



PRINT THE GLOBAL DAIRY eBRIEF

FEATURES

Japan slates import tenders, announces regular butter supply review

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) plans to keep a closer eye on the nation's butter stocks in fiscal 2015 (beginning April 1, 2015) to avoid shortages caused by declining domestic dairy production. MAFF will conduct official reviews of market conditions, butter production and stockpiles in May, September and January and potentially set additional tenders (beyond current access) as needed to ensure that retail cases and foodservice/industrial users are not left short, as they were at times in 2014.

In addition, MAFF slated tenders for current access quantities of butter, SMP and whey powder and created a new specification for imported frozen butter in 1-5kg packages for smaller users, such as bakeries and confectionery shops. The tenders are scheduled as follows:

- **SMP:** A general tender for 4,000 tons takes place Feb. 3 (with delivery by May 29), and an SBS tender for 6,000 tons is set for Feb. 10 (delivery by July 15).
- **Butter:** A general tender for 1,120 tons (frozen 10kg, 15kg, 20kg or 25kg) takes place Feb. 5 (with delivery by June 30), and an SBS tender for 1,680 tons is set for Feb. 17 (delivery by July 31). For the Feb. 17 SBS tender, 1,400 tons is bulk frozen butter (10kg, 15kg, 20kg or 25kg) and 280 tons is the new smaller size (frozen 1-5kg).
- **Whey and modified whey:** An SBS tender for 2,500 tons takes place Feb. 19 (with delivery by Dec. 25).

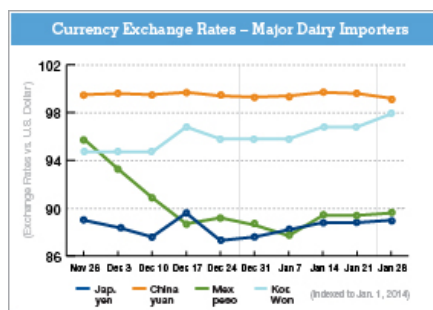
For a copy of any of the product specifications for the tenders, contact USDEC's Japan office at usdecjapan@marketmakers.co.jp. (USDEC Japan office)

U.S. offers to ban all ag export subsidies at TPP

Unofficial reports exist that the United States agreed to an unconditional and complete ban on agricultural export subsidies at this week's informal Trans-Pacific Partnership (TPP) negotiating round in New York, as long as other negotiating partners dropped their demands for new disciplines for export credits. The offer is a departure from previous U.S. proposals that eliminated subsidies but included an "escape clause," allowing TPP countries to use subsidies on occasions where non-TPP members were also doing so. That escape clause was crafted primarily to address concerns that the EU might revive its dormant ag export subsidy program. However, the report went on to say the EU has publicly signaled it does not intend to resume the use of export subsidies, despite significantly lower international commodity prices and demands by some farm groups and food processors to reinstate them. As it relates to dairy, the U.S. eliminated its export subsidy program for dairy in the 2014 Farm Bill.

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

	Dec 21	Jan 14	Jan 28
Cheese	3100-3600	(+25) 3125-3650 (+50)	(+25) 3150-3650 (-100)
SMP	2250-2600	2250-2600	(+50) 2260-2700 (+100)
Butter	2900-3300	(+300) 3200-3600 (+300)	(+200) 3400-3800 (+200)
WMP	2200-2600	(+50) 2250-2650 (+50)	(+50) 2300-2700 (+50)

Oceania prices are firming slightly as production in the region declines seasonally. Conditions are very dry, though no official declaration of drought has been made. Despite year-on-year production growth, exports from New Zealand and Australia were below year-earlier levels in October and November. In 2014, China imported 670,857 tons of WMP—61 percent of it from New Zealand. This volume was up 8 percent from the prior year. Imports were up 65 percent in the first eight months of the year and down 71 percent in the last four months of the year.

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

The TPP meetings in New York runs through the end of the week. USTR Michael Froman, in testimony this week before congressional committees, said he was confident the TPP partners were "making good progress" and he was aiming for a completed deal in "a small number of months." Media reports suggested most TPP countries were pushing to conclude the agreement in time for a ministerial meeting in mid-March (originally expected Feb. 28-March 1). (*Inside U.S. Trade*, 1/27/15, 1/22/15; *Reuters*, 1/27/15)

Port slowdowns continue despite resolution of key issue

West Coast dockworkers contract negotiations finally yielded some concrete, positive news (*see Global Dairy eBrief*, 1/15/15), as the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) reportedly resolved the thorny issue of chassis maintenance and repairs.

The deal was the first real sign of progress after months of contract negotiations and triggered some optimism that a full resolution might be forthcoming. However, it so far has failed to ease the gridlock currently facing all major West Coast ports due to the contract battle.

This week, USDEC signed an open letter, along with NMPF, IDFA and 89 other U.S. food and agricultural organizations, urging the ILWU and PMA to take into account the impact the dispute is having on the U.S. agricultural sector and American farmers, ranchers and businesses. The drastic reduction in capacity caused by work slowdowns is threatening hard-fought gains in U.S. ag export markets. Inevitably, overseas customers will look to other sources for their supplies, the letter states. In addition, the drastic reduction in container loading is leading to an "unconscionable waste of food products" and serious loss in revenue, as perishable products spoil or are rerouted domestically at deep discounts.

"The interests and welfare of more than just the union and the terminals are at stake," the letter concludes.

The PMA and ILWU are continuing to work with a federal mediator to resolve the remainder of the outstanding contract issues. The Agriculture Transportation Coalition, of which USDEC is a member, put together a primer summarizing all the major issues at play in the West Coast contract talks. To view a copy of the document, click [here](#). (*USDEC staff; Agriculture Transportation Coalition; Long Beach Press Telegram*, 1/26/15; *Transport Topics*, 1/26/15)

Register now for Seoul Food & Hotel

USDEC has only two booth spaces remaining for Seoul Food & Hotel, the largest and longest-running international trade show targeting South Korea's thriving foodservice, hospitality, bakery and supermarket industries. Consumers' growing familiarity with and taste for cheese is helping drive South Korean demand and imports. Through the first 11 months of 2014, U.S. cheese shipments to South Korea jumped nearly 50 percent and were on pace to exceed 70,000 tons for the year. Trends point to continued per capita consumption gains and rising import demand. To reserve your spot at the USDEC booth, contact John Klees at jklees@usdec.org or 703-528-3049. For more on Seoul Food & Hotel, click [here](#).

USDEC establishes new South American office

As part of the ongoing effort to align the services from its overseas representative network, USDEC has replaced its South America office. Based in Lima, Peru, Cesar Leiva of Marketing Connection is the main point of contact for USDEC members (cesar@marketingconnection.org). Marco Townsend is the second contact (marco@marketingconnection.org). The phone number is (51) 998161375. The office, which opened Jan. 1, will focus on Chile, Colombia and Peru, with some coverage of Brazil. All member inquiries on South America should go through the new office.

[Back to top](#)

COMPANY NEWS

F&N renews Nestlé licensing deal

Fraser and Neave (F&N) signed multiple agreements to extend licensing rights to a number of Nestlé brands in Southeast Asia, including *Carnation* sweetened condensed milk and evaporated creamer, *Ideal* evaporated milk, *Milkmaid* sweetened condensed milk and sweetened beverage creamers, *Bear Brand* sterilized milk and *Bear Brand Gold*. (Nestlé took back control of its *Milo* and *Bear Brand* UHT milk products.)

F&N originally secured licenses for the brands when it purchased Nestlé's liquid canned milk, UHT and chilled dairy and juice business in Thailand in 2007. The new deal runs through 2026 with an option for an additional 10-years. To meet rising market demand for the products, F&N is spending \$12 million on new filling and packaging equipment at its Rojana, Thailand, manufacturing plant. (*Company reports*)

Mergers and acquisitions

Schreiber Foods is reportedly negotiating to buy Senoble International's Spanish dairy business **Senoble Ibérica**, including manufacturing plants in Noblejas and Talavera, Spain . . . **Israel Chemicals** purchased Austrian dairy ingredient manufacturer **Prolactal** and its German subsidiary **Rovita**. The companies will join Israel Chemicals' Food Specialties Division . . . **Rafi Agri Foods International**, a joint venture between Canadian trader **Ronald A. Chisholm Ltd.** and UAE-based conglomerate **Rafi International**, acquired a 20 percent stake in Delta Food Industries, a growing UAE food manufacturer looking to expand into new markets like West Africa and new products, including evaporated milk and sterilized cream . . . Cereal maker **Post Holdings** paid \$1.15 billion for rival **MOM Brands** . . . Global food and beverage industry mergers reached an all-time high in 2014 at 563 transactions, according to consultancy Zenith International. The dairy sector recorded the second highest total with 63. (*USDEC*)

Middle East office; Zenith International; Globes, 1/28/15; Reuters, 1/26/15; Europa Press, 1/10/15)

Company news briefs

Lone Star Milk Producers and **Hoogwegt U.S. Inc.** formed a new 50/50 joint venture to build a specialty dairy ingredients plant in the Texas Panhandle . . . **Arla Foods** officially opened its new butter/powder operation at its site in Pronsfeld, Germany. The €110 million (about US\$124 million) project can produce 40,000 tons of butter and 42,000 tons of milk powder annually . . . India's **Parag Milk Foods** earmarked \$20 million to boost dairy processing capacity by more than 33 percent with an eye on export markets. The company currently exports about a fifth of its volume but wants to expand into Gulf countries, Singapore and elsewhere . . . Egyptian dairy manufacturer **Obour Land** is building a \$7 million cheese plant and \$7 million milk and juice facility. The company said the cheese plant will be operational in the first quarter of 2015 and the milk juice facility will open in the second half of 2016 . . . State-owned **Oman Food Investment Holding** (OFIC) and a group of private sector investors plans to spend \$260 million on a vertically integrated dairy complex to manufacture fluid milk, laban and yogurt, as well as juice and water. OFIC hopes to complete the project by 2017 and grow the farm side to 25,000 cows by 2020 . . . Frozen yogurt retailer **Pinkberry** is opening its first Panamanian outlets via franchisee **Royal Food Services** . . . **Hooters** plans to open 30 restaurants throughout Southeast Asia over the next six years. (*Company reports; Cairo Post, 1/27/15; Business Insider, 1/22/15, VC Circle, 1/21/15; Times of Oman, 1/21/15*)

[Back to top](#)

MARKET CONDITIONS

EU farm chief claims no dairy crisis, offers no further relief

To the dismay of many European dairy farmers and processors, EU Ag Chief Phil Hogan said he was "satisfied there is considerable amount of profitability still in the dairy sector and there is no crisis." Hogan addressed a meeting of EU ag ministers this week in Brussels, denying requests for additional dairy assistance from Bulgaria, Romania and the UK. He also stressed that the bloc would provide no relief for countries that ended up exceeding their 2014-2015 milk production quotas when the year ends March 31. "We continue to urge producers to reduce their production," Hogan said.

Hogan confirmed the extension of Private Storage Aid (PSA) for butter and SMP through September 2015. Since the start of September 2014, just over 26,700 tons of butter and 17,900 tons of SMP have been put into PSA. (*Farmers Weekly Interactive, 1/27/15; Independent Balkan News Agency, 1/27/15; Irish Farmers Journal, 1/27/15*)

[Back to top](#)

TRADE POLICY

Hatch suggests TPA legislation in February

Senate Finance Committee Chairman Orrin Hatch (R-Utah) said he plans to introduce legislation to renew Trade Promotion Authority (TPA) in February. Hatch has been working on a TPA bill with Senate Finance Committee Ranking Member Ron Wyden (D-Ore.) and House Ways & Means Committee Chairman Paul Ryan (R-Wis.), who brandished a wedge of gouda as he emphasized Canadian trade barriers to U.S. dairy exports and EU efforts to monopolize common cheese names during a Ways and Means Committee meeting on trade policy this week.

In written comments submitted for that meeting, Ambassador Froman said President Obama has been meeting privately with members of Congress regarding TPA and that the administration is fully behind the effort. Sen. Wyden expressed less certainty about the introduction of TPA legislation and said that any timeline for a bill was only speculation at this point. (*Inside U.S. Trade, 1/27/15; Wall Street Journal Blogs Washington Wire, 1/27/15*)

[Back to top](#)