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UK

MEDINA AND FRESHWAYS DAIRIES TO MERGE

Struggling liquid milk dairies Freshways, based in Acton, London, and Medina, based just outside London in Windsor, Berks, confirmed last week that they had reached agreement on a merger. They said they strongly believed that a merger would establish a sustainable and progressive dairy business that would be in the best interests of their combined staff, customers and their British farmer suppliers. The new business will have a combined turnover of around £400m; employ 1,000 staff and process around 500m litres of milk. A new board and management structure will be put in place to oversee the merger, ongoing operations and strategic development with Freshways managing director Bali Nijjar and Medina CEO Sheazad Hussain appointed joint managing directors. They said: "Throughout our discussions it has become increasingly apparent how complementary both businesses' capabilities and cultures are." (See pages 6 & 7)

Sweden/US/UK

OATLEY ATTACKED BY STOCK MARKET ACTIVIST

Oatly, this year's emergent manufacturer of plant-based imitation dairy products, have come under fire from a stock market activist over the accuracy of their financial statements and the robustness of their environmental, social, and governance practices. In a 124-page report, short-seller Ben Axler, CIO and founder of Spruce Point Capital, argues that Oatly face "30%-70% intermediate downside risk as it fails to achieve lofty targets baked into their valuation". They also face a longer-term insolvency risk, he said, "when investors realise that the oat-milk food fad has matured and interest in funding money-losing businesses wanes." Oatly, founded in 1994 and now part-owned by Blackstone investment group and state-owned China Resources, as well as being backed by a number of celebrities, have yet to report a profit. The report says the company has overstated revenue and gross margin in their accounts and notes that Oatly have "churned through" three auditors in 6yrs. It says Oatley's CFO and audit chair have both been less than open about their roles in previous corporate accounting scandals. And Oatly's valuation has "mysteriously ballooned nearly 6x since a \$200m investment by Blackstone in July 2020 despite our evidence pointing to market share loss". They have also failed to show that their impact on water consumption is worse than dairy milk, that their treatment facilities are out of compliance with regulations in New Jersey, and they locate production facilities thousands of miles from their oat sources, Axler said.

Israel

COCA-COLA INVEST \$2m IN CULTURED MILK

The Central Bottling Company, the exclusive Israeli franchise of Coca-Cola and other carbonated drinks brands, have signed an agreement to invest up to \$2m in BioMilk, the Israeli food tech company that develops innovative products from cultured milk and human cultured breast milk. In April, they opened trading for their IPO on the Tel Aviv Stock Exchange.

NZ

FONTERRA REVIEW FARMER FEEDBACK

The first phase of Fonterra's capital structure consultation, following feedback from over 5,000 farmer members, has been completed and the co-op is drawing up a revised proposal as it moves to offset the potential impact of reduced milk supply in the future. Changes being considered to the preferred option initially put forward in May include adjusting the proposed minimum shareholding requirement for farmers and enabling sharemilkers and contract milkers to own shares. Farmers have called for additional information on the co-op's business strategy and future performance, which the co-op says it will provide in August and September. Fonterra will also provide further information on long-term strategy, future investment, targeted returns and measures against which progress will be tracked. "We have also reconsidered voting rights in light of some feedback and at this stage our preference is for voting to continue to follow share-backed supply," Fonterra chairman Peter McBride said. There have been suggestions that instead of buying back the Shareholders' Fund, Fonterra should consider buying back shares to cut shares in issue. A more detailed proposal will be presented in late September (see I HEAR p7).

China

POWDER IMPORTS SOAR—FOR HOW LONG?

Chinese whey product imports—a big driver this year, and up 45% in the year to date—levelled off at 55,100t in June, down 1.1% in the first decline for 17mths. Chinese imports of infant formula were down 12.7% in June and down 21.5% in the year to date. Dutch supplies, accounting for 36% of volume, were down 8%. Chinese milk powder imports are still soaring. WMP imports in June were up 87% to 67,800t—almost double the 3yr average—and are up 29% in the year to date. June's SMP imports were up 47% (also +47% YTD), imports of butter were up 80% (+21% YTD), cheese up 18.5% (+57% YTD) and lactose up 1.6% (+31% YTD). AMF imports were down 42% (+33% YTD).

CHINA DAIRY IMPORTS			
tonnes	Jun '21	v. '20	YTD
WMP	67,800	+87%	+29%
SMP	34,300	+47%	+47%
Whey prods.	55,100	-1.1%	+45%
Infant form.	24,400	-13%	-22%
Cheese	14,800	+19%	+57%
Lactose	10,100	+1.6%	+31%
Butter	8,700	+80%	+21%

According to StoneX, Chinese import levels have been tracking the 2013-14 season—one of the strongest on record. They say: "At this time in that season import volumes eased. We predict a strong chance that we could begin to experience declines in the coming months—although current Chinese farmgate prices show that the domestic market is still light."

In this issue		Butlers Farmhouse Ch.		Emmi		Glanbia Ireland		Laita Nutrition		Oatly	
Amul	3	Clover	3	First Milk	6	Glazov-Moloko	5	Lidl	7	Sainsbury's	7
Arla	6	Coca-Cola	1	Fonterra	1,3,7	Hatsun Agro	3	Mach Milk	3	Singleton's	6
Bel Leerdammer	4	DOC Dairy Partners	4	Freshways	1,6,7	Hochwald Food's	4	Medina	1,6,7	Sth Caernarfon Cream.	6
Bridge Cheese	6	Dodla Dairy	3	FrieslandCampina	4,7	Keytone Dairy	3	Milcobel	4	Wyke Farms	6

SUMMER LULL SETS INTO EUROPE, GDT ON THE SLIDE

Still the slide goes on. Sentiment is slipping, with the GDT down for seven consecutive auctions now. Not since August 2018 has there been a similarly negative series of runs. The auction last week saw another drop of 2.9%, meaning that July has seen 6.5% and nearly €400/t wiped off overall commodity values, taking the average value down to €3,839/t. WMP dropped below \$3,800 for the first time since the 15% surge in March; SMP fell below \$3,000 and lactose below €1,200/t.

Still, the declines are from a very high base, and both the average price and WMP price still make it into the top 10 of prices since 2016. But only just, at number 10 now. The fact that prices are still relatively good is largely getting lost amid the melancholy mood enveloping the industry. Now the gods 'enter stage right' to wreak their climate change wrath on the sector. Floods in Belgium have taken out the Cormon butter plant to the West of Verviers for several weeks (if not months) and elsewhere in the country the large Galler chocolate factory was also put out of action (see also p4). The former will undoubtedly affect cream demand in the short-term, while the latter's impact on dairy ingredients is unknown.

LATEST GDT RESULTS

	\$/tonne	Change in 2021
WMP	3,730	+16.9%
SMP	2,971	+2.7%
Butter	4,419	-1.5%
AMF	5,615	+22.3%
Cheddar	4,022	-3.2%
Lactose	1,127	+12.6%
Index	1,179	+10.7%

GDT world markets

INDEX DOWN 2.9%

The overall price index at the latest GDT auction was down 2.9% from last time. The WMP index was down 3.8% on an average price of US\$3,730/tonne and SMP was down 5.2% at an average \$2,971/t—the first time it has dropped below \$3,000 this year. Butter was down 0.8% at \$4,419/t, AMF was down 0.3% at \$5,615/t and lactose down 8.9% at \$1,127/t. The Cheddar index was up 1.3% with an average price of \$4,022/t. BMP not offered. The total volume of products sold was 22,405t, down 7.7% from last time and 6.6% less than 12mths earlier.

• Fonterra diverted more WMP away from last week's GDT. The co-op cut their WMP offer by 19,50t between August and November in the run-up to peak season and a further 1,000t was taken off last week's auction. Together, these tonnages equate to an entire GDT auction's worth of WMP, analysts said. Fonterra said the changes were the result of "extremely strong demand over the next 6mths outside of the GDT events platform". WMP futures prices rallied 1%-2% on the news. A total 4,400t of SMP was also moved from Aug/Sept to Oct/ Feb 2022, and the volume offered for last week's auction cut by 250t.

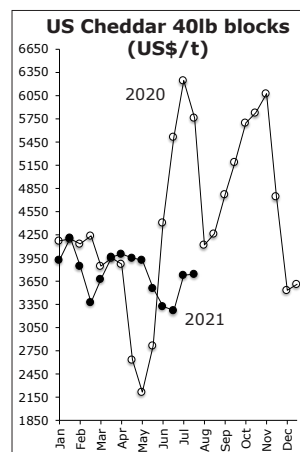
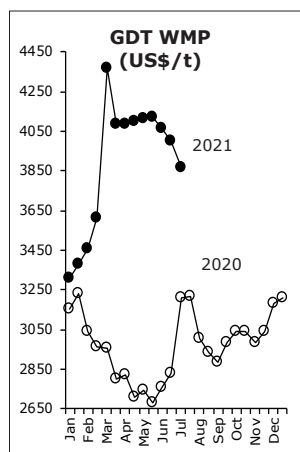
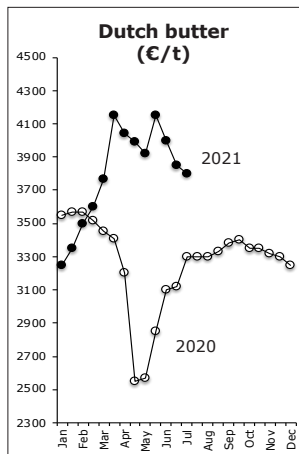
Possibly as a result of these issues and other factors the EU cream price has dropped this week to €4,350/t, down from €4,800/t, at the start of the month. The current price is equivalent to £1.56/kg in the UK, and that's where the UK price averages out, with butter makers only wanting to buy at around £1.55/kg but some fresh buyers happy to keep paying over £1.60/kg for small or one-off loads. Either way UK and EU cream prices are pretty much identical.

The EU real market butter price hasn't slipped in line, yet, and is reasonably stable at €3,700/t. The Dutch and German prices are at €3,800/t, with French at what looks like a ludicrously inflated price of €4,200/t. UK prices are between £3,200/t and £3,300/t. EU butter futures prices for Q3 and Q4 are still tracking €200/t higher than the current real market price, with a narrow spread from €3,890/t in August to €3,920/t by January 2022. Thus stability looks to be the order of the day—something else lost amid the melancholy.

EU SMP has dropped below €2,500/t and WMP is below €3,200/t for the first time since March, with whey prices at €930/t, which is €100/t down on their recent peak. On cheese the younger varieties like Edam and Gouda have been holding their end up at nearly €3,000/t in recent weeks, but again prices are steadily easing in line with the general market tone, and trades are now as low as €2,930/t. Mozzarella is also stumbling, and is down €100/t from mid-July prices to €2,850/t now. UK mild Cheddar is still at £3,000/t.

How long will the market negativity last? Traders say it's unlikely to turn positive again until the GDT reverses its trend and holidaying traders return in late August to inject some buying fizz into proceedings. By then the production trend in NZ's first 2mths of the new season, and how Europe fares over the summer, will have become clearer. If it's anything like the situation in the UK, buyers may be in for a surprise—UK volumes have been falling off this year at a far faster rate than in previous years, even before the heatwave. This propelled the spot milk price to the giddy heights of 34ppl 2wks ago—it's highest price since August 2018—but the hot weather killed both fresh milk demand and spot buying appetites, and the price subsequently dropped to around the 30p level last week.

US markets—Widespread labour shortages in the US, affecting all areas of the dairy industry, are preventing cheese and other dairy product manufacturers from operating at full capacity. Some processors are also running into logistical issues with the dearth of truck drivers and port congestion, causing product to build up in warehouses, limiting storage space and ultimately impinging on production schedules and manufacturers' ability to take advantage of available milk.



Weekly market prices @23.7.21

EU OBSERVATORY PRICES

(€/t)	Jul 21	v. Jul 7	2021 high	2021 low
Butter	3970	-0.8%	4130	3350
WMP	3170	-0.6%	3220	2710
SMP	2510	-1.6%	2600	2190
Cheddar	3170	+0.3%	3170	3080
Whey powd.	960	-4.0%	1010	780

US QUOTES, CHICAGO MERC.**

(\$/t)	Jul 23	v. Jul 9	2021 high	2021 low
Butter (AA)	3765	+0.7%	4085	2835
SMP (grdA)	2745	-0.5%	2860	2470
Cheddar				
—40lb blcks	3460	-7.5%	4215	3265
—500lb bar.	3080	-10.7%	3960	3075

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

EU market indicators

DUTCH PRICES DOWN

The Dutch Dairy Board/ZuivelNL cut their official butter price by €50 to €3,800/t last week. Their WMP price was also cut by €50 to €3,110/t, SMP (food) was down €20 to 2,440/t and SMP (feed) down €10 to €2,410/t. Their official whey powder price was left unchanged at €930/t.

The German-based IFE institute's estimated average **EU raw milk value** was cut by 0.4c last week—and has fallen 2.5c in the past 6wks—to 34.8c/kg at the farmgate level, based on the official prices of butter and SMP in Germany, France and the Netherlands. The average price of butter in these three markets was down €33 at €3,933/t and the SMP average was down €23 to €2,480/t.

Derivatives

EEX LIQUIDITY INCREASING

EEX dairy derivatives volumes in the first half of 2021 were up 58% from last year at 77,760t equivalent (15,552 contracts). Butter volumes increased by 70% to 35,880t (7,176 contracts) and SMP futures trades were up 45% to 40,350t (8,070 contracts). "We have seen strong growth in the adoption of farmer 'forward pricing programmes' using EEX futures as the basis for contract pricing," said Sascha Siegel, head of agricultural commodities at EEX. "This, in turn, increases overall futures contract liquidity."

China**MILK PRICES STILL AT RECORD HIGHS**

In China, milk procurement prices rose to record highs at the beginning of July, according to weekly data reported by Infagro analysts. Average price was 4.30 yuan/kg, which was 20% higher than a year before. They said milk prices in China generally correlated with world prices for SMP in the main export regions (EU/US/NZ), and had increased despite a sharp rise in local production associated with an overall increase in the consumption of dairy products in China over the past year.

NZ/China**FONTERRA'S HANGU FARM GOES ON THE MARKET**

With their two wholly-owned China farming hubs in Shanxi and Hebei provinces sold in April to Inner Mongolia Youran Dairy for NZ\$552m, and the sale of the Shandong Farms to Japfa announced this month, Fonterra's total proceeds from selling their China farms amounts to \$640m so far, with one farm left. Last October they agreed a sale of their final Hangu farm for \$42m to Beijing Sanyuan Venture Capital Co., who have a 15% stake and right of first refusal. Terms have failed to be agreed and Fonterra have put the farm onto the open market.

Malawi**NEW COMPANY LAUNCHED**

Mpemba-based dairy company Mach Milk, backed by local businessmen, are planning to start manufacturing milk powders with milk supplied by

South Africa**CLOVER DISRUPTED BY RIOTS**

Leading South Africa dairy products manufacturer Clover say they are assessing product availability amid widespread looting and turmoil in the country. Some parts of the country—including Durban and Soweto—have seen long queues for access to staples such as bread and milk. Clover say they are investigating the impact of looting on stock availability. Operations have been affected in various parts of the country, but mainly in KwaZulu-Natal and Gauteng. Food distribution has also been affected by the closure of major highways, including between Durban and Gauteng, while panic buying temporarily emptied some shelves in Gauteng.

over 5,000 local dairy farmers, creating employment opportunities for up to 200 people. The facility is expected to start operating in August, producing 144,000kg of milk powder a year.

NZ**HISTORIC FLOODING SWEEPS AWAY CATTLE**

Thousands of cattle were swept away in flooding on the NZ West Coast of the South Island as rivers overwhelmed homes and farms, especially in and around Westport. Reports say up to 1,400 cattle, many of them in-calf, may have been lost on a single dairy farm that was left 70% under water. The animals had been moved to historically safe places, but the river rose higher than expected, causing livestock to panic and run into the water. The flooding has been classified as a "medium-scale adverse event", allowing the provision of NZ\$200,000 for flood-affected farmers across the West Coast and Marlborough, mainly for feed.

Australia**KEYTONE BOOST DEBT FACILITIES**

Keytone Dairy have increased debt facilities in Australia and NZ by A\$9.8m to accelerate growth and new strategy initiatives across the company. The dairy company secured a NZ\$1m increase on their trade finance facility with ANZ, with an interest rate of 5.98%, increasing their total available debt financing with the bank to NZ\$3m. In Australia, they secured a trade debtor finance facility for A\$7m with Moneytech (interest rate 2.29%) for their Australian Contract Manufacturing and Brands business. The debt is secured against assets. Keytone Dairy shares were up 7.4%, trading at 14.5c.

US milk production**WASDE TRIMMED**

USDA's July World Agriculture Supply and Demand (WASDE) report has lowered their forecast slightly for 2021 US milk production to 228.2bn lb (100.5bn litres), despite increasing cow numbers. June milk production in the US is estimated by USDA up 2.9% to 19.0bn lb (8,347m litres).

India/Canada**AMUL WIN TRADEMARK VIOLATION CASE**

India's largest milk brand Amul have won their first trademark violation case outside India and will be awarded damages in Canada of C\$32,733. The Kaira District Co-operative Milk Producers Union and umbrella co-op Gujarat Co-operative Milk Marketing Federation (GCMMF), who market the brand, had sued Amul Canada and four individuals for copying the trademark 'Amul' and the logo of 'Amul-The Taste of India' and creating a fake profile on social media platform LinkedIn. The four defendants were listed as employees of 'Amul Canada'. They failed to respond to approaches by the co-ops. Amul's lawyers eventually brought an ex-parte motion for default judgement. GCMMF have been exporting milk products to the US for 22yrs and started exporting Amul Kool (flavoured milk), ice cream and dairy snacks to Canada 2yrs ago.

India**HATSUN AGRO IN \$94m SHARE PLACEMENT**

Dairy product maker Hatsun Agro Product plan to raise Rs700 crore (about US\$93.9m) through the private placement of equity shares in a qualified institutional placement. The board has also approved a proposal to increase their borrowing limit from Rs1,500 crore (about \$200m) to Rs1,800 crore (\$240m). Hatsun are in the process of increasing milk processing capacity at their Solapur plant in Maharashtra by 50,000 litres a day to produce lassi and butter milk. This expansion is expected to be completed by end of September. Their Rs311 crore (\$42m) ice-cream plant in Telangana, with a capacity of 100,000kg a day, is expected to be operating by November and they also plan to set up a curd processing plant, with capacity for 100,000 litres a day, in Dharapuram, Tamil Nadu, for completion by March 2022. Hatsun are also scouting for land for a new factory in northern Andhra Pradesh.

- Southern India's **Dodla Dairy** have reported operating revenue down 9.1% to Rs1,944 crore (US\$260.7m) in the year to March 2021.
- India's milk production increased by 2.1% in 2020, according to the latest FAO/OECD Outlook report.

US**CONGRESS CALL FOR \$725m FOR DAIRY FARMERS**

A group of 25 Democrat Congress members have called on President Biden for \$725m to reimburse dairy farmers for "lost milk revenue" as the market faces continued disruption from the pandemic. They say the compensation would be for milk revenue foregone after changes to the national pricing structure in the 2018 Farm Bill have compounded difficulties caused by Covid-19. The Farm Bill changed how the Federal Milk Marketing Order system formulae compute the price of the four classes of milk, and set the price based on a historical average.

- A \$10m federal grant is funding a six-year project to help the US dairy industry become carbon neutral. The project is match-funded by The Foundation for Food & Agriculture Research. A key target is to standardise measurements for carbon footprints.
- Ingredients manufacturer Welcome Dairy are acquiring Lichfield, Minn.-based North Star Processing, a provider of spray drying services for food ingredients. Welcome, who merged with Gamay Food Ingredients in 2016, were bought by New Heritage Capital in 2019. They operate a large processing plant at Colby, Wis.

Canada**NEW GRANTS**

Canada's agriculture ministry announced grants totalling over C\$535,000 for three Quebec cheese processors (Les Fromages Latino, La Fromagerie du Presbytère and Fromagerie La Station) to boost production and capacity. La Station had already received \$910,355 to automate their cheese maturation processes.

World milk production**TOP 5 EXPORTING REGION MILK DELIVERIES +3.0%**

Combined milk production from the five main global milk exporters is estimated at 26.51m tonnes in May, up 3.0% on last year, according to StoneX. This also exceeded the three-year average by 3.4% and five-year average by 3.8%. All saw strong year-on-year gains in May, leaving cumulative Jan-May deliveries for the five 1.2% ahead of last year at 128.8m tonnes.

Netherlands/Germany

DOC DAIRY PARTNERS + UNIEKAAS

DOC Dairy Partners, a subsidiary of German dairy co-op DMK, have been fully merged with Uniekaas as Uniekaas Holland. The merger is part of a project to integrate the Dutch company into the German DMK Group. In 2017, DOC Dairy Partners took over the Uniekaas brand and all ripening, packaging and production activities at Uniekaas' Kaatsheuvel site.

Brussels update

UNCERTAINTY PERSISTS—SHORT-TERM OUTLOOK

Progress in the Covid-19 vaccination campaign, reopening of foodservice and easing travel restrictions in the EU are expected to have a positive impact on tourism this summer, and EU food consumption as a whole. This will help support the positive outlook for dairy given in the spring and, according to the latest European Commission Short-Term Outlook for agri-markets, demand from the US and China will continue to support EU dairy exports and prices. This should in turn support raw milk prices and to some extent offset rising feed costs, the Commission says. Bilateral trade with the UK has started to recover after a dramatic drop in the first 2mths of the year; EU exports to other destinations have only partially compensated for this.

With good grass growth, milk production is expected to increase by around 0.8% in 2021. Dairy herd reduction of around 0.9% is forecast. EU butter and SMP production could recover after a drop in early 2021 during which cheese was a preferred option, together with whey to meet strong export demand. Despite an expected drop in consumption, drinking milk production could remain stable due to increasing import demand from China. Uncertainties and economic risks will remain for as long as the health crisis lasts, the report concludes.

EU MILK PRODUCTION DOWN 10.3%

Milk production in the EU was down 10.3% in the first 4mths of 2021, compared to the same period last year, mainly as a result of Brexit; the UK was the third largest milk supplier within the EU.

- EU+UK milk production set a new record in May, Europe's peak month, with deliveries estimated at 14.91m tonnes (14.5bn litres), up 1.7% from 2020. Last year was affected by drought in May, but this estimate is also 2.1% higher than the three-year average. Cumulative EU+UK collections for the first 5mths of 2021 are now just 0.1% behind last year at 68.8m tonnes.

Netherlands

F/C PROFITS DOWN 43%

FrieslandCampina have posted first-half profits down 43% to €62m on revenues down 1.8% to €5.5bn. F/C said the cut in profits was mainly due to a €57m provision for a court ruling in Thailand (over a disputed contract) and lower infant nutrition results. Operating profit, excluding this provision and currency effects, was down 8.6% to €202m. F/C said the results also bear the costs of their new strategy plan which would lead to structural cost reductions of at least €100m pa, starting in 2022, with the loss of about 1,000 jobs.

BEL RULING COULD SAVE €50m

A court in The Hague has released Bel Leerdammer from a legal requirement to pay millions of euros in alleged milk cheque arrears incurred in 2010-15, saving them around €50m. The ruling by the Court of Appeal follows a lower court decision that Bel Leerdammer should have explicitly calculated the amount of arrears involved, including taking into account the reference dairies named in the supply contract. The new ruling contradicts this. The 475 suppliers who took legal action are now considering taking the case to the Dutch Supreme Court.

CHEAPER BORROWING RATE FOR SUSTAINABLE FARMS

Dutch dairy farmers with an A grade sustainability rating and a loan of more than €1m can now qualify for a 0.2% interest rate reduction with Rabobank for a nine-month trial period. In order to classify farms into sustainability categories A to D, the bank will use a sustainability matrix, details of which will not be disclosed but which will draw from data including quality labels, emission-limiting measures and pasture use. In the future, more information from tools such as the Biodiversity Monitor and the Open Soil Index will be incorporated. The offer means that a qualifying farm with an average loan of €1.5m will receive a discount on interest payable of up to €15,000 over 5yrs.

Belgium

MILCOBEL AIM TO HALT SWITCHES TO A-WARE

Milcobel have appealed against the lifting of a ban on milk supplier dismissals, which a court last week ruled to be "too broad". Milcobel say the court decision is a provisional measure that does not affect the legal validity of the board's decision. Milcobel's decision to appeal leaves a group of 40-50 milk suppliers unsure of their position. The ban on terminating milk contracts is believed to mainly affect farmers who want to switch to A-ware.

Germany

NEW MILK WITH HIGHER VITAMIN D

A German company has launched a product which they claim provides extra vitamin D by exposing the cows to irradiation. By irradiating the cows in the barn, the milk is up to 20 times richer in vitamin D than conventional products, according to the manufacturer, dDrei Milchkristalle. During the day, the lighting mimics the natural full spectrum of sunlight. This, combined with a bespoke feed, allows the cows to accumulate vitamin D. The process has been patented. Bottled at Immergut, the UHT product is available exclusively through the company's online shop for €2.95/litre.

HOCHWALD UPDATE ON FLOODING

The position for dairy farms in Hochwald Foods' catchment area and among employees at their Erftstadt processing site, which was partially flooded, remained largely unclear last week. The plant itself sits on slightly higher ground, and appeared to be relatively undamaged. Due to the flooding of the municipal sewage treatment plant, a plan has been put into place with a service provider distributing wastewater by truck to surrounding sewage treatment plants. Hochwald said they hoped that partial production could be resumed in the course of the week. Milk collection in the crisis region has been possible since Sunday morning. The Eifel region and Heinsberg, in particular, had been under considerable restrictions in terms of both haulage and access. Telephone networks and the internet were still not functioning, however, leaving Hochwald unable to contact suppliers and assess the full impact of damage. Transport routes to and from the plant also remain a problem. Raw milk from the region is currently being processed at other Hochwald locations or delivered to neighbouring dairies that have offered assistance.

TOP 10 ORGANICS

Organic fresh milk accounts for retail sales of €350m in Germany, according to Nielsen. The total market for organic dairy products is worth €600m. Out of a total of 300m litres of organic milk sold in 2020, 203m litres were retail own-label. Almost a third of all organic liquid milk sold in Germany is imported from Austria.

TOP 10 GERMAN ORGANICS

	m kg
Andechser Molkerei	140
Allgäu Milch Käse	113
Arla	100+
Berchtesgaden	100+
Gläserne Molkerei	100
Gropper	80
BMI	78
Bayernland	70
Schwarzwaldmilch	55
Söbbeke	50
Upländer	40
Schrozberg	33

DAIRY ADVERT. DOWN 29% IN 5yrs

Spending on dairy advertising in Germany has fallen 29% in 5yrs, to a total of €259m in 2020. Spending has fallen every year. Spending on yellow products, mainly cheese, was down 10% in 5yrs, while spending on white goods, mainly milk, was down 46%.

France

LAÏTA ANNOUNCE PLANT-BASED FOCUS

Laïta Nutrition report a strategic focus on plant-based ingredients. They currently offer a range of plant-based products for clinical nutrition and are developing formulations for sports nutrition.

Italy

CHEESE EXPORT BOOM

Italy has reported a boom in Third Country demand for Italian cheeses. In the first 5mths of the year, exports to the US totalled around 13,600t, according to CLAL, with a jump of over 120% in May alone. Italy is now the biggest cheese exporter to the US.

US—The 2021 National Dairy Shrine’s Pioneer Award was awarded this year to four people in recognition of their significant contributions to the dairy industry: Guernsey cattle breeder and educator **Bonnie Ayars**; Farmshine publisher and editor **Dieter Krieg**; dairy science academic **Dr Ric Grummer**; and dairy cattle export entrepreneur **Darrell W. Pidgeon**. They join past industry leaders whose portraits and stories are displayed in National Dairy Shrine’s Dairy Hall of Fame and the Museum in Fort Atkinson, Wis.



US—Agriculture Secretary **Tom Vilsack** has named **Daniel Whitley** as the new Administrator of the US Department of Agriculture’s Foreign

Agricultural Service. Whitley has been the agency’s acting administrator since December 2020.

UK—Founder of London-based liquid milk company Capital Dairy, **Kuldeep Singh**, has stepped down as a director of the company now controlled by Freshways of west London.

Ireland—**Dr Anne Marie Henihan** has been appointed the new director of Dairy Processing Technology at the University of Limerick-based Enterprise Ireland Technology Centre.

Obit—**P A Balan**, a founder of the Kerala Co-operative Milk Marketing Federation (Milma) in India in 1980, died in July.

Czech Rep.

PM IN BREACH OF EU LAW WITH DAIRY SUBSIDIES

Czech prime minister Andrej Babiš is to be prosecuted for breaches of EU law on conflicts of interest. MEPs voted overwhelmingly last month to issue proceedings against Babiš. The non-binding resolution supported the conclusions of an earlier European Commission audit. Mlékárna Hlinsko, a dairy company that is part of the Agrofert holding founded by Babiš, filed a lawsuit in April with the European Commission’s Court of Justice after their subsidies were suspended over possible conflict of interest. It was the second lawsuit filed by an Agrofert company over the Commission’s finding that the prime minister was in a conflict of interest: he placed Agrofert into two trusts but remains the holding’s sole beneficiary.

Russia/Italy

ITALY APPEALS AGAINST PARMESAN BAN

The Italian ambassador to Russia, Pasquale Terraciano, has appealed to Russia to reconsider the inclusion of Parmesan cheese in the list of banned food imports. The Italian diplomat argued that it was a technical error—Russia allows lactose-free products, and there is no lactose in this type of cheese.

Ireland

GLANBIA PLEDGE 30% CUT IN EMISSIONS BY 2030

Glanbia Ireland have pledged to achieve a 30% absolute reduction in carbon emissions from its processing sites by 2030. They will also work with their dairy farmers towards a similar cut in carbon intensity from milk production. The company’s overall ambition is to reach Net Zero Carbon by no later than 2050, in line with Irish government targets. Other specific Glanbia targets in Ireland include: all packaging on consumer-facing brands to be recyclable, reusable or compostable by 2025; full compliance for their portfolio of products with the GI Nutritional Standards by 2025; all inputs for food responsibly sourced by 2030; and all GI farms to have ‘A Greener World Animal Welfare Approved Standards’ certification, a nutrient management plan, soil testing and water quality action plans for farms in Priority Areas for Action by 2025. They are also targeting 50:50 female:male representation in leadership roles by 2030.

• In a trading update, Glanbia posted wholly-owned revenues up 20% in the first half of 2021 on a constant currency basis. As a result, they expect to deliver full year 2021 adjusted EPS growth of 17%-22%, up from a previously announced 6%-12%. They reported very strong demand, especially in the second quarter, in Glanbia Performance Nutrition, Glanbia Nutritionals and Nutritional Solutions.

Switzerland

EMMI’S NEW MILK PRICING

Emmi introduced new quality criteria into their farmgate milk prices earlier this year. For bacteria and cell counts, average values of several monthly samples are used as a criterion in order to take account of natural fluctuations in raw material quality. There is also more tolerance for seasonal variation in the freezing point. Instead of a monthly quality surcharge of 0.5 rappen per kg of milk, those producers who supply the best quality milk throughout the year receive a premium. For example, those who meet all requirements in all samples receive a premium of CHF400. Each violation of the target value is sanctioned with penalty points. For one penalty point within a year there is a deduction of CHF200, for two penalty points only CHF100 are paid. Emmi process 950m kg of milk in Switzerland.

Croatia

CALLS FOR AID

Rising costs in the dairy sector due to increasing cereal and food prices have prompted the Croatian agriculture ministry to ask the EU for HRK15m (€2m) in aid.

Russia

H1 MILK PRODUCTION UP 0.3%

Russian milk deliveries were up 03% from last year in the first half of 2021, to 15.8m tonnes, according to Rosstat. Industrial farms increased production by 1.3% in Jan-June to 9.2m tonnes, with other/privately owned farms up 3.2% to 1.3m tonnes. Household production was up 2.5% to 5.3m tonnes. Danone and PepsiCo (Wimm-Bill-Dann) remain the top two processors, with annual revenue of over 100bn rubles (€1.15bn) each.

GLAZOV-MOLOKO SHIP MORE WHEY TO CHINA

Glazov-Moloko, part of the Komos Group, reported that they shipped whey to China on July 15—the second delivery made by the company within a few months. The 25t shipment went by road to Ekaterinburg, then by rail to Vladivostok to be shipped to Xingang (Tianjin), the largest port in northern China. The journey was expected to take less than a month. Glazov-Moloko, who were given the green light to export to China this spring, are considering increasing their production of demineralised whey powder from 450t to 800t per day, which would require updating the drying complex.

Belarus

BUTTER EXPORTS UP 24% IN MAY

Belarus increased butter exports in May by 24% to 31,500t, valued at US\$148.7m (+18%), Belstat reported. About 86% of exports were to Russia (+15.4% from last year), valued at \$128.7m (+10.6%). Cheese and cottage cheese exports also increased, mainly to Russia—up 14% to 12,900t and valued at \$469m (+9.2%).

Ukraine/Turkey

UKRAINE CLEARED FOR EXPORT TO TURKEY

Ukraine and the Republic of Turkey have agreed on bilateral certification for the export of Ukrainian dairy products.

METHANE OVERSTATED?

Trials being carried out at Teagasc Moorpark, still at an early stage, have indicated that the amount of methane produced by dairy cows grazing at pasture is greatly overestimated, the IFJ reported. The work, headed up by post-doctoral researcher Ben Lahart, has shown there is a disparity between measured emissions in the field and the current estimate used by the national inventory.

TB LEVELS RISING

TB levels in Ireland continue to rise, according to latest figures from the Department of Agriculture. In the year to June, 4.3% of herds tested had a new TB breakdown, up from 4.0% the previous year. The total number of reactors removed during this period was up 13.2% to 21,845 cows.

Switzerland

GRUYÈRE SALES UP 4.5%

In the 20yrs since Swiss Gruyère cheese was awarded the protected designation of origin AOP, the number of Gruyère producers has decreased from 222 to 154, while total production has increased from 26,590t to 31,808t in 2020. Last year, sales were up 4.5% to 31,617t, with 16,000t sold in the domestic market and about 15,600t exported. Exports to the USA set a new record with 3,903t.

Company news**FRESHWAYS + MEDINA MERGER AGREED**

Liquid milk dairies Medina and Freshways, who both operate from London bases and were hit hard by the pandemic last spring, slashing milk prices and ditching milk suppliers, last week confirmed a full-scale merger plan. The new company will be called Medina Freshways. They have been moving their businesses closer together since 2019, integrating some of their activities, with rumours of a merger circulating from even before the pandemic. In February 2021, they announced they were in merger talks. Historically big rivals, the two dairies said they were seeking to establish a sustainable dairy business that would benefit staff, customers and their farmer milk suppliers, many of whom have given notice to quit in recent months because of their uncertainty of the business. Freshways slashed their farmgate milk price by 2ppl last April, increasing by 3ppl between July and November, and have announced a 2.5ppl increase for this month. Medina slashed their milk price by 5ppl in May 2020, with 6.3ppl reinstated during the rest of the year. Medina cut their Feb milk price by 1ppl this year, and increased by 2.7ppl for this month. The two dairies say the merger, subject to regulatory approval, "will create the basis for a viable, long-term, fresh liquid milk business" with "the requisite scale and agility to compete with the two large players [Müller and Arla] who dominate the UK dairy sector."

Freshways (who report as Nijjar Group Holdings) and Medina are the third and fourth biggest liquid milk processors in the UK after Müller and Arla, with Medina having overtaken Freshways by more than doubling turnover in 2018. Medina were then hit with a bad debt provision of £8.8m—mainly the loss of their Sainsbury's contract—in their 2019 accounts and moved into serious losses (see I HEAR).

MEDINA/FRESHWAYS FINANCIALS

£m	2017	2018	2019
Freshways			
Turnover	184.1	219.8	216.5
Oper. profit.	-4.1	-1.5	2.0
Pre-tax profit.	-4.7	-2.3	1.0
Medina			
Turnover	188.0	247.8	232.6
Op. profit.	1.7	-4.4	-9.6
Pre-tax profit.	1.2	-7.1	-12.3

Company news**ARLA BRING LACTOSE-FREE TO YORKS**

Arla are to create 50 new jobs in Yorkshire as they transfer production of lactose-free milk for the UK market to their Settle facility. A £25m investment in existing facilities, first announced 18mths ago, will see the company's full range move from Denmark and Sweden and will double existing capacity. The decision has been fuelled by a 93% increase in free-from purchases in the sector over the past 4yrs. Arla UK's managing director, Ash Amirahmadi, said, "We're determined to meet consumer needs in this sector with upweighted production capabilities and an expanding range." The new jobs will be created in important frontline roles across production, warehouse management and quality control, with half of them already being filled by people from the local area and a further 25 to be recruited over the next 3yrs. Investment covers new production equipment, filling lines, packaging facilities and a new energy centre.

WYKE SEND CHEESE TO FARESHARE

Wyke Farms last week delivered the first of six contributions of butter and grated and block Cheddar for cooking use to FareShare South West, who are partnering with Feeding Bristol this summer to deliver food to over 50 holiday projects across southwest England. The 'Food for Holiday Projects' work aims to help families facing food insecurity over the summer holidays. Wyke supplied food for over 6m meals in 2019 and this year it will be more, with the six donations of 536kg amounting to 3.2t of cheese and butter.

BRIDGE CHEESE EXPAND AT TELFORD

Bridge Cheese are creating up to 20 new jobs as part of an expansion of their Telford, Shropshire, base which will add 9,000 sq ft and a new production line. Bridge Cheese supply cheese for pizza and take-away products, which rocketed in popularity while restaurants and pubs were closed. They say their food manufacturing clients have also fared well throughout the pandemic. As foodservice re-opens they are expecting further demand. Bridge Cheese were set up in 2018 by ex-Meadow Cheese/Ornuia Ingredients' directors Michael Harte and Martin Bowden.

Company reports**FIRST MILK PROFITS UP 8% IN 2020-21**

First Milk have reported turnover up 6% to £299.5m and operating profit up 8% to £8.1m for the year to March 2021, in the sixth year of their major turnaround which has combined a big cutback in their overall business and member milk supply and a major recovery to profitability.

Net profit was up 24% to £5.6m. They made capital investment of £7.8m in the year while net bank borrowings stabilised at £33m. CEO Shelagh Hancock said: "We have seen 93% of our members voluntarily sign up to our First4Milk Pledge, a broader commitment to sustainable dairy including guaranteeing cows' access to pasture and enhancing biodiversity. We have also committed to our largest capital investment programme to date for the year ahead, which will see us invest £14.4m in our sites to further improve operational capability." Member milk price premium was doubled in the year to 0.5ppl.

South Caernarfon Creameries have reported sales down 5% to £61.0m for the year to March 2021 but operating profits soared by 90% to a record £3.4m, an operating margin of 5.6%. Sales volumes were lower due to a cheese stock build in excess of 1,300t in order to recover stock profile following the initial lockdown which hit retail demand in the first quarter. In the past 5yrs, the Welsh co-op's sales have more than doubled as the company have added capacity to their site at Rhydygwystl with further investment planned to increase production to 23,000t by the end of 2022. Net debt was cut from £11.3m to £11.1m, further reducing their gearing from 110% to 85% while total equity increased from £10.2m to £12.8m. Average staff numbers were down from 154 to 152. SCC have 136 milk supplying members producing 150m litres of milk with new members already signed up to match the planned capacity growth. The co-op has announced that members will receive a 0.6ppl bonus payment that will be based on members' production volumes for 2021-22 and added to their milk price.

The Hall family's Preston, Lancs-based **Butlers Farmhouse Cheeses** have reported sales up 5.5% to £14.3m for the year to September 2020 with operating profits up 18% at £1.0m and pre-tax profits up 20% at £980,000. Total equity was up 18% at £5.9m. Staff numbers were up from 99 to 105. Dividends totalling £6,000 were paid out, the same as the year before.

Lancashire cheesemaker **Singleton's**—the first UK company we track to submit their accounts for 2021—have reported a halving of their operating losses to £560,000 for the year to March 2021 on sales down marginally at £10.5m. Pre-tax losses were cut from £1.2m to £570,000. Their total equity was cut from £3.7m to £3.1m. Staff numbers were cut from 67 to 63. Dividends were cut from £100,000 to £40,000.

GOVERNMENT RESPONDS TO DRIVER SHORTAGES

The UK government has announced a package of measures to help tackle the mounting HGV driver shortage in response to well documented details by the logistics sector and trade bodies. HGV driver testing is a key issue—the government pledges to maximise testing capacity (potentially up to 2,000 successful driver test passes a week) to tackle the backlog. Provisional licences may be issued to drivers of some types of lorry, and extra support issued for apprenticeships and jobseekers. In the short term, drivers' hours rules are being relaxed and a consultation has been launched. Supermarket shelves started to empty last week as the driver shortage was compounded by increasing numbers of drivers isolating against Covid.

Scotland**COW NUMBERS UP**

Cow numbers have increased in Scotland to 178,000, making the average herd size 213—an increase of four. Ayrshire has the most herds at 213 and the second highest number of cows at 35,848, while Dumfriesshire has the most at 36,061 and the second highest number of dairy herds at 152. Dumfriesshire also gained two new dairies. The biggest herds are in Kirkcudbrightshire (23,052 cows on 58 holdings), with neighbouring Wigtownshire reporting 29,522 cows on 121 farms. According to the Scottish Dairy Cattle Association, investment has also increased, with new parlours and cattle housing being installed.

Retail**MUDDLED MEALS**

Sainsbury's last week recalled a product under their 'Love Your Veg' vegan brand that was found to contain milk, pork and beef after apparently mixing two ready meals up in production. The Food Standards Agency issued the recall for the Butternut Squash and Lentil Lasagne on the grounds that it contained milk, which was not mentioned on the label, leading to a possible health risk for anyone with an allergy or intolerance to milk or milk constituents. "The product also contains pork and beef which are also not mentioned on the label as the product has been incorrectly packed with Sainsbury's Bolognese Melt." The affected products had a use-by date of July 17, so most customers would already have consumed them. Sainsbury's issued an urgent recall and apology.

LIDL SET 2022 CARBON ZERO TARGET

Lidl UK will 'oblige suppliers' to develop their own routes to a carbon neutral target for 2022. The discounter said this would be achieved through comprehensive supplier engagement and learning programmes, including supporting farmers to measure their carbon footprint and make reduction plans. Lidl's plans include producing carbon-neutral Cheddar by the end of this year, which they claim will be a UK first. Aldi UK & Ireland have claimed to be carbon neutral since 2019, with the help of a series of offsetting projects across the world. Lidl have pledged to cut emissions from their own operations globally by 80% by 2030.

Wales**TESCO'S LAUNCH**

A crop of 14 new supermarket listings for Welsh dairy suppliers has been launched by Tesco across Wales including products from Llaeth Y Llan, Castle Dairies, South Caernarfon Creameries and Colliers Cheese.

Alternatives**BEL'S NEW BRAND**

Bel have launched a new plant-based cheese alternative brand, Nurishh, with a Mozzarella-style block and a vegan Camembert.

- Lactalis are expanding their Galbani range with grated Mozzarella.

- Glass bottle manufacturer Encirc have unveiled their 2025 decarbonisation plan that uses hydrogen-powered furnaces.

US disaster coming—Pete Hardin's Milkweed asks how long can the record US milk volumes continue in view of the record temperatures, bushfires, etc. In the peak production month of May US milk production increased by 2,000m litres while national fluid milk sales fell by 350m litres, leaving a total of 2,350m litres of milk looking for a home. Hardin says: "It is amazing that butter and cheese prices haven't collapsed. This is suicidal." May production volumes in Texas were up 10.8% at 600m litres, Calif. volumes were up 5.0% at 1,650m litres; Wis. +5.6% at 1,200m litres; Idaho +2.7% at 630m litres; and New Mexico +6.0% at 310m litres. "This level of milk production is unsustainable," says Hardin. For dairy farmers grain prices are skyhigh. Dairy quality alfalfa (lucerne) hay is impossible to buy. Water supplies are at a critical level. A major drought in California—the US's largest milk field—continues to bite. Just under half of the US is now officially in drought. The Calif. state governor recently called for everyone to cut water usage by 15%; dairy is a major water user. Hardin says the present milk glut cannot last. Reality will hit home. He forecasts that within a year Wisconsin could yet again overtake Calif. as the biggest US milk producing state (see back page analysis).

Fonterra shareholder options—Some of the realistic options facing Fonterra shareholders at this moment (see p1) are: setting the minimum shareholding requirement at 33% of milk supply (or 1 share per 3kg MS), rather than 25% (or 1 share per 4kg MS) as originally proposed; enabling sharemilkers and contract milkers to hold shares if the co-op moved to a farmer-only market; extending the entry timeframe from 5 to 6yrs; extending exit timeframes for all farmer owners to up to 10 or 15yrs, incl. those who ceased in the past few seasons but who still hold shares; reviewing the market-maker role and looking further at how potential share buy-back options might support liquidity in a farmer-only market; and maintaining the share maximum at 4x milk supply to help support liquidity. No mention of downsizing processing plants. Yet.

UK/Australia trade agreement—An important Australian dairy trade representative asked us if we could find answers to some questions about the recent UK/Australia trade agreement relating to dairy. We have asked around and this is a summary of the answers:

—Has an agreement actually been signed? No. What has been announced are essentially 'Heads of Terms' and negotiations are continuing on details.

—If signed, when does it come into operation? We think UK Ministers would want signature this autumn, with perhaps a Jan '22 operative date.

—What is included in the allocation "20,000t non-cheese dairy" and does it include the 5,500t butter allocation? This would probably subsume the butter quota but not clear.

—How are UK dairy companies reacting? Although quantities suggested are well in excess of recent sendings, they are probably more concerned about the prospect of a similar agreement with NZ.

F/C in the mire—Given that this is a turnaround year for FrieslandCampina, who say it will cost up to €175m to implement their new plan agreed last November, including cutting 1,000 jobs this year, disappointing first-half results are not really



surprising. But they were worse than expected, especially for baby food, which has taken a pummeling from the collapse in demand from China (the only major category that has been going backwards). Instead of sparkling results for their Speciality Food division, the books show a measly operating profit of €21m, down from €133m in the first

half of 2020. So their lucrative sales to China are stagnating, especially as the Hong Kong route has closed, adding extra costs. If anyone needed to hear the death knell for the golden days for baby food manufacturers, this is it. The number of births in Southeast Asia is declining, and it's not just because of the pandemic. There is no recovery in sight. Fortunately for F/C, they have units that are doing much better regardless of the lingering effects of coronavirus. Consumer goods are generally doing well: there is growth in brands for the third year in a row and F/C's market share in the Netherlands is growing. The strength of the largest dairy in the Netherlands has always been that it could pay a premium on the guaranteed price thanks to flourishing (foreign) activities, such as infant nutrition. So there will have to be new profit-makers to prevent grumbling from members. Producing novel alternatives, including special foods for medical purposes, the elderly and athletes, might prove challenging—but this sector includes the production of medical raw materials, where good margins can also be achieved. Remarkably, F/C are now describing consumer activities as the 'heart' of the company.

Nijjar/Medina—The UK Competition and Markets Authority have remained silent so far about any potential probe into the merger between Freshways and Medina, confirmed last week (p1, facing page). The two rivals, who have sparred over many years, will be banking on the CMA staying out of it, given their other challenges—not least to repair considerable reputational damage (including penalising farmers who jumped ship), re-establish milk pools and consolidating at least 15,000 widespread daily delivery 'drops' (Arla and Müller have a fraction of these). Given the myriad problems in the sector it is little wonder it has taken 18mths for full 'merger' between the two strugglers to be agreed. Both have frequently been the lowest payers for milk over the past 18mths but both have announced big price increases for July, and they claim farmers are returning; they say they are looking for more suppliers. The biggest surprise is the claimed re-opening of Medina's Watsons dairy near Southampton—which benefitted from £8m investment for their shortlived 2017-18 Sainsbury's contract—which they now claim was only "mothballed" during the pandemic and which they say is being converted to "environmentally friendly" cartons. They say they are also investing in the elderly Medina/Buckleys Dairy in Yorks so they can service their northern milk field more efficiently and to give them sufficient processing capacity to meet demand. But how much milk have the two lost over the past 2yrs? The 100m-litre toll processing deal at Müller's Severnside plant has expired but have they needed it? Is this really a merger? It's probably not a takeover in the sense of money changing hands but with their processing capacity, Freshways clearly hold the whip hand. A clue to who comes out on top will be the make-up of the board among the second generations of the families who set up the businesses in the early 1990s.

US TRENDS: UP, UP AND STILL UP?

The long-term trend for US dairy production and exports is one of growth, and despite the impact of the pandemic, issues with ports and ever-present trade spats, 2020 was another record year in terms of both production and overall volumes moved overseas. Any 'hiccups' with trade at the end of the year and in early 2021 have been blamed on shipping delays, and the US authorities have reportedly moved mountains in order to be able to gain access to ships. In the last 20 years, US dairy exports have grown from less than \$1bn a year to over \$6bn, and the country has achieved a target set only 3yrs ago to increase dairy export volume from about 15% of US milk supply to 20%. Since 2003, nearly half of 'new' milk produced has been exported. US supply is booming thanks to new capacity.

TOP MILK PROD. STATES		
	2020	v '19
Calif.	18,179	+1.8%
Wis.	13,532	+1.3%
Idaho	7,152	+4.1%
NY	6,754	+1.8%
Texas	6,531	+7.3%
Mich.	5,145	+2.9%
Penn.	4,525	+2.4%
Minn.	4,469	+1.2%

SUPPORT REFLECTS DAIRY'S 'STATUS'

The US dairy industry continues to play a significant role in the US economy, supporting 3.3m jobs and \$41.6bn in direct wages, according to the latest economic impact report from the International Dairy Foods Association. The total value of US dairy exports was included for the first time, valuing them at \$6.5bn. It put the industry's total economic impact at \$752.93bn, contributing 3.5% of GDP and \$67.1bn in federal, state and local taxes (excluding point-of-sale taxes paid by consumers). Massive food purchase assistance funded by the federal government was critical in preventing milk prices from remaining at the catastrophic levels to which they fell as lockdowns took their toll, but they resulted in patterns of monthly supply-demand balances quite different from 'normal'. Cheese prices were most affected, reflected in the extreme volatility of Class III prices (for cheese) that, following their initial price plunge, looked like a giant letter 'M' on a price chart. This added to rising prices for Class I milk (for drinking) under the Federal Milk Order System, and the wide divergence between Class III and Class IV skim milk prices (for butter and powdered/condensed milk) that affected the Class I price formula implemented only a year earlier.

US DAIRY EXPORTS				
tonnes	2020	v. '19	Jan-May '21	v. '20
Value (m)	\$6,568	+9.1%	\$3,139	+13.0%
Total volume	2,086,145	+12.1%	983,803	+14.3%
SMP/NFDM	812,700	+15.9%	388,200	+16.7%
Whey products	555,000	+23.9%	266,800	+25.4%
Lactose	376,900	-0.3%	163,900	-1.8%
Cheese	356,200	-0.1%	163,600	+6.2%
Fluid milk/cream	128,700	-1.5%	58,400	+14.4%
MPC	41,700	+21.3%	17,600	-10.0%
WMP	38,600	-1.7%	19,400	+13.4%
Infant formula	32,500	+2.0%	11,800	-19.2%
Butterfat	26,000	+7.0%	22,600	+14.7%
Evap/cond. milk	10,900	-36.3%	5,300	+14.2%

WHEY EXPORTS UP 24%

According to the US Dairy Export Council, dairy exports in 2020 achieved a record in milksolids equivalent of 2.1m tonnes and the highest value since 2014 at \$6.6bn. With China a driving force in global import demand, the US—having signed a 'Phase 1' agreement and exemption for permeate to re-open markets with China—benefited considerably, shipping 555,000t of whey products to China, up 24% from the previous year. Competitive pricing pushed exports of NDFM/SMP up 16% to 812,700t, including a 44% increase to Southeast Asia, where USDEC opened a Center for Dairy Excellence in Singapore

last October to facilitate trade. Cheese and lactose exports, meanwhile, were broadly similar to 2019. SMP exports to China almost doubled, and those to Japan were up 68%. The shipping 'hiccup' for December exports reversed these gains (SE Asia down 19% year-on-year, China -16% and Japan -84%) but had little impact on the year overall. NDFM/SMP sales to Mexico were 4% higher than in Dec 2019. US dairy exports to Mexico in general were more or less on a par with 2019, with cheese exports down 3% amid volatile US prices and Mexican demand. Any continued problems with acquiring containers may lead to an increased push of product to Mexico via trucks. Exports have increased every month this year, not least because around two-thirds of Mexico is facing drought conditions and forecasts are expecting the situation to worsen. US whey exports continue to increase, now also fuelled by a global increase in WPC80+ demand.

Milk production

US PRODUCTION UP 16% IN 10yrs

Despite last year's challenges with the pandemic, US milk production continued to climb. After a 0.4% increase in 2019, production was up 2.2% to 223bn lb (98.3bn litres)—the biggest annual increase since 2014 and the second biggest since 2006. While total milk cow numbers at the end of 2020 were the highest since 1995, herd expansion is expected to slow in 2021, although USDA predict that yields could increase by close to 1.7%, which would be the highest rate of growth since 2014. The number of licensed dairy operations in the US has halved since 2003, to just under 32,000 operations, and last year saw the fourth biggest year-on-year decline in the past 15yrs. In the past 50yrs, US milk production has increased by 99%. It increased by 13% in the 2000s, and by 15% in the 2010s, and by 16% in the last decade. Production has fallen in only six times in the past 35yrs.

US MILK PRODUCTION
m litres

2010	84,910	+1.0%
2011	86,420	+1.8%
2012	88,215	+2.0%
2013	88,609	+0.5%
2014	90,735	+2.4%
2015	91,874	+1.3%
2016	93,550	+1.8%
2017	94,883	+1.4%
2018	95,810	+1.0%
2019	96,194	+0.4%
2020	98,298	+2.2%
2021		
—Jan	8,511	+2.4%
—Feb	7,780	-1.3%
—Mar	8,710	+1.9%
—Apr	8,517	+3.5%
—May	8,743	+4.7%
—June	8,347	+2.6%

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