



PRINT THE GLOBAL DAIRY eBRIEF

FEATURED

September U.S. dairy exports slip 16 percent

Fallout from robust first-half global milk production growth, reduced purchasing out of China and the Russian embargo really began to show in the latest U.S. trade data. U.S. dairy export value totaled \$487 million in September, 16 percent less than the previous September and the lowest tally since February 2013, according to FAS numbers released this week. It marked the second straight month where sales failed to exceed the previous year and the sixth straight month of declining value since U.S. suppliers shipped a record \$717 million in March 2014.

Through three quarters of 2014, U.S. dairy export value was up 14 percent to \$5.617 billion.

Milk powder and butterfat showed the biggest volume drops in September. SMP fell 29 percent to 32,098 tons vs. September 2013; WMP dipped 32 percent to 3,196 tons and butter/AMF plunged nearly 80 percent to 2,339 tons. Year to date, U.S. SMP volume was still up 4 percent (at 430,498 tons), WMP was up 51 percent (to 42,990 tons) and butterfat was up 3 percent (to 62,618 tons).

Cheese held its own, posting a 9 percent gain to 27,865 tons compared to the previous September. However, it was the first time cheese dropped below 30,000 tons since November 2013. Total September whey shipments fell 9 percent to 35,388 tons, with both sweet whey powder and WPC registering double-digit declines. For more analysis of September trade data, click [here](#) to visit the USDEC website. (USDA)

Sign up now for Middle East/North Africa foodservice cheese seminars

Although the Middle East and North Africa are growing users of cheese, many buyers in the region are still unfamiliar with U.S. cheese varieties, manufacturing capabilities and desire to serve the market. USDEC has slated two educational seminars aimed at raising the U.S. cheese profile with the Middle Eastern and North African foodservice sectors. The seminars will target importers, distributors and their customers, including chefs, food and beverage managers, and purchasing managers from local hotel and restaurant chains.

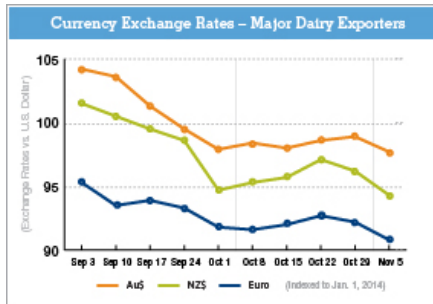
Following the educational presentations, USDEC will arrange one-on-one meetings between U.S. attendees and importers and distributors, providing an opportunity for suppliers to directly interact with and showcase their products to key local buyers. The first seminar is slated for Hurgada, Egypt, on Dec. 7. The second takes place in Casablanca, Morocco, on Dec. 11. To sign up or for more information, contact Amy Foor at afoor@usdec.org.

USDEC comments on foreign trade barriers

USDEC and NMPF submitted joint comments to the USTR's Office in reference to a request for input for the U.S. National Trade Estimate Report on Foreign Trade Barriers. The 18-page document details some of the major trade barriers presently confronting the U.S. dairy industry, including the abuse of geographic indication protections, Canada's pervasive nontariff barrier attacks on U.S. exports, Chinese plant registration requirements, multiple EU nontariff barriers, and detrimental market and regulatory policies in Ecuador, India, Japan, Kazakhstan, Mexico, New Zealand and Russia. It also highlights the need to negotiate strong sanitary and phytosanitary disciplines in the Trans-Pacific Partnership to limit the

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

	Oct 8	Oct 22	Nov 5
Cheese	3400-4000	(-100) 3300-3900 (-100)	(-50) 3250-3700 (-200)
SMP	2400-3000	(-50) 2350-2900 (-100)	(+100) 2450-2700 (-200)
Butter	2600-3200	2600-3200	(-100) 2500-2800 (-400)
WMP	2550-3050	(-150) 2400-2900 (-250)	(+125) 2525-2650 (-150)

This week's GlobalDairyTrade auction stabilized WMP prices, but last two auctions saw reduced quantities offered. All other prices declined with relative sharp drop in cheese. Spot prices indicate continued pressure on prices. Oceania milk production at peak levels, with material increases in output at the start of the 2014/15 year: New Zealand up 5 percent and Australia up 2.8 percent.

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

introduction of new nontariff barriers going forward. To view the comments, click [here](#).

USDEC cancels State of the Industry webinar

USDEC's 8th Annual State of the Industry outlook webinar slated for Dec. 4 has been canceled. We apologize for any inconvenience.

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LOGISTICS

L.A./Long Beach port slowdown spreads

Slowdowns at the California ports of Los Angeles and Long Beach spread last week to Seattle and Tacoma (see *Global Dairy eBrief*, 10/23/14). The Pacific Maritime Association (PMA), which is negotiating a new West Coast dockworkers contract with the International Longshore and Warehouse Union (ILWU), claimed that productivity at the two Washington State ports is down 40-60 percent on the order of ILWU leaders.

The previous dockworkers contract expired July 1, and both sides said at the time that they were confident in and committed to resolving their issues without resorting to strikes or lockouts. But relations have deteriorated as talks dragged on. Now, the PMA claims the two sides promised to continue normal port operations until a new contract could be reached and accused the ILWU of renegeing on that promise. The ILWU says it never made such a promise, and accused the PMA of telling a "bold-faced lie."

A PMA spokesperson said it was "extremely difficult to have meaningful negotiations under the current conditions." Shippers have reportedly called on the Obama administration to send a federal mediator to facilitate talks. (*PMA; Journal of Commerce*, 11/5/14; *The Loadstar*, 11/4/14; *Puget Sound Business Journal*, 11/3/14)

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MARKET ACCESS

China lifts ban on NZ whey products

Chinese authorities lifted a temporary ban on New Zealand whey powder and dairy base powder that was enacted in August 2013 after last year's botulism false alarm at Fonterra Co-operative Group. A similar ban by Russia, also caused by the botulism incident, remains in place. (*BusinessDesk*, 10/31/14)

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MARKET CONDITIONS

WMP rise keeps GDT steady

The GlobalDairyTrade (GDT) Price Index largely held steady, slipping just 0.3 percent to an average winning price of US\$2,649/ton at the Nov. 4 auction. A 1.6 percent gain in WMP mostly offset declines in all other reported products.

The average winning WMP price rose 1.6 percent to US\$2,522/ton, marking the product's second straight auction increase. Declines were as follows: SMP, -1.2 percent to US\$2,457/ton; AMF, -1.6 percent to US\$3,292/ton; butter, -4.1 percent to US\$2,505/ton; cheddar, -9.2 percent to US\$2,728/ton; buttermilk powder, -6.9 percent to US\$2,426/ton; and casein, -2.2 percent to US\$7,608/ton. The average winning cheddar and butter prices were the lowest since they began trading in July 2011 and February 2013, respectively. Lactose did not trade, and whey powder results were unavailable. (*GDT*)

EU farm groups keep up pressure for aid

The Irish Farmers' Association (IFA) and the European Milk Board (EMB) are calling for immediate action to counteract the current dairy market "crisis." The EMB proposed the creation of a system that uses a market tracker system to warn when a crisis is imminent and trigger supply control measures. The measures would pay bonuses to farmers who voluntarily reduce output and assess levies on those who go over certain production levels.

The IFA asked new EU Ag Commissioner Phil Hogan to reopen Private Storage Aid (PSA) for cheese and extend it to match the duration of the Russian trade ban. The extension would also apply to PSA for butter and SMP. The group also called for the reactivation of "targeted" export refunds. (*Irish Independent*, 11/5/14; *Farmers Weekly Interactive*, 10/31/14)

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PUBLICATIONS

USDA releases additional dairy product annuals

USDA's Foreign Agricultural Service issued Dairy and Products Annuals for [Japan](#) and the [Philippines](#). To download each report, click on the respective country.

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COMPANY NEWS

Irish firms make Chinese inroads

Irish dairy exporters used a government-led Irish trade mission to China as the venue to announce new product launches and export business in the region. The Irish Dairy Board (IDB) is rolling out a new UHT milk line in 200ml cartons under dual branding of *Kerrygold* and *Jin Kai Li*. IDB doubled staff at its Beijing office to 30 to back the introduction.

IDB also signed a memorandum of understanding to work on new product development with Guangxi Royal Dairy. Apart from IDB, Glanbia is also launching a UHT milk brand in China this week, and Kerry Group introduced a new Irish-identified infant formula called *Green Love+*. Kerry expects to sell 15,000 tons of the product in its first year. (*Irish Independent*, 11/5/14; *Irish Farmers Journal*, 11/4/14; *Reuters*, 11/4/14; *Agriland*, 11/2/14)

Dairy Crest shifts to cheese, ingredients

Britain's Dairy Crest sold its Dairies operations to rival Müller UK & Ireland Group for £80 million (about US\$128 million). Dairy Crest plans to concentrate on cheese, spreads and ingredients for the global infant formula market. The company is in the midst of a major project to develop whey-based products at its creamery in Davidstow, including demineralized whey powder and galacto-oligosaccharide. Its Dairies business includes its domestic fluid, bulk butter and milk powder operations, and four manufacturing plants. (*Company reports*)

Danone increases China, Morocco investments

Danone spent €715 million euros (about US\$895 million) over the past seven days to increase its dairy position in China and Morocco. The French company paid €437 million euros for a 25 percent stake in Chinese infant formula specialist Yashili International, which is controlled by China's Mengniu Dairy.

Danone, Mengniu and Yashili intend to expand and strengthen their cooperation in the Chinese infant formula sector. Danone's share of China's infant formula market stands at about 4 percent, according to ACNielsen data, a far cry from the 14 percent market share it held prior to last year's botulism false alarm from its former supplier Fonterra.

In Morocco, Danone paid €278 million euros to lift its stake in dairy processor Centrale Laitière from 69 percent to nearly 91 percent. (*Company reports*; *Agrimoney.com*, 10/31/14)

Mergers and acquisitions

The fight for control of Egypt's **Arab Dairy** continues (*see Global Dairy eBrief*, 9/11/14). Saudi Arabia's **Arrow Food Distribution** offered \$7.98/share, 15 cents better than the most recent offer from Egyptian financial investment firm **Pioneers Holdings**. . . South African pharmaceutical company **Aspen Holdings** purchased a 50 percent stake in Auckland, New Zealand-based **NZ New Milk**. Last year, Aspen acquired a 10-year license from Nestlé to make and market former Pfizer infant nutrition brands in Australia and several African nations (*see Global Dairy eBrief*, 4/25/13). . . Turkish food company **Yildiz Holding** purchased UK cookie/cracker firm **United Biscuits** for a reported £2 billion (about US\$3.2 billion). (*Company reports*; *Reuters*, 11/5/14, 11/4/14; *DairyReporter.com*, 11/3/14; *The Telegraph*, 11/3/14)

Company news briefs

New Zealand's **Westland Milk Products** is building an NZ\$40 million UHT milk plant at its Rolleston, Canterbury, site. The product, its first venture into retail fluid milk, is earmarked for Asian markets. . . **Bega Cheese** is launching a new business division focused on dairy and non-dairy bio-nutrient products. The company is looking at colostrum, lipid vitamins, amino globular proteins and specialist grain and animal protein micro-nutritional extracts. . . **Mondelez International** opened an Asia-Pacific R&D center in Ringwood, Australia, a suburb of Melbourne. (*Queensland Country Life*, 11/4/14; *FoodNavigator-Asia.com*, 11/3/14; *The Press*, 10/31/14)

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