

BARRY WILSON'S DAIRY INDUSTRY NEWSLETTER

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Australia/China

LION DAIRY-MENGNUI DEAL DROPPED

The A\$600m sale of Lion Dairy & Drinks in Australia to China Mengniu Dairy collapsed last week after moves by the Australian Treasurer to block it. Japanese Kirin-owned Lion and Mengniu apparently agreed to pull out just before Treasurer Josh Frydenberg made a ruling. Frydenberg said the decision followed "communication of my preliminary view to Mengniu Dairy that the proposed acquisition would be contrary to the national interest". The A\$600m transfer deal was signed in November and approved by the Australian Competition and Consumer Commission in February. "This is an unfortunate result," Kirin said in a statement. "But the revival and restructuring of Lion Dairy & Drinks are a top priority and we will continue to look for the best scenarios for the business." The decision comes amid tense diplomatic and trade relations between Australia and China, potentially threatening Australia's infant formula niche into that market. Mengniu last year gained Frydenberg's approval to acquire organic infant formula Bellamy's Australia for \$1.5bn.

Australia/NZ

FONTERRA PURSUE FARMER 'DEBT RECOVERY'

Fonterra are pursuing repayment of NZ\$115,000 in 'loans' made to two Victoria dairy farmers who are also leading a class action against the co-op in relation to the 2016 farmgate milk price clawback. Their lawyer, David Burstyner, is arguing that Lynden and Geoffrey Iddles had not repaid the 'Fonterra Australia Support Loan', which Fonterra say was offered to help farmers manage cash flow in the wake of the clawback, on the grounds that the price step down was 'unlawful'. The Iddles lost \$205,000 in milk revenue in May-June 2016, according to a statement lodged in the Supreme Court of Victoria. It states they would have received \$311,000 had the step down not been imposed. Fonterra are understood to be pursuing other farmers over similar unrepaid FASLs. The separate class action has been joined by several hundred farmers who supplied Fonterra Australia in 2015-16.

Australia

ORGANICS GROUP BUST

The Corio Bay Dairy Group has been placed in administration following the collapse of Organic Dairy Farmers of Australia, leaving the future of their partially complete spray dryer plant in North Geelong uncertain. CBDG were a joint venture between ODFA (50%), Wattle Health Australia (45%) and Niche Dairy (5%). The remaining directors of CBDG—Wattle Health CFO George Karafotias and Niche Dairy's Andrew Grant—have appointed David Mutton and Jonathon Kingsley of RSM Australia Partners as joint administrators. The debacle could also lead to the failure or takeover of Wattle Health, analysts say (see I Hear, p7).

Brussels/Ireland

HOGAN SACKED OVER 'GOLF-GATE'

Irish Fine Gael politician, former EU Farm Commissioner and current EU trade Commissioner Phil Hogan has been forced to resign after an investigation into his trip to an 80-strong golfing dinner in Ireland found him in breach of lockdown rules in both Ireland and Brussels. It is rumoured that the resignation came after heavy pressure from EU Commission chief Ursula von der Leyen. Latvia's Commissioner Valdis Dombrovskis will take interim responsibility for the trade portfolio. Ireland will now have to nominate a new commissioner to replace Hogan. Ireland's Foreign Affairs Minister Simon Coveney is being touted as a front runner, along with vice-president of the European Parliament, Mairead McGuinness. It is not clear whether Ireland can retain the crucial trade portfolio in the long term, especially involving Brexit negotiations as it does.



Phil Hogan

NZ/Australia

a2 PROFITS SOAR

The a2 Milk Co last week announced net after tax profit up 34% to NZ\$385.8m on sales up 33% to \$1,730m for the year to June 2020. Operating profit was up 21% to \$547.7m and pre-tax profit was up 31% to \$553.4m. Shares slid 6.4% as the results were short of analysts' expectation, to \$18.25—still close to their all-time closing high of \$19.94. Group infant nutrition revenue was up 34% to \$1.42bn, with China sales more than doubling to \$337.7m. Oceania sales were up 14% to \$745.1m. Sales of other nutritional products—mainly WMP and SMP—were up 30.5% to \$85.2m. US distribution expanded to 20,300 stores, with growth boosted by 91%. The company said that the Covid-19 pandemic had a modest positive impact on revenue and earnings. Business was also favourably impacted by foreign exchange movements. The UK business has been discontinued.

• **MATAURA BID**—a2 Milk have launched a NZ\$270m bid to buy a 75.1% stake in struggling Mataura Valley Milk in order to invest in their own infant formula manufacturing capability and provide closer ties with China. Current 82% shareholder China Animal Husbandry Group would retain the remainder. A2 say they would invest \$100m to enable Mataura's Southland plant, currently producing up to 40,000t of milk powders a year, to manufacture and can infant formula.

US

DARIGOLD POISED TO BUILD BIG FACTORY

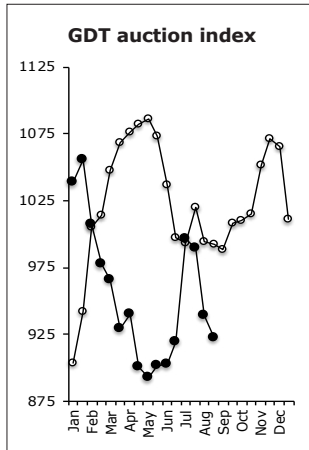
Seattle-based Darigold are to start building a major new ingredients plant as part of a 10-year transformation plan. The location will be announced next year. The co-op has also signed a lease for just over 284,000sq ft of warehouse space near the Port of Seattle. Darigold also announced a number of new appointments (see People, p5).

DIN

TAKING A BREAK

The next issue of Dairy Industry Newsletter will be published in 3wks, on Sept 22. See website for daily news.

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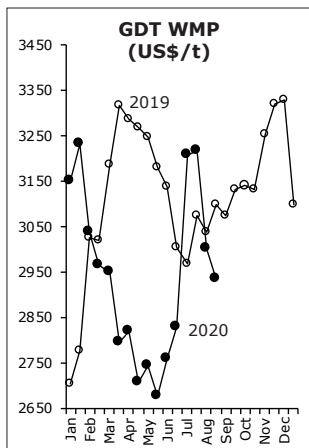
LATEST GDT RESULTS

	\$/tonne	Change in 2020
WMP	2,936	-7%
SMP	2,608	-14%
Butter	3,370	-16%
AMF	3,873	-21%
Cheddar	3,442	-14%
Lactose	1,303	+63%
Index	922	-9%

GDT world markets

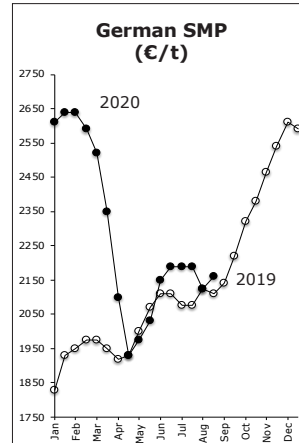
GDT PRICE INDEX DOWN 1.7%

Last week's GDT auction for Fonterra—which went ahead amid stringent and rapid new lockdown rules in Auckland—resulted in an overall average price index down 1.7%, not unexpected after the large jump in prices in July. The WMP index was down 2.2% based on an average price of US\$2,936/t. SMP, the only increase, was up 1.1% at an average \$2,608/t. Cheddar was down 3.6% at \$3,442/t, butter was down 2.0% at \$3,370/t, AMF was down 2.9% at \$3,873/t and lactose was down 3.3% with an average price of \$1,303/t. A total 31,331t of product was sold—4.1% less than last time and 10.4% less than a year ago.

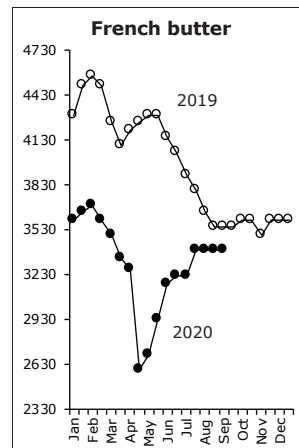


SUMMER BOOST FOR BUTTER PRICES?

Last year there were decent butter price increases from August into September, and a €500/t uplift between the prices at the end of August and the end of September. The opposite was true in 2018, though, with prices falling by a similar amount. Despite some price increases last week, the jury is still out as to what will happen this year. Having flatlined for 7wks in a row at an average of €3,385/t European butter prices last week saw a slight increase of €20/t to the Dutch quotation. Some traders are reporting significantly higher increases and buying interest that has stretched the price up to €3,500/t, with €3,600/t predicted to be on the table for later this month. That might be ambitious, however, with the traders apparently knowing something that the futures markets don't—currently futures prices don't cross €3,500/t until April 2021, and don't reach €3,600/t until next August. Cream is the hero, or the culprit, depending on the trading viewpoint, with good weather across Europe spiking demand for cream and pulling prices up €200/t in the past fortnight to as high as €4,500/t, or £1.55/kg in the UK. Despite the increase, though, the two markets don't match on fat valuations, and butter needs to be €3,700/t for parity with cream, so either butter will be further pulled up by cream next week, or cream will be dragged down by butter's failure to move.

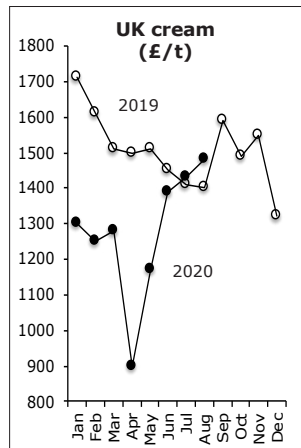


SMP prices are also showing signs of reversing their recent declines, with German and French food grade and Dutch product all increasing this week, and traders reporting prices up around €50/t to €2,150/t. A new Algerian tender has recently been announced, so the rise might be to do with the positioning around that, traders speculate. Indeed, prices aren't far off the average of the futures, which are settling out at €2,165/t for the next 6mths after another increase last week. SMP can't afford to be much higher if the EU is to regain some lost export ground (June export volumes were down again for the eighth month on the trot, with cumulative volumes now almost 80,000t lower than last year). US prices (and other sources) are way below EU prices at just over €1,800/t equivalent.



They prices have moved up a fraction too, and are bordering on €700/t again. They haven't really moved upwards since May. WMP prices are reasonably stable at an average of €2,750/t, although the Dutch quotation slipped €20/t last week. The good weather also seems to be having a positive effect on skim concentrate prices, with fresh demand propelling prices over €2,000/t, and thus making drying it uneconomic.

• CONTINENTAL CHEESE GAINS—There's no change in Cheddar prices in the UK, which are still at £2,950/t, but there has been some positive movement in young cheese prices on the Continent. The likely fall-off in milk volumes through the heatwave and/or other factors have had a bullish effect in Europe on young cheese, with trades for Edam and Gouda also lifting to as high as €2,850/t. UK origin Mozzarella is also trading another £100 or so higher than in recent weeks, and is now at £2,700/t. Meanwhile, in the US, President Trump is throwing even more money into the US food system with another \$1bn food aid programme that is certain to have a bullish effect on the price of cheese there.



UK spot milk is still strong, stretching over 30ppl having received a boost with schools returning. Continental spot prices have also lifted, and are cited as being not far short of 40c/litre in places.

Weekly market prices @28.8.20

EU OBSERVATORY PRICES

(€/t)	Aug 26 v. Aug 12 2020	2020 high	2020 low
Butter	3400 -0.3%	3720	2880
WMP	2770 =	3070	2610
SMP	2120 +2.4%	2620	1910
Cheddar	2960 =	3190	2960
Whey powder	720 +1.4%	830	710

US QUOTES, CHICAGO MERC.*

(\$/t)	Aug 28 v. Aug 14 2020	2020 high	2020 low
Butter (AA)	3285 +0.5%	4300	2540
SMP (grdA)	2230 +5.0%	2850	1800
Cheddar			
—40lb blcks	4025 +9.5%	6245	2275
—500lb bar.	3120 -4.3%	5330	2260

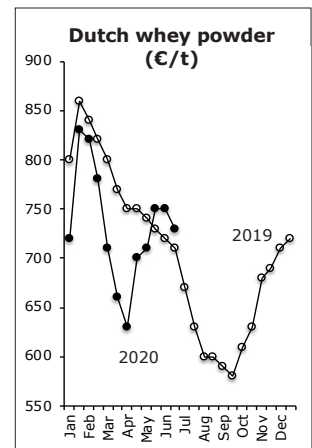
*Conv. from US ¢/lb@1 tonne = 2,205lb

EU market indicators

The **Dutch Dairy Board/ZuivelNL** increased three of their official dairy commodity prices last week. Butter was up €20 to €3,350/t, the first increase after 6wks of no change, SMP (feed) was also up €20 to €1,970/t and whey powder was up €10 to €670/t. The WMP price was cut by €20 to €2,700/t and SMP (food) was left unchanged at 2,050/t.

—It's now 18wks since the last butter price cut, and there have been 10 gains in that period. The price is now €800 (+31%) above its mid-April level but €220 (-6.1%) down from its early Feb peak.

The German IFE institute estimated an **average EU raw milk value** last week up 0.5c to 29.1c/kg, the first increase since mid-July, based on the official prices of butter and SMP in Germany, France and the Netherlands. This average is 2.3% lower than a year earlier. The butter price average in all three countries was up €7 to €3,392/t and the SMP average was up €40 to €2,103/t.



World**MARKETS SHRINK IN JAN-MAY**

The global dairy marketplace contracted in the first 5mths of this year, according to Eurostat data. The top 10 dairy exporting countries exported a cumulative 418,000t of butter and butteroil, down 9.0% from the same time last year. SMP exports were down 6.0% to 1,012m tonnes, WMP exports were down 5.1% to 973,000t, cheese exports were down 3.7% to 1,145m tonnes and 263,000t of condensed milk exports were down 12.5%. Only whey powder exports increased, by 9.7% to 634,000t, according to Eurostat (see also back page analysis).

- China's dairy imports are down 15% from last year so far, according to Rabobank research, and the country is planning to add 1m cows to its inventory (an 8% increase) over the next year or so, further undermining import demand. Other Asian countries have picked up the slack so far, but it is uncertain whether they will continue to do so, Rabobank say. Oil producing countries also have less hard currency to import food because of lower oil prices. Rabobank forecast milk production by the 'Big 7' (EU, US, NZ, Australia, Argentina, Brazil and Uruguay) will continue positive through the first half of 2021.

NZ**FONTERRA'S ASSET BETA REVIEW ONGOING**

In their annual review, the Commerce Commission of NZ ruled there were no new areas of concern about Fonterra's base milk price, but they re-submitted their 2017-18 view that the asset beta—used in calculating the estimated cost of capital of financing milk processing operations and associated risks—applied by Fonterra is "unlikely to be practically feasible". Fonterra must establish a new estimate of the asset beta for the 2020-21 season which will become a focus for next year's review. Recent amendments to the Dairy Industry Restructuring Act included a change reducing Fonterra's discretion in setting the asset beta.

MILK PROD. UP 4.4%

July milk production in NZ was up 4.4% in volume from last year to 286m tonnes (277,700m litres). In milksolids it was up 5.3% to 24.8m kg. The cumulative total for the first two months of the new 2020-21 season is 516,000t, up 3.2% from a year ago on a volume basis.

Australia**ACCC RAP SAPUTO OVER CODE**

The Australian Competition and Consumer Commission said last week that Saputo Dairy Australia had breached the new mandatory dairy code by failing to publish their milk supply agreement online by the stipulated deadline on June 1—although they did so one hour later. ACCC accepted that the delay was caused by a last minute technical failure, which Saputo took immediate steps to correct, but warned they were taking the code "very seriously" with any breaches liable to enforcement action, including court proceedings and financial penalty. Saputo said they would review and improve internal processes.

UAE**ITALIAN DAIRY PRODUCTS DOUBLE PROCESSING CAPACITY**

Italian Dairy Products say they have doubled the size of their factory in Sharjah Food Park to 26,000sq ft with an eye to further expansion in the Emirati and Gulf markets. Sharjah Food Park is the region's first and largest dedicated facility for food industries. The factory is now one of the largest producing Italian cheese and other dairy items, taking in some 4,800t of locally produced milk a year to produce about 500t of Mozzarella, burrata/scamorza and ricotta.

OMAN—Aseptic packaging and filling specialists SIG Combibloc Obeikan have won a contract to supply a full range of cartons to Mazoon Dairy, the largest integrated dairy company in Oman.

US**DFA 'SUPPORTERS' DENIED COURT ROLE**

DFA, accused of using anti-competitive tactics to grow the business, will not be able to seek support from industry 'friends', a Vermont federal court has ruled. The court said that a bank and two trade associations who tried to file an 'amicus' brief were essentially proxies of DFA. Separately, DFA have defended their purchase of three processing facilities in the Carolinas in a preliminary submission of arguments against Food Lion's lawsuit. After the US District Judge's refusal to dismiss the case last month, DFA argue that the purchase was based on the merits of the businesses involved, not economic harm.

JULY MILK PROD. UP 1.5%

After year-on-year growth limited to around 0.5% in Apr-June, milk production is increasing faster than expected in the US, with July milk production up 1.5% from last year to 18.6bn lb (8,210m litres) and production in the 24 major producing states also up 1.5% to 17.8bn lb (7,838m litres). June data was also revised upwards. Total production for the calendar year to date is up 1.7%. Cow numbers increased from the previous month for the first time since March.

USMCA SUPPORTERS URGE ENFORCEMENT

Bipartisan supporters of the USMCA (US-Mexico-Canada) trade deal are pressing the US Trade Representative and US Agriculture Secretary Sonny Perdue to use the enforcement mechanisms available to press dairy producers' access to the Canadian market. Canada has recently set a maximum volume of tariff-free dairy that can be imported, which US dairy industry groups say has discouraged "high-value food service or retail products from entering the market". The International Trade Commission estimates US dairy exports will increase by more than \$314m a year if the USMCA is implemented "as it was negotiated".

Asia/MENA**ASIA DAIRY CREATIONS IN \$240m DEAL**

Singapore-based Asia Dairy Creations have completed a 1bn ringgit (US\$240m) acquisition of F&B Nutrition, a creamer manufacturer, from Can-One. Over 70% of their products are exported to the Middle East, Africa, ASEAN and South Asia. Asia Dairy are a little-known investment vehicle set up last year and backed by regional private equity firm Southern Capital. RHB Investment Bank advised on the deal.

Netherlands/Pakistan**F/C ENGRO PULL OFF FIRST-HALF PROFIT**

FrieslandCampina's Engro Pakistan subsidiary posted first-half sales up 9% to Rs20.15bn (€101m) and converted Q1 and 2019 first-half losses into profit of Rs292.60m (€1.5m). Dairy/beverage segment growth was up 11%, although ice cream sales were affected by Covid-19, which coincided with the summer season. It was their seventh consecutive quarter of net sales growth but F/C Engro said costs remained challenging.

South Africa**VREDE BRIBERY SCANDAL IN COURT**

More than R756m (US\$44m) was paid to a company involved in the alleged bribery scandal surrounding Free State Vrede Dairy Farm 6yrs ago, according to court papers for the case, which is finally in court. Charges have been brought at Bloemfontein regional court against Lenah Mohapi, a director of Superior Quality Trading—which received a R245m contract in 2014 to run agricultural projects in the Free State—and six provincial agriculture department officials. The Ilima projects included the Vrede Dairy Farm project to "uplift" black farmers—but which appear to have been fraught with fraud, corruption and money laundering, the National Prosecuting Authority said. Funds were released to allegedly corrupt companies set up as "implementing agents" to support more than 100 black farmers with assets, including cattle. All the defendants pleaded not guilty and return to court this month (see I Hear, p7).

India**MILK MANTRA PLANNING EXPANSION**

Start-up dairy Milk Mantra are in talks to acquire a plant in Kolkata with up to 100,000 litres a day processing capacity, and also plan to instal a curd plant at one of their two Odisha facilities with a total estimated investment of around Rs70 crore (US\$9.4m). Funding will include Rs75 crore (\$10m) from the US International Development Finance Corporation as structured debt. Sales were up 13% in 2019 to Rs226 crore, with about 70% of revenue from fresh milk.

- Around 20 women were hospitalised after an ammonia gas leak at a Hatsun dairy unit at Bandapalli in Chittoor, Andhra Pradesh.

Brussels update**EU MILK PRODUCTION UP 1.9% IN JAN-JUNE**

Against a background of pandemic disruption, EU-27 milk production (excl. UK) was up 1.9% in the first 6mths of this year, compared to Jan-June 2019. Of the major producing member states, Germany was up 1.0%, France +0.7%, Netherlands +2.4%, Italy +2.7%, Poland +2.8%, Ireland +3.5%, Spain +3.1% and Denmark +0.3%.

—The biggest gains in June production, which was up 1.4% in total, were from Poland (+4.6%), Belgium (+3.9%), Ireland (+2.9%), Italy (+1.4%), Netherlands (+0.9%) and Spain (+0.7%). French production was down 0.5%.

—Manufacture of most dairy products also increased in the first half of 2020: WMP production was up 6.6% from last year, butter +2.2%, cheese +1.9%, SMP +0.5% and drinking milk +3.9%. Cream manufacture was down 1.2% and concentrated milk -0.9%.

A total 62,300t of contracts to sell butter out of the Covid-19 emergency butter private storage scheme have been concluded, leaving only 5,396t left to move. The cheese scheme has seen 42,917t concluded, out of a total 47,711t—leaving 4,794t still available—and contracts for 18,112t out of the 20,138t of SMP stored have also been concluded.

France**LACTALIS ADD SWEET WHEY TOWER**

Lactalis Ingredients are about to start up a fourth drying tower for sweet whey powder production at Verdun, having invested €40m in the site in the past 3yrs. The expansion will enable increased production of Flowhey whey powders—for which they use a proprietary process to produce a particularly free-flowing powder—at both Mayenne and Verdun. Flowhey (lactose content 80%, protein content 11%) is also used as a bulking agent and milk substitute. Lactalis claim to be the world's biggest processor and exporter of sweet whey for bakery, confectionary, processed cheese, sweetened condensed milk and dairy products. The Besnier family-owned global business is planning one of the largest solar power plants in Europe, using 4.5ha at Verdun for solar panels to heat water.

- Europe is the biggest exporting region for whey and whey derivatives, with more than 600,000t pa exported, followed by the US with 400,000t.

BEL REPORT 4.8% SALES GROWTH

Bel have reported sales up 4.8% to €1.7bn in the first half of 2020, with profit up 38%. The company cites strong growth in Europe and the French domestic market, including throughout the lockdown period.

Spain**UHT LINES FOR ANDIA LACTEOSDE CANTABRIA**

Spanish dairy company Andía Lácteosde Cantabria have upgraded their plant in Renedo de Piélagos with aseptic PET bottling technology for UHT milk production. The Spanish company is a part of the Iparlat Group, originally formed out of Spanish union of dairy farmer co-ops. The line, currently running at 9,000 bottles per hour, can also produce lactose-free milk. The processor will be investing in another line to increase production capacity further.

Austria**PINZGAU MILCH TOP PAYER**

Pinzgau Milch are increasing their August milk price by 2.5c and the Sept milk price by 1.13c, making them the top payer in Austria with 41.96c/kg (incl. VAT). CEO Hannes Wilhelmstätter said that restructuring over the past 3yrs had put the co-op into a strong position despite the pandemic. Ready-to-drink babyfood is one of their top sellers.

EU**ICE CREAM—BIG TRADE SURPLUS**

More than 3bn litres of ice cream were produced in the EU in 2019, an increase of 6% over the previous year. Ice cream producers exported 222,000t to countries outside the EU for a total of €723m, led by France (55,000t) and the Netherlands (35,000t). The UK—now counted as non-EU—was the main Third Country destination, importing 128,000t. EU imports from Third Countries totalled 82,000t, valued at €180m. Germany was the biggest ice cream producer last year with 635m litres, followed by Italy (554m litres) and France (451m litres).

Netherlands/China**AUSNUTRIA POST FIRST-HALF SALES UP 23%**

Ausnutria Dairy have reported 2020 first-half sales up 23% to €488.5m, and profit up 32% to €72.8m. Revenue from their own baby food brands was up 25%; these brands account for 88% of group turnover. Their Kabrita babyfood brand, based on goat's milk, reported 60% market share in China and is the biggest global brand of its kind. Outside China, sales were up in North and South America, South Korea, Russia, the Middle East and Europe. After a strong first quarter, sales growth slowed slightly due to the impact of Covid-19 and the resulting disruption to markets worldwide.

Switzerland/Netherlands**EMMI INCREASE DUTCH BETTINEHOEVE STAKE**

Swiss Emmi are increasing their stake in Dutch goat's milk processor Bettinehoeve to 90%. The family business, in which Emmi has held a 60% stake since 2016, has steadily gained ground in recent years thanks to an increasingly diverse range of goats' cheeses, sold in Dutch retailers and also to the UK, Germany, France, the Nordics and Belgium. Bettinehoeve were founded in 1982 by Johan Ewijk, the father of the current managing director Sybren Ewijk, who retains the remaining 10% of the company and will continue to be responsible for the development of the business. The increase in the stake also affects Emmi's share in Goat Milk Powder, the joint venture between Bettinehoeve and AVH Dairy, another Dutch subsidiary of Emmi, who are responsible for marketing, sales and distribution into nutrition sectors. Emmi now hold 80.9% of GMP shares.

- Emmi posted sales up 6.6% in the first half of 2020 to CHF1,773.5m. EBIT improved by 6.4% to CHF112.0m, while net profit was down by 6.5% at CHF 81.3 million. The slump in foodservice hit their Americas division in particular but they reported strong retail performance in Switzerland.

Greece**FAGE REPORT H1 SALES GROWTH**

Greek yogurt maker Fage report sales up 1.3% to \$216m in the first half of 2020. Net profit was up 39% to \$19.8m, boosted by lower costs for milk in the US (-9.2%), although milk supply costs for their Greek plant were up 10.8%.

- **OPPOSITION IN LUXEMBOURG**—Construction of a yogurt factory by Fage on land they acquired in Bettembourg, Luxembourg, has drawn opposition from environment group natur & emwelt who say the new factory would use the same amount of drinking water as a small town of 18,000 people—22m litres a day—to produce 80,000t of yogurt pa. The group also questioned wastewater discharge into the Alzette River.

Germany/Norway**VEGAN YOGURT PLANT**

Norwegian Rönneberg Group are to invest €6m in a vegan yogurt plant in Anklam, east Germany. Construction is to start in spring 2021. A newly established company, Plant A, will make yogurt alternatives from oat, soya and almonds. Later, vegan drinks, desserts and custards are to follow. Products will be sold in Germany and Scandinavia. Rönneberg will be working with Vici Polska, a Polish company that already operates in Anklam making breakfast products for the Asian and east European markets.

Germany**GOLDMILCH REPORT 3.1% SALES INCREASE**

Milchwerke Ingolstadt-Thalmässing 'Goldmilch' increased sales in 2019 by 3.1% to €63.5m, with sales in Germany accounting for 85%. Some 31.5% of turnover was achieved with milkshake blends and ice cream, mainly supplied to large fast-food chains like McDonald's Germany. Milk processing was up 1.5% to 129.8m kg, including WMP and cream powder for the chocolate industry, of which 113.7m kg was supplied by their own farmers.



Teh-han Chow

NZ/China—Fonterra have appointed **Teh-han Chow** to the role of CEO, Greater China. Chow has been at the helm in an acting capacity since Christmas. He previously headed up Fonterra’s NZMP Ingredients business for Greater China, South & East Asia, having joined in 2015 from Louis Dreyfus and Simplot, where he was MD.



US—Netherlands-based spreads business Upfield have announced new appointments in North America: **Andy Reichgut** as general manager of Violife, **Dan Bajor** as president of Upfield Canada and **Jim Breach** as COO of Upfields North America.

Germany—**Dr Marc-Alexander Mahl**, 52, will take on the position of COO at DMK Baby Food from Jan 2021. He is currently with Fresenius Kabi. Mahl follows **Stefan Eckert** who left the company at the end of 2019. DMK CEO **Ingo Müller** managed the business in the interim.

Germany—Emmi subsidiary Gläserne Meierei have appointed **Reinhard Quante**, 57, as their new managing director. Quante previously worked for meat company Tönnies and is a farmer and agricultural economist.

UK—Cumbrian dairy farmer **Robert Craig** has been appointed vice chair of First Milk, succeeding **Jim Baird**.

UK—**Mike Reade** has been made redundant by Fayrefield Foods after 18yrs, the last 12yrs as a director, and has joined food waste management specialists, Active Food Group.

UK—**Graham Smith**, former MD of Leicester-based liquid milk distributor Kirby & West, is no longer a director of Pensworth/Braeforge, who acquired majority control of the business in 2014, according to Companies House records.

Australia—Bellamy’s Australia CEO **Andrew Cohen** is leaving the company to join a new venture at the end of the year. His departure was announced to staff about a month ago but has only just emerged as China’s Mengniu prepare to take over the business (see also p1). Cohen will be replaced by Bellamy’s director of operations **Peter Fridell**, who joined in June 2017 as part of Cohen’s revamp of the executive team. Cohen has been credited with a major turnaround of Bellamy’s.

US—**Grant Kadavy** is moving from COO to chief growth and risk officer at Darigold. **Joe Coote** joins the business on Nov 1 from Fonterra in the new role of president of global ingredients. **Duane Naluai** has been promoted to president of consumer products and **Matthew Sagendorf** has joined the company to lead the construction and start-up of their new ingredients plant (see p1).

Switzerland

VOGEL INVESTIGATED OVER LISTERIA DEATHS

Swiss authorities are investigating whether cheese produced by Steinerberg, Schwyz-based Käserei Vogel was responsible for the deaths of 10 people from listeriosis in the past 2yrs. The Schwyz Public Prosecutor’s Office has opened criminal proceedings in connection with listeria in dairy products and is investigating allegations against the owner of the cheese firm. A total 34 cases are believed to have involved the same strain that was detected in Brie from the dairy in May this year. The company issued a recall and have now closed the business. More than 25 items sold across Switzerland were recalled and distribution also included Belgium and Germany.

PANDEMIC COMPLICATES HOCHDORF TURNAROUND

Swiss Hochdorf say their cost-cutting programme Optima has started well, with work under way in plants and building, production processes, logistics, admin and purchasing to deliver savings of up to CHF3m in 2021. However, the pandemic has led to setbacks in market registration for China as well as delays in implementing new contracts. Hochdorf processed 187.9m kg of raw materials (milk, whey, cream, buttermilk) in the first half of 2020—down 15.2% from last year. They sold 46,357t of product, generating CHF158m, down 35%, which they attribute mainly to the sale of German subsidiary Uckermärker Milch. First-half EBITDA was CHF5m, enabling bank covenant requirements to be met. Baby Care sales were up 24% to CHF37.6m as the business recovered from the loss of a major customer in 2019, but still down on previous years. Dairy Ingredients sales totalled CHF120.7m. Hochdorf are maintaining forecast sales of CHF280m–320m and a positive EBITDA for the full calendar year.

Ireland

LAKELAND REVENUES UP 28%

In their first full year since taking over neighbouring co-op LacPatrick, Lakeland Dairies have posted turnover up 28% to €1.03bn—doubling revenues in 5yrs—and operating profit up 17% to €20.5m for calendar year 2019. EBITDA was up 28% to €42.9m. The dairy ingredients division accounted for 56% of all sales, with turnover up 19% to €584m. Foodservice division sales were down 3% to €239m and sales in the agribusiness division were down 2% to €72.3m. The merger brought a branded consumer foods unit into the business, including the Champion and Ballyrashane brands, which contributed sales of €140m. According to the accounts, the addition of LacPatrick contributed total revenues of €232m and boosted Lakeland’s net asset value to €197.2m at the year-end. Lakeland are now supplied by 3,200 farmers with a total milk pool of 1.85bn litres—about 1.05bn litres in Northern Ireland and the remaining 800m litres in Ireland. The co-op employs 1,200 people across eight sites.

COVID AT GLANBIA BALLITORE

Glanbia confirmed four positive Covid cases at their Ballitore, Kildare plant, which employs over 100 full and part-time staff, ten days ago. The site, which processes and packages fresh milk, also takes in grain and houses an agribusiness retail outlet. In a statement, Glanbia said that they were working closely with local health authorities, following all appropriate advice and had immediately activated contact tracing procedures.

- The Irish government announced that all workers at meat and dairy processing plants are to be tested on a weekly basis after outbreaks among staff at a number of meat processing plants in Kildare, Laois and Offaly.

IRELAND ‘WORST HIT’ BY US TARIFFS

American tariffs of 25% on EU cheeses, imposed last year in retaliation for Airbus and Boeing subsidies, are estimated to be costing the Irish dairy sector €40m a year. Some tariffs have been removed, including those for Greek and German cheeses, leaving the total amount of EU products subject to tariffs at \$7.5bn with Ireland among the countries worst affected, according to Glanbia.

- August milk supplies are set to be above last year in Ireland despite rain and storms, according to the latest IFJ survey. Kerry milk supplies are up 1.8%, although supplies flatlined for the last 2wks due to heavy rain. Lakeland are reportedly up 6% for the month. In the west, Aurivo reported August milk up 5% as some farms had not experienced as much rain as elsewhere.

Ireland

JULY MILK PRICE AVERAGE = 29.4c

Most of the main Irish co-ops held their July farmgate milk prices unchanged, according to the latest IFJ monthly milk price league table. Five co-ops increased their prices—Aurivo, Arrabawn and Dairygold were each up by 0.5c. Lakeland (third from the bottom last time) and Tipperary (bottom last time) each increased by 1c/kg, bouncing them both up to join Arrabawn just below Aurivo. This leaves Glanbia closer to the bottom of the league. There was no change at the top of the league, with the four west Cork co-ops still in the lead. The average price was up 0.2c at 29.35c/litre, 0.23c up on June.

IRISH MILK PRICE LEAGUE TABLE c/litre

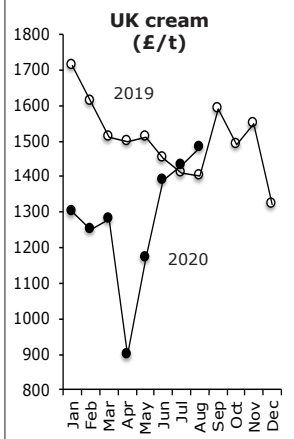
	July	v. June
2020		
Drinagh	30.37	=
Bandon	30.23	=
Barryroe	30.23	=
Lisavaird	30.22	=
Aurivo	29.51	+0.47
Arrabawn	29.41	+0.47
Lakeland	29.41	+0.95
Tipperary	29.18	+0.95
Kerry	29.04	=
Dairygold	28.96	+0.47
North Cork	28.73	=
Glanbia	28.60	=
Centenary	28.56	=
Boherbue	28.40	=
avge	29.35	+0.23

Source: IFJ

UK wholesale prices

END-AUGUST BOOST TO CREAM PRICES

Muted August trade left markets relatively quiet, although cream prices rallied in the latter part of the month with powder prices moving down slightly. AHDB Dairy estimate the wholesale price of bulk cream was up 3%, or £50, from July to £1,480/t, the average butter wholesale price was up £10 at £3,080/t, mild Cheddar was unchanged at £2,920/t, and SMP was down 3% (£60) to £1,860/t. Cream income for a liquid processor was 8.39ppl—the highest since November 2019. The new AMPE calculation was down 2.1% to 28.2ppl and MCVE was down 0.3% to 31.5ppl (see below).



UK market indicators

NEW AMPE/MCVE IN PLACE

AHDB Dairy's new AMPE and MCVE calculators take effect this month. The last change was made in 2017. Milk constituent averages have been updated to UK averages of 4.1% butterfat and 3.35% protein. This change improves the milk yield, demonstrating the extra value in delivering higher b/fat and protein. For AMPE, AHDB notes that more milk goes into butter and milk powder when fat and protein levels are at seasonal lows. The cost elements of the indicators now reflect higher unit costs of labour and energy compared with 2014.

Lactose component—The 2014 revision introduced the assumption of standardised SMP through adding lactose powder. At the time lactose powder prices were averaging around £1,000/t but have since become more variable, and fallen. The new calculation uses prices quoted by USDA to reflect the actual cost of buying in the lactose to standardise SMP, including the import tariff for bringing lactose powder into the UK. The inclusion rate is also increased from 78kg to 85kg per tonne of SMP. AHDB will continue to record the 2014 calculations on the databases over the next few months while transitioning to the 2020 numbers.

- ADHB are working on a tool to allow processors and farmers to create bespoke AMPE and MCVE calculations, including margin and costs. This was requested by a number of processors, according to AHDB Dairy—possibly, for some, for use in future farmgate pricing models.

UK markets

HEAT HITS AUGUST MILK PRODUCTION

August was the hottest for 20yrs in the UK, with harvest forecast to be at 30-year lows. In the past fortnight, milk production has been running around 2.1%-2.4% lower than the same time last year, with production losses attributed to the heat.

- AHDB report that the GB milking herd continues to decline, down 2.9% in July compared with a year earlier. However, youngstock numbers are increasing, up 0.4% year on year, with the greater use of sexed semen largely responsible for this increase.

UK company news

ARLA REPORT COVID-19 AT SETTLE

Nine staff and contractors have tested positive for Covid-19 at Arla's Settle facility in the Yorkshire Dales in the past week. The site remains open but further tests are being carried out. Arla said: "With the UK lockdown further easing it is expected that confirmed cases will arise, but taking early precautionary steps will help us in our efforts to contain this."

- At least nine staff tested positive for Covid-19 at **Wensleydale Creamery**. However, the Hawes, North Yorkshire, company remained open. North Yorkshire's director of public health said the dairy had worked "speedily" with the authorities to get the outbreak under control.

Company reports

RODDA'S PROFITS SOAR ON TURNAROUND

A full year after major structural changes following earlier losses, and switching from Arla to their own direct milk supply, Redruth, Cornwall-based Cornish cream specialists A. E. Rodda & Son have reported operating profit up from £129,000 to £1.91m in the year to March 2020, on turnover up 4.1% to £38.4m, increasing their operating margin from 0.4% to 5.0%. Pre-tax profit increased from £30,000 to £1.78m. Loan facilities were cut from £4.1m to £1.7m. Staff numbers were down from 153 to 149. Rodda's say their average farmgate standard litre milk price was 29.1ppl. They say they have focused on matching milk supply to demand, avoiding previous losses incurred from selling surplus milk, and reverted to their main focus of branded clotted cream, butter and Cornish milk, and securing contracted customers for skimmed milk. Demand has largely been maintained during the pandemic; their small artisan cheese business Curds & Croust cheese business was temporarily suspended and has now been closed.

Nantwich, Cheshire-based **FJ Need (Foods)**, who supply bulk cheese, butter and milk powder to mainly UK-based customers—who were bought by Ornuu, formerly the Irish Dairy Board, in 2017 for an undisclosed sum—have reported turnover for calendar year 2019 down 17% to £86.3m, mainly due to sales volumes being down 22%; this was largely attributable to the transfer of intergroup volumes to their Spanish operations following the major fire at their Spanish site in 2017. During the year it was decided to close their grated cheese operations at Whitchurch, with most volumes and staff transferring to other parts of the FJ Need (Food) operations. This involved an exceptional cost of £791,000. Before this, operating profits were cut from £0.8m to £0.2m and the exceptional costs cut their pre-tax profits from £0.5m to a loss of £1.24m. Staff numbers were up from 125 to 141. No dividends were paid. The company report that the coronavirus crisis hit foodservice sales from March 2020 but they did not expect this to continue in the medium to long term.

UK milk prices

JULY AVERAGE = 27.6ppl

The average UK farmgate milk price in July was 27.56ppl, according to the Defra series. This was a 1.5% increase from the previous month, and down 2.9% from the same month last year.

- GB milk production in July was almost unchanged (-0.2%) from last year at 1,264m litres, according to Defra.

UK milk prices

SAPUTO UP 0.5p FOR OCTOBER

After a standoff between Saputo Dairy UK and their DPO supplier group, Dairy Crest Direct, over the September farmgate milk price standstill, after buoyant retail Cheddar sales, Saputo have announced a 0.5ppl increase for October to 28.93ppl for the DIN/AHDB standard litre, the first change since March. Novel dairy drinks company **Crediton Dairy** are increasing their farmgate milk price by 1ppl for October.

The Workman family's **Cotteswold Dairy** in Gloucestershire are increasing their September milk price by 0.9ppl.

Blackmore Vale Dairy have increased their milk price for September by 0.96ppl. **Lactalis** have increased their September milk price by 0.25ppl.

In Northern Ireland, **Aurivo** increased their base farmgate milk price for July to 24.5ppl.

Scotland

KERR'S DAIRY EXPANDING INTO NORTH EAST

Kerr's Family Dairy—supplied by First Milk and also working with both McQueens and Graham's dairies—are reporting exceptional growth since launching their latest depot in Aberdeenshire. Opening the depot just as the country went into lockdown and stores experienced unprecedented surges in demand, the business has nearly trebled output since March. They say they have already hit 2020 targets for the north-east site, in Bridge of Don's Murcar Commercial Park. Operating for more than 120yrs, the Dundee-based business has been taking on employees and now have 10 vans delivering milk in the north-east, beating their target for six vans this year and adding 5,000 new customers to the company's books. Kelvin Kerr said keeping up with demand for daily fresh milk was a priority. They are selling 48,000 bottles of milk every week between Aberdeen and Dundee. "We have also just signed a deal with Aberdeen Football Club, as official dairy sponsor, and are to launch their wholesale side of the business in Aberdeen."

UK company news**STAPLETON CLOSE**

North Devon's Stapleton Dairy, in business for 45yrs is closing down this week. Owners Peter and Carol Duncan have made ice cream and yogurt with milk from a local herd of Jersey cows at the dairy in Langtree, Torrington, since 1975. They say changes in the marketplace and the economy "have made it incredibly challenging to produce food at the standard we feel comfortable with while maintaining and running a well-run and up-to-date dairy."

YEO VALLEY RAMP UP ORGANIC MESSAGING

Yeo Valley last week launched a 'Put Nature First' campaign to coincide with Organic September. The word 'organic' is being put back on packaging and the campaign will argue the benefits of organic and the importance of supporting British food production. There is a strong focus on sustainable packaging solutions with the yogurt range moving to 100% recycled and recyclable packaging (where possible), and milk moving to lighter weight bottles made of 50% rPET. Owner and managing director of the Somerset business, Tim Mead, said: "We have a vital role to play in better communicating how we produce our products in a way that supports nature and works with it, not against it. This is crucial to reach my personal target to grow the organic segment of the dairy market in the UK to 10%."

MEADOW FOODS JOIN RPM PROGRAMME

Private equity owned, family-run ingredients firm Meadow Foods have joined the RPM (Responsible Plastic Management) programme as part of their pledge to operate sustainably. Waste is currently used for energy, with none going to landfill, and Meadow are introducing training in responsible waste management. They expect to introduce more changes next year, focusing on a transition from plastic to cardboard where possible.

Dairy 'roadmap'**ENERGY BOOST**

UK dairy processors have improved energy efficiency by 18% since 2008, exceeding the 15% target for 2020, according to Dairy UK.

- The final deadline for responses to Defra's milk contract consultation is Sept 15.

The a2 Milk Company—Jayne Hrdlicka, former CEO of a2 Milk, who left suddenly last December, citing too much travelling, was paid to the end of June 2020, according to the company's latest accounts, a total A\$3.75m for the financial year. Geoff Babidge, who returned as interim CEO, earned \$903,000 during the course of the year. And his employment is ongoing as the new CEO does not arrive until January, on a salary of \$1.75m plus \$5m transitional and other benefits. Golden rain.

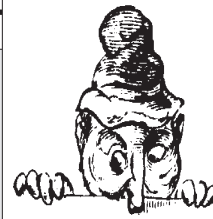
—The mystery about the failure of a2's UK business deepens. The UK is mentioned in the accounts only as incurring a tax loss in the previous financial year. At Companies House, the most recent accounts for the UK business, headquartered in Edinburgh, show a loss after tax increasing to £1.9m for the year to June 2018 from £1.4m the year before. The company posted an operating loss of £1.7m, up 35%, on sales up 17% to £10.1m. So, sales appear to have been heading in the right direction. But the accounts also show a 55% increase in admin. expenses, and selling/distribution costs rising by 47%, and other operating expenses up 52%. These accounts also note a change in accountancy rules but "the directors believe that the company is well placed to manage its business risks and continue as a going concern". Yet in Sept 2018 the chief executive for UK and Europe, Scott Wotherspoon, a former Unilever man, stepped down, moving 6mths later into the desserts sector. All a2 fresh and UHT milk was processed by Crediton Dairy and it was another year before the contract was pulled without explanation last October. The latest group accounts show the UK as a 'discontinued operation', with sales of £1.4m of liquid milk in 2020, down from £3.75m in 2019, presumably shifting the last of their stocks.

—a2's investment in Synlait Milk is listed as NZ\$252.5m in the year to June, down from \$286.8m a year earlier. They actually increased their stake in the business in March 2020 by acquiring 4.4m shares for \$21.86m, giving them a 19.84% stake, up from 17.39%. A 'fair value loss' of \$56.1m was noted for the year.

—David Hearn, chairman of the board, disposed of over 1.6m beneficial shares on Apr 28 this year for a total consideration of \$31.6m.

DIRA changes—Fonterra will be feeling pretty smug about the final outcomes from the much drawn-out 2018-2020 review of the Dairy Industry Restructuring Act (DIRA). They may still have aspects of their farmgate milk price under scrutiny (see p3) but last minute changes as a consequence of their lobbying have made it very hard for any new start-ups to nibble away at their dominance. These latest DIRA amendments—Fonterra no longer have to take on suppliers who wish to leave a competitor, and they will only be required to supply milk to start-up companies until their own supply reaches 30m litres in a year—were inserted at a late stage and passed in late July, supported across the political spectrum. Someone deserves a promotion for their lobbying skills. The change required only a few words to be altered but the impact is considerable.

Australia—The messily ambitious Corio Bay saga (see p1) seems to have been doomed to failure, given how quickly those responsible jumped ship.

**I hear....**

Within four days of placing Organic Dairy Farmers of Australia in administration in May, two directors of CBDG—David Malinson and Jeff Cole—resigned from the joint venture company's board. Another director, Peter Biantes, erstwhile chairman of Wattle Health Australia, quit the board in June after being banned by the Tax Practitioners Board for 5yrs on tax

evasion claims relating to the sale of Lemnos Cheese to Lactalis. WHA continued their attempts to secure \$20m in funds from Shepparton Partners Collective to complete the CBDG plant but it was not to be.

Vrede siphoning—The seemingly incredible and certainly long-running Vrede bribery case in South Africa involves Seipati Dhlamini, a former CFO at the provincial agriculture department, and five other department officials. It has taken 6yrs for the case to come to court, where they are facing 58 counts of forgery, fraud, corruption, money laundering and contraventions of the Public Finance Management Act and were released on bail of R10,000—just over US\$600—each. It is alleged that Lenah Mohapi, 54, and her company, Superior Quality Trading, also trading as Rekgonne Community Projects, siphoned off R267,000 (\$16,000) in 2014 to shell companies supposedly set up to support black farmers in agriculture. Worse, Mohapi is said to have received more than R756m (\$45m) in four contracts between 2012 and 2016, having allegedly submitted fraudulent bid documents. Mohapi and Dhlamini, finally arrested last month, are accused of channelling bribes and disguising them as medical fees, phone bills, donations for local cultural and music festival, and various other concocted causes. So brazen was the scheme, the charge sheet added, that Mohapi's company Superior/Rekgonne would neither attend compulsory tender briefing sessions, nor submit any documentation to the tender process, but would be shortlisted automatically by the agriculture department. So much for BLM.

Lactose value—UK body AHDB's problem in determining a lactose value for AMPE (Actual Milk Price Equivalent) (see p5) has been solved—after indications that GDT would make a charge for what is, effectively, the Arla price. AMPE includes a measurement for standardised SMP, which involves the addition of lactose powder. So AHDB have turned to the US, where there are freely available monthly prices reported by the USDA, to which an import tariff of, currently, €140/t is added. US lactose values, along with other dairy commodity prices, have shot through the roof during the pandemic. The June average was over \$1,000/t, up 14% from May's \$877, rising to \$1,138/t in July. But the August average is estimated slightly lower (\$1,133/t) so maybe these excitable values will revert to more 'normal' levels in due course.

UK contracts—The battle lines are being drawn between the various UK NFUs, intent on legislating milk price contracts, and dairy processors, most of whom are not. It will be intriguing to see how many parties fill in the 23-page online questionnaire. Be sure of tough disputes between buyers, as well as between farmers and processors. Defra are making the case for all milk buyers to be covered but it seems First Milk and others are making a case for exemption, mainly on the grounds that they are governed by their farmers—and by definition have exclusive supply. That's hardly likely to please competitors.

THE RISE AND RISE OF CHEESE CONSUMPTION

Cheese consumption is expected to carry on increasing almost everywhere, but according to the latest OECD/FAO Outlook the rate of growth will be slower in the next decade than it was in 2000-10. Consumption is closely related to income development and increases in urbanisation. The fastest growth is expected in developing countries of Africa (from a very low base), Asia and Latin America, although growth in the US, Japan and Russia is also expected to be significant. Consumption in developed countries is still expected to account for over 70% of the global total in 2029. Only in the EU is growth forecast to be a modest 5%. Consumption per head is also rising, especially as an ingredient in processed food as the global taste for fast food, including pizzas, increases. Where consumption is already high, growth is limited. In France, consumption per head is the highest in the world, at 24.1kg per annum, but total consumption has shown little growth in the past 5yrs at around 1.7m tonnes. Germany, at 24.1kg/head is also static (at 2m tonnes), and so is Italy at 21.7kg (1.3m tonnes). These three countries account for more than 60% of EU consumption. However, consumption is still expected to rise in the EU as a whole. About 60% of Japan's cheese market, which is showing some of the strongest annual growth, is industrial rather than retail.

CHEESE CONSUMPTION			
'000t	2017-19	2029	% change
World	23,566	28,828	+22%
Developed countries	18,529	20,538	+11%
Developing countries	5,036	8,290	+65%
EU	9,154	9,639	+5%
US	5,714	6,613	+16%
Asia	2,585	3,205	+24%
Latin America	2,377	2,883	+23%
Africa	887	1,172	+32%
UK	808	898	+11%
Russia	683	851	+25%
China	378	447	+18%
Japan	335	427	+27%
Australia	307	338	+26%
Saudi Arabia	268	338	+26%

Source: OECD/FAO Dairy Outlook 2020-29

IMPORTS GAIN MARKET SHARE

About 14% of cheese production is traded globally. Imports have taken a greater share of demand in most countries, a trend that is expected to continue. In the UK, the market share of imports increased from 60% to 68% in the 5yrs to 2019, virtually all from the EU. The drop in imports in the first 5mths of 2020 could be related to the disruption caused by Covid 19, and also last year's pre-Brexit build-up of stocks. Japan's imports have grown steadily, up 22% between 2015 and 2019, and are expected to account for most of future consumption growth. The EU supplies around one third, followed by Australia and NZ, which will be boosted by recent EU-Japan and EU-Canada trade agreements. EU data includes imports from the UK (150,000t in 2019). The EU imported only 61,000t from other Third Countries.

Russian imports grew by 30% in the 5yrs to 2019 but over 80% comes from Belarus. EU imports are somewhat limited compared to the size of the EU market but are growing. However, trade between EU member states is growing faster than consumption, and amounts to one third of the German and one fifth of the French market. US imports are somewhat restricted by tariff quotas, but around 50% are supplied from the EU. Mexico is largely supplied by the US.

China's imports are growing quickly, up by 50% since 2015—per capita consumption in China is very low, at 0.1kg/year. Foodservice and bakery account for 70% of consumption, with growth in western-style fast food. Chinese consumers prefer flavoured or sweetened processed cheese (an 80% market share) using imported cheese rather than natural cheese. NZ supplies 60% of Chinese imports.

CHEESE IMPORTS					
'000t	2017	2018	2019	*2020	v.'19
UK	494	523	536	180	-19%
Japan	273	286	303	118	-9%
Russia	226	250	273	90	+2%
EU	191	197	212	79	-5%
S. Arabia	174	172	172	na	na
US	138	138	145	63	-6%
Mexico	122	123	120	na	na
China	106	108	115	50	+3%

Source: Eurostat, USDA, OECD/FAO (EU excl. UK) *Jan-May

CHEESE EXPORTS					
'000t	2017	2018	2019	*2020	v. '19
EU	1,275	1,279	1,347	526	-4%
US	340	349	357	156	-5%
NZ	352	329	335	140	-5%
Belarus	189	211	244	105	+9%
UK	171	190	208	73	-16%
Australia	171	172	160	64	-4%
Switzerland	67	68	69	28	-1%
Argentina	44	61	61	14	-16%
World	3,165	3,196	3,222	na	na

Source: Eurostat, USDA, OECD/FAO (EU excl. UK) *Jan-May

EU SUPPLIES 42%+ OF WORLD EXPORTS

The EU is by far the biggest cheese producer and exporter, with 42% of world exports in 2019, and its dominance has been slowly increasing. Exports to the UK were 504,000t in 2019—37% of the EU total. The US is the next biggest importer of EU cheese, at 131,000t in 2019, followed by Japan at 114,000t. Gouda is the biggest EU cheese export at 113,000t, followed by Mozzarella 92,000t. EU cheese exports are expected to grow and, with the increase in domestic consumption, cheese is expected to absorb 24% of the EU's milk supply growth over the next ten years. Cheese/whey has generally in most recent years given a better return than butter/SMP.

A similar pattern is forecast by the AHDB for the UK where cheese is tipped to absorb 27% of milk supplies in 2030 compared with 22% in 2020. US exports have also grown, and its share of world exports is increasing. Mexico takes over a quarter of US exports, followed by South Korea and Japan. NZ exports are influenced by milk supplies. Around 50% of cheese production is fresh or Mozzarella for manufacturing. China took 65,000t of NZ cheese and Japan also imported 65,000t in 2019.

Around 80% of UK exports go to the EU, and are dependent on whatever arrangements are made post-2020. Exports have grown quickly, up by 36% since 2015 to take over 40% of UK cheese production. About half of UK exports are Cheddar. Australian cheese exports have been erratic, squeezed by increasing domestic demand and a long-term downward drift in milk production, and mainly go to the expanding markets in China, Japan, and SE Asia. Switzerland mainly exports to the EU.

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