely replaced by the higher volumes from Argentina (+149%) and the Netherlands (+69%), France (+25%) and other EU member states including Ireland (+378%). NZ also lost some SMP sales, while Finland (Valio) became China's third biggest supplier with 23,300t. This was still less than half of no.2 Australia's tonnage but almost double its 2018 offering. Finland's SMP supplies were almost on a par with those from US, which bounced back to 23,100t after the 2019 trade hiatus. German SMP imports were down 33% to 19,500t but this was after a surge to 29,100t in 2019 as intervention stocks were moved out of Europe.

DAIRY INDUSTRY NEWSLETTER (DIN)

Editor: Catherine Paice, tel: +44 (0) 1892 882 794. Email: catherine@dairyindustrynewsletter.co.uk
 Publisher: Barry Wilson, tel: +44 (0) 203 432 1998. Email: barry.din@gmail.com

All subscription, payment and conference enquiries should be addressed to:

Carolyn Moore: tel: +44 (0) 203 773 8794. Email: carolyn@dairyindustrynewsletter.co.uk

Payments by BACS: HSBC Bank, 240 Lavender Hill, Clapham Junction, London SW11 1LH.

Account no. 52016427, sort code 40-02-16, IBAN: GB46HBUK40021652016427, SWIFTBIC: HBUKGB4115C.

Payments can also be made in euros and US dollars, please contact Carolyn for details (see above).

Website: <https://dairyindustrynewsletter.co.uk>—Our website includes a daily, comprehensive, regularly updated news service, with market prices from more than 20 products worldwide, international milk price comparisons, company reports and pdf copies of the newsletter. If you already subscribe to the printed version of DIN, you can add website access for £200 or €230 or \$240.

Digital subscription: Online only, no hard copy mailed to subscriber; full access to our website where recent editions of DIN are available as pdfs.

Dairy Industry Newsletter (Eden Publishing): PO Box 1215, Cambridge CB1 0UR.

Published every two weeks (25 issues/year) and printed by Tavistock Printmaster, 20 Cheddars Lane, Cambridge CB5 8LD.

ANNUAL DIN SUB. RATES

Print edition:

UK	£520
Europe	€600
Elsewhere	\$660

Combined print copy & website access

UK	£720
Europe	€830
Elsewhere	\$900

Digital (website) only

UK	£680
Europe	€770
Elsewhere	\$830

Digital subscription includes DIN online, website, access to our daily updated news service, market prices, UK company reports and archives.