



PRINT THE GLOBAL DAIRY eBRIEF

**FEATURED**

**November exports slide 13.5 percent**

November U.S. dairy export value declined 13.5 percent to \$500.5 million compared to the previous year, according to USDA trade data released this week. Through the first 11 months of 2014, U.S. sales totaled \$6.63 billion, an 8.6 percent increase over January-November 2013.

U.S. suppliers persevered in November despite challenging market conditions. The United States shipped a combined 147,879 tons of milk powders, cheese, butterfat, whey and lactose in November, 7 percent less than a year ago but down just 1 percent from October (on a daily-average basis).

November NDM/SMP shipments fell 6.7 percent to 42,614 tons vs. the previous year, but grew 10 percent compared to October 2014. WMP shipments rose 13 percent from the previous year to 4,243 tons and jumped 36 percent from October 2014.

Strong sales to Mexico, South America and the Caribbean helped partially offset significant declines in exports to Asia and the Middle East in November. For more details on November and year-to-date trade data, view the latest USDEC GlobalDairy Market Outlook by clicking [here](#). (USDEC staff; USDA)

**USDEC expects export declines in SMP, cheese, butter in 2015**

Since the completion of USDEC's 2015-2017 business plan, rapidly changing market conditions have substantially altered the dairy export landscape, creating greater challenges for U.S. suppliers. A new market outlook prepared by USDEC staff for the Operating Committee succinctly analyzes developments in China, Europe, Oceania and the United States and how they might affect U.S. export efforts in 2015.

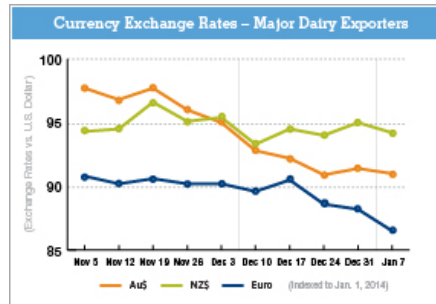
The analysis estimates that U.S. NDM/SMP shipments will decline nearly 7 percent to 500,000 tons in 2015, cheese will slip 10 percent to 336,000 tons and butterfat will fall 67 percent to 25,000 tons. Whey products, the least likely to feel the effect of changing market conditions, will decline less than 1 percent to 362,000 tons, although the subcategory of WPC/WPI will rise 1.4 percent to 140,000 tons. U.S. suppliers shipped 15.7 percent of the U.S. milk supply (on a total solids basis) overseas in the first 10 months of 2014. That number is likely to decrease to 14.4 percent this year. To view the full Market Outlook paper, click [here](#). (USDEC staff)

**USDEC calls for changes to Cuban financing, travel restrictions**

USDEC, as well as NMPF and IDFA, joined other ag organizations in calling on Congress to remove travel restrictions to Cuba and reform obstructive trade financing rules. Allowing direct payments between Cuban and U.S. banks, as proposed by the Obama administration (see Global Dairy eBrief, 12/30/14), and permitting open travel to Cuba for all Americans will facilitate U.S. exporters' ability to conduct business with the island nation and spur demand for U.S. dairy products.

**CURRENCY AND PRICES**

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A rising index means that a competitor's currency is strengthening against the U.S. dollar. A falling index means that a competitor's currency is weakening against the dollar. When a competitor's currency is strengthening against the U.S. dollar (weak US\$), exporters in that country expect lower returns from export markets; when a competitor's currency is weakening against the U.S. dollar (strong US\$), exporters in that country expect higher returns from exports markets. Source: Oanda.com

EU Export Prices (US\$/ton, FOB port)			
	Dec 10	Dec 24	Jan 7
<b>Cheddar</b>	2500-2900	3500-3900	(-50) 3450-3850 (-50)
<b>SMP</b>	2150-2450	(-75) 2075-2400 (-50)	(-75) 2000-2350 (-50)
<b>Whey</b>	1000-1200	1000-1200	(-25) 975-1175 (-25)
<b>Butter</b>	3400-3800	(-125) 3275-3700 (-100)	(-275) 3000-3450 (-250)
<b>WMP</b>	2600-3000	(-100) 2500-2900 (-100)	(-100) 2400-2800 (-100)

European prices continue to slump. EU-28 milk deliveries were up about 0.3 percent in October, a slower rate of growth than seen in prior months. SMP and WMP inventories are building. In the first 10 months of 2014, EU production of SMP was up 24 percent—an increase of 223,000 tons. Experts in the same period were up 57 percent—a gain of 191,000 tons. EU cheese exports were down 34 percent in the August-October period, reflecting the closure of the Russian market to EU dairy products.

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

USDEC, NMPF and IDFA are all members of the newly formed U.S. Agriculture Coalition for Cuba, a group championing an end to the U.S. embargo against the island. Cuba has been importing about \$200 million of dairy products annually in recent years, but virtually none of it comes from the United States due to trade restrictions. *(USDEC staff)*

#### Four spaces available for Food & Hotel Vietnam

USDEC has four booth spaces available for Food & Hotel Vietnam, a trade show servicing the rapidly expanding Vietnamese food sector. The show, slated for April 21-23 in Ho Chi Minh City, is expected to attract more than 10,000 visitors from the nation's foodservice, hospitality, bakery, importer, wholesaler/distributor and supermarket industries.

Already a top 10 U.S. dairy export market, U.S. dairy shipments to Vietnam were on track to rise more than 10 percent in 2014, reaching \$265 million. U.S. cheese exports to Vietnam were up 169 percent through November, as U.S. suppliers gained ground in servicing the nation's burgeoning restaurant industry.

To reserve your spot at the USDEC booth and take part in this vibrant market, contact John Klees at [jklees@usdec.org](mailto:jklees@usdec.org) or 703-528-3049. For more on Food & Hotel Vietnam, click [here](#).

#### USDEC sponsors Dairy Ingredients Symposium

USDEC is co-sponsoring the 17th Annual Dairy Ingredients Symposium, Feb. 17-18, in Shell Beach, Calif. The event is a mainstay for dairy ingredients users, manufacturers and marketers looking to keep tabs on the latest developments in ingredient production and usage. Sessions will cover innovations in ingredient manufacturing technology, quality and functionality, as well as dairy nutrition research, market trends and opportunities, and GMO labeling. In addition to USDEC, the Cal Poly Dairy Products Technology Center, the California Dairy Research Foundation and GEA are also sponsoring the event. For more information or to register, click [here](#).

#### Food safety workshops offer expert instruction, hands-on training

A food safety mishap can not only threaten the health of consumers but also the health and viability of a business. While all companies have some form of food safety plan in place, it pays to make sure those plans are up to the challenge in these times of heightened sensitivities to contamination, adulteration and substandard products.

Members of the Food Safety Team at the Innovation Center for U.S. Dairy collaborated to create a series of workshops geared to strengthen a company's food safety controls. The courses combine lectures with hands-on exercises and were designed and will be taught by food safety, sanitation, quality and microbiology professionals from across the dairy industry.

Dairy Plant Food Safety Workshops are slated for Visalia, Calif., March 24-25; Seattle, April 28-29; Baraboo, Wis., June 2-3; Green Bay, Wis., Aug. 11-12; and Coopersville, Mich., Oct. 13-14. All five cover both wet and dry product operations, but the California and Michigan events specifically focus on dairy powder manufacturing. For more details or to register, click [here](#).

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## MARKET CONDITIONS

#### GDT starts year on a mildly stronger note

The GlobalDairyTrade (GDT) Price Index posted its biggest gain in more than a year, rising 3.6 percent to an average winning price of US\$2,709/ton at the Jan. 6 auction. It marked the first time the Price Index rose for two consecutive auctions since January/February 2014.

Milkfat continued to flex its muscle, with butter (+13.2 percent to US\$3,558/ton) and AMF (+6.8 percent to US\$4,493/ton) recording their fourth straight auction gains. Butter is up 42 percent since Nov. 4 and AMF is up 36 percent.

But the positive movement at the Jan. 6 event was widespread, as the average winning price for all major products improved: WMP, +1.6 percent to US\$2,307/ton; SMP, +2.8 percent to US\$2,386/ton; cheddar, +3.2 percent to US\$3,090/ton; buttermilk powder, +10.5 percent to US\$2,736/ton; and casein, +4.2 percent to US\$7,911/ton. Lactose did not trade and the whey powder price was not reported.

While the results created some optimism, it is still too early to conclude the market has found a floor. *(USDEC staff; GDT)*

#### Korean consumers develop taste for natural cheese as a topping

USDEC's South Korea office identified a rise in consumer use of single-serve natural cheese products as a topping on ramen dishes, home meal replacement products and ready-to-eat foods sold through channels such as convenience stores. South Korea's Maeil Dairy and Jenico Food recently rolled out conveniently packaged shredded mozzarella products that retail for less than a dollar to capitalize on the demand. The trend is significant for two reasons: It indicates greater integration of cheese into the nation's diet, and it suggests consumers are at the point where they might be willing to venture into a broader array of cheese flavors for a broader array of eating occasions, including in traditional dishes made at home. *(USDEC South Korea office)*

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## LOGISTICS

### Mediation begins at West Coast ports as service worsens

The International Longshore and Warehouse Union (ILWU) agreed to call in federal mediators in its contract negotiations with the Pacific Maritime Association (PMA) (see *Global Dairy eBrief*, 12/30/14). The PMA originally made the request for intervention in late December, but the ILWU initially resisted.

The Federal Mediation and Conciliation Service (FMCS) assigned a senior mediator to oversee the negotiations moving forward. Talks will continue "as soon as possible," FMCS said. The group's policy is not to reveal any details on meeting dates or locations or the progress of talks.

The intervention comes none too soon given growing contentiousness between the PMA and ILWU and worsening congestion at West Coast ports. Sources indicate port delays are the longest they have been in at least a decade. This week, intermodal operator BNSF placed an embargo on all westbound traffic received at interchange points and destined for all marine terminals on the West Coast. Although it lifted the embargo after three days saying operations had once again become manageable, the group expressed concern over ongoing port delays. (*FMCS; Financial Times*, 1/8/15, 1/1/15; *The Loadstar*, 1/6/15; *AP*, 1/6/15)

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## COMPANY NEWS

### Mergers and acquisitions

**Parmalat** paid €11.5 million for Italian milk, yogurt and cheese manufacturer **Consorzio Cooperativo Latterie Friulane** . . . **Kellogg Co.** won the bidding war for a controlling stake in Egyptian cookie and cereal maker **Bisco Misr** after topping an offer by rival **Abraaj Group** . . . **Pioneers Holdings** raised its offer for Egypt's **Arab Dairy**, topping the former high bid by a coalition of Lactalis subsidiaries (see *Global Dairy eBrief*, 12/4/14). Egypt's regulator extended the deadline for further bidding until Jan. 22 to provide time for counteroffers . . . **Abdulaziz Alsaghyir Holding Co.** formed a new company (Abdulaziz Alsaghyir Foods) and set aside \$268 million to acquire food manufacturing, distribution and retail businesses in the Middle East. (*USDEC Middle East office; Reuters/Ahram Online*, 1/8/15; *Messaggero Veneto*, 1/1/15)

### Company news briefs

Swiss dairy ingredient company **Hochdorf** changed its name to **Hochdorf Swiss Nutrition AG** . . . After a five-year hiatus, **Dunkin' Donuts** is reentering the Mexican market. The company signed a franchise deal with the Mexican unit of U.S. franchisee Sizzling Platter LLC to open more than 100 units over the next five years in central and western Mexico. The company is seeking additional Mexican franchisees for other regions . . . Asian agri-food company **Japfa Ltd.**, headquartered in Singapore, signed two contracts to supply milk to major Chinese dairy processors. Through farms in China's Shandong Province owned by subsidiary AustAsia Investment Holdings, Japfa will provide 100 tons of milk per day to Mengniu Dairy throughout 2015 and 500 tons of milk per day to Yili Group over the next five years. (*Company reports; Wall Street Journal*, 1/5/15, 1/1/15; *The Business Times*, 1/2/15)

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