



PRINT THE GLOBAL DAIRY eBRIEF

FEATURED

Drought worries spread in New Zealand

Soil conditions in New Zealand are deteriorating, with a handful of regions “severely dry” and the rest of the country on the brink of being dryer than average, according to DairyNZ. “We need to see some rain soon to reduce the risk of a normal dry summer turning into something more serious,” said Craig McBeth, the organization’s general manager of extension.

Pasture growth along the South Island’s east coast has deteriorated, and Canterbury and Otago may be nearing official drought status. Some areas have implemented irrigation restrictions, while others are considering such measures.

Moving forward, most areas are likely to get the needed rain, according to meteorologists. The south side of the South Island is the only region where the National Institute of Water and Atmospheric Research (NIWA) predicts potential below average rainfall for the first quarter. Precipitation should be normal or above normal in the rest of the nation.

Analysts believe dairy producers will have enough feed to make it through whatever dry conditions might lie ahead. Overall supplementary feed stores are strong, and New Zealand imported a record volume of palm kernel in 2014. However, there is some question about farmers’ ability and appetite to pay for supplemental feed given low projected payouts for 2014/2015. At this point, dry conditions are expected to put some downward pressure on milk output, but not trigger sharp declines, such as those seen in Oceania during the severe drought at the start of 2013. (DairyNZ; FWPlus.co.nz, 1/8/15; Dairy Trader, 1/9/15, 1/8/15)

West Coast port conditions worsen despite mediation

West Coast port conditions are worsening despite the presence of a federal mediator at dockworker contract talks (see *Global Dairy eBrief*, 1/8/15). The International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) blamed each other for the deteriorating conditions in an escalating war of words. ILWU described current port conditions as “gridlock,” a characterization backed up by reports that a growing number of businesses have lost significant sales or have had to temporarily close operations because they could not receive raw materials or ship finished products. Despite the rising congestion, however, the two sides have reportedly reached tentative agreements on portions of a new contract and are moving ahead with work to complete a deal. (SF Gate, 1/14/15; The Loadstar, 1/14/15)

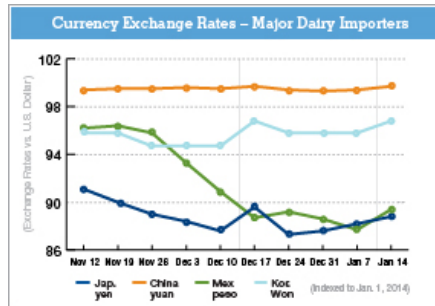
Interested in MENA business? Get on the Gulf food contact list

USDEC is assembling a contact list of members looking to build business in the Middle East/North Africa (MENA). Staff will distribute the list at the Feb. 8-12 Gulfood 2015 Show in Dubai to connect potential buyers with appropriate U.S. suppliers. Gulfood is one of the largest food trade shows in the Middle East, attracting attendees not only from the region but also from around the world.

If your company is actively exporting to MENA or seeking new export opportunities in the area, please email your

CURRENCY AND PRICES

Click charts to view larger images in your web browser



A rising index means that an importer’s currency is strengthening against the U.S. dollar. A falling index means that an importer’s currency is weakening against the dollar. When an importer’s currency is strengthening against the U.S. dollar (weak US\$), the importer’s purchasing power increases; when an importer’s currency is weakening against the U.S. dollar (strong US\$), the importer’s purchasing power decreases. Source: Oanda.com

Oceania Export Prices (US\$/ton, FOB port)			
	Dec 17	Dec 31	Jan 14
Cheese	3100-2800	3100-2600	(+25) 3125-2650 (+50)
SMP	2250-2800	2250-2600	2250-2600
Butler	2700-3100	(+200)2900-3300 (+200)	(+300)3200-3600 (+300)
WMP	2200-2600	2200-2600	(+50) 2250-2650 (+50)

Forsters's milk collection in New Zealand was up 4 percent in December. However, dry conditions are withering pasture growth across the east coast of the South Island, raising the prospect of irrigation restrictions, the co-op says. Production in the southeast part of Australia also has slowed. Supplemental feeding has increased due to low pasture availability, Forsters adds.

Note: Numbers in parentheses are changes from previous period. Source: USDA and commercial contacts

contact information and a high-level list of products you supply (e.g., cheese, milk powders, whey products, etc.) to USDEC's John Klees at jklees@usdec.org by Jan. 22. The information will complement (and not supplant) USDEC's full online supplier database.

Additionally, if you are exhibiting at Gulfood, please provide your booth number and contact details of on-site personnel. We will also provide that information to show visitors to help drive traffic to your booth.

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MARKET CONDITIONS

Intervention begins in EU

EU intervention opened on Jan. 1, two months ahead of schedule, and although no product was reported entering at press time, EU powder prices are flirting with intervention levels. The SMP intervention price stands at €1,698/ton, and the most recent Dutch Dairy Board SMP price was €1,770/ton.

Michael Hanley, CEO of Ireland's Lakeland Dairies called for a hike in the intervention price, claiming that the current level does not reflect the cost of production. Nonetheless, Hanley claimed a number of EU powder manufacturers were in the process of submitting product into intervention.

EU farmgate prices continue to decline, prompting some groups to call for more drastic action. And when British milk processor First Milk announced last week that it was delaying milk payments by two weeks due to cash-flow issues, it added fuel to the fire.

The European Milk Board and German dairy farmer association BDM asked EU leadership to implement a new supply control system, despite the imminent removal of production quotas. The groups' proposed Market Responsibility Program would impose milk production restraints in the event of a 15 percent decline in prices. Farmers who under-produced during such a crisis would receive a bonus and those who overproduced would pay a levy.

EU Farm Minister Phil Hogan and Irish Ag Minister Simon Coveney urged EU dairy farmers and processors not to talk themselves into a crisis. Hogan said it is hard to find a sector with more promising prospects than dairy and called the current market problems "a short-term issue." Coveney said that over a five-year period practically every farmer in Ireland would be profitable and running a good business. (*Dairy Industry Newsletter*, 1/14/15, 1/8/15; *Irish Examiner*, 1/12/15; *Dairy Markets*, 1/9/15; *Farming Life*, 1/9/15)

China seeks support for domestic dairy farmers

China's Ministry of Agriculture is moving to assist struggling domestic milk producers. The combination of high milk production costs (as much as twice those of the world's major dairy producers, including the United States), low farmgate prices and reduced purchasing by domestic manufacturers is causing farmers (particularly in the north) to dump milk and cull herds. Farmgate prices dropped anywhere from 35-66 percent over the course of 2014, depending on location.

The ministry has asked Chinese dairy processors to raise purchasing levels and local government ag departments to work more closely with farmers during this down cycle. The ministry also committed to working with other central government departments to formulate more supportive policies to boost sustainability and stabilize milk production. (*China Spectator*, 1/12/15; *Xinhua*, 1/11/15; *ECNS*, 1/9/15)

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TRADE POLICY

Australia seeks India FTA by year-end

Australia is looking to complete an FTA with India by the end of 2015, although Trade and Investment Minister Andrew Robb admitted there were "sticking points" between the two nations, primarily "significant sensitivities in the agricultural areas."

Robb was part of a 450-person Australian trade delegation visiting India this week to explore areas of collaboration. While media reports cited discussions of dairy cooperation between the two nations, that cooperation is in the form of Australia lending its dairy farming expertise to help train and upgrade productivity in the Indian milk production sector, rather than reducing dairy trade barriers.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) projected Indian dairy demand would rise by 136 percent from 2009-2050. By 2050, India will be importing US\$13 billion to meet consumption needs, ABARES said.

Elsewhere, Australia's FTA with Japan went into force today. (*The Hindu Business Line*, 1/12/15; *ANI*, 1/12/15; *North Queensland Register*, 1/9/15)

U.S. moves to make NAFTA trucking obligations permanent

The U.S. Department of Transportation announced that all Mexican truckers would soon be able to apply to conduct long-haul cross-border services with the United States, fulfilling a long-delayed U.S. NAFTA commitment. The move

will lead to permanent termination of \$2 billion in annual retaliatory tariffs that Mexico had put on hold in 2011 after the United States implemented a pilot program to test and validate Mexican trucking safety. That pilot program ended in October 2014. Prior to its start, Mexico applied those retaliatory tariffs to a number of U.S. cheeses. (*U.S. Department of Transportation*)

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COMPANY NEWS

In memoriam

USDEC was deeply saddened to hear of the sudden passing of two U.S. dairy industry stalwarts earlier this month. Dave Bush, senior VP and COO of California Dairies Inc. (CDI), died on Jan. 7. Dave was a force for CDI's growth as a major exporter and well respected throughout the industry for his dairy expertise.

Don Utz former COO of manufacturing operations for Maryland & Virginia Milk Producers, passed away Jan. 5, just five days after retiring. Don spent 45 years in the dairy business and was key to shaping and growing Maryland & Virginia's dairy ingredients division. He also represented the co-op on USDEC's board for the past few years.

Our condolences go out to the families, friends and co-workers of both Dave and Don.

Arla shows commitment to African business, communities

Arla Foods plans to more than triple its revenues in Sub-Saharan Africa over the next three years while expanding its geographic reach from Nigeria and Ivory Coast to Ghana, Senegal, Congo and East Africa. Milk powder and UHT milk will help drive sales from current levels of \$103 million to about \$320 million by 2017, the company said.

When announcing its plans, Arla stressed its intention to monitor expansion to ensure that corporate gains do not have unintentional consequences for local farming industries and related communities. The company pledged to follow U.N. Global Program and Organization for Economic Cooperation and Development human rights guidelines and publically report its performance against those principles. Arla is running a pilot program in Ivory Coast and Nigeria that will assess the impact of its business activities on local farmers. It plans to release the results of that assessment this spring. It is also working with nongovernmental organizations to develop the local dairy industries in multiple African countries. (*Company reports*)

Mergers and acquisitions

Lactalis subsidiary **Al-Nour for Dairy Industries** increased its offer for Egypt's **Arab Dairy**, topping rival bidder Pioneers Holding (*see Global Dairy eBrief, 1/8/15*) . . . China's Commerce Ministry approved **Fonterra's** offer to buy a 20 percent stake in Chinese infant formula maker **Beingmate** (*see Global Dairy eBrief, 8/28/14*) . . . **Ausnutria Dairy** purchased the outstanding 49 percent of Dutch infant formula maker **Ausnutria Hyproca** . . . **Irish Dairy Board** purchased **Dairygold's** German retail cheese business, including the *Irish Land* brand . . . Switzerland's **Emmi** purchased Canadian cheese importer **J.L. Freeman** . . . Australian ice cream and frozen dessert maker **Dairy Bell Ice Cream** is exiting the business and selling all its assets, including manufacturing plants in Melbourne and Sydney. (*Company reports; Reuters, 1/15/15; Wall Street Journal, 1/13/15; AusFoodNews, 1/12/15; BusinessDesk, 1/9/15; Irish Examiner, 1/9/15*)

Company news briefs

Dunkin' Donuts signed a master franchise agreement with **Golden Cup Pte.**, a joint venture between the Philippines' Jollibee Foods Corp. and Hong Kong's Capital Master Fund II. Under the terms of the agreement, Golden Cup will open 1,400 Dunkin' Donuts outlets in China over the next 20 years. (*AP, 1/7/15*)

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