



PRINT THE GLOBAL DAIRY eBRIEF

FEATURED

China clarifies Decree 145 requirements, considers self-certification

On Sept. 23, 2014, USDEC staff, along with representatives from USDA's Foreign Agricultural Service and FDA, met with representatives of the Chinese government. The discussion focused on creating an avenue to facilitate the registration of U.S. plants by fulfilling the requirements outlined in Chinese Decree 145.

Decree 145, among other requirements, mandates that foreign competent authorities including FDA provide the Certification and Accreditation Administration of China (CNCA) with a "name list of overseas manufacturers of imported food applying for registration."

Although the Chinese government accepted the original list provided by FDA on May 5, 2014, it has requested China and the United States find a resolution to the remaining issue of ensuring that exporters meet Chinese hygienic requirements in order to process any further updates to the approved list.

While no final determination was reached on adding new facilities to the list during the meeting, the parties did discuss a potential short-term pathway forward. The Chinese government indicated that self-certification by private companies could serve as a short-term solution to register facilities until a more formal program could be put into place. The self-certification is in addition to FDA's request for each facility to be listed.

An initial non-binding indication from the Chinese government is that it will divide and assess new production facilities based upon risk profile prior to placing them on the new list. Facilities that the Chinese government deems as producing high-risk products (fluid milk products were cited as an example by CNCA) will have to fill out an additional technical questionnaire to gain a place on the eligible shippers list. Based on the same discussion, facilities producing products deemed as low risk may not need to provide any additional information, other than the self-certification, to be listed. Full details of what the Chinese government will require for a self-certification of compliance with Chinese regulations is pending, earliest being the week of Oct. 10 after China's National Day Golden Week holiday.

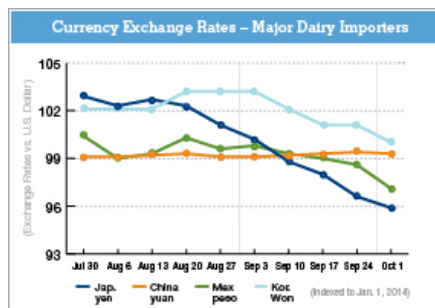
To assist U.S. suppliers to determine if they can comply with the self-certification, USDEC is currently creating a side-by-side comparison of the relevant Chinese facility and processing regulations to the relevant U.S. regulations. USDEC will keep members informed as we have further details. (USDEC staff)

Japan announces emergency butter, SMP tender; slates whey tender

Japan announced a second series of emergency tenders for butter and SMP to compensate for declining domestic production. The Agriculture and Livestock Industries Corp. will hold a regular tender for 2,000 tons of SMP on Oct. 7 (delivery by Feb. 27, 2015); an SBS tender for 8,000 tons of SMP on Oct. 21 (delivery by March 27, 2015); and an SBS tender for 3,000 tons of butter on Oct. 23 (delivery by March 27, 2015). The tenders are beyond current access volumes.

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

	Sep 2	Sep 17	Oct 1
Cheese	4000-4500	4000-4500	(-50) 3950-4400 (-100)
SMP	2450-3000	(-50) 2400-2900 (-100)	(-75) 2325-2825 (-75)
Whey	950-1200	(+75) 1025-1300 (+100)	1025-1300
Butter	3650-4200	(-50) 3600-4200	3600-4150 (-50)
WMP	2900-3400	(-25) 2875-3375 (-25)	(-75) 2800-3325 (-50)

EU prices are mostly steady in case, but the weaker euro makes European export prices lower to U.S. dollars. The euro is a two-year low to the weak. A recent tender from Algeria has had good clear sales SMP from this market. Sales of butter and powder to PSA stocks are relatively light so far (1,823 tons of butter and 5,617 tons of SMP).

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

Japanese milk production for the first four months of its fiscal year (April-July) fell 3 percent, and analysts expect continued declines due to rising input prices and an exodus of farmers reaching retirement age. Over the same period, butter and milk powder production plummeted 13 percent and 15 percent, respectively, as domestic processors directed more raw milk toward cheese and cream.

Japan's Ministry of Agriculture, Forestry and Fisheries also slated an SBS whey tender for 1,998.7 tons as part of its regular current access commitments. The whey tender will take place Oct. 15. Delivery is by June 30, 2015. (*USDEC Japan office*)

Permeate strategy session leads off USDEC board meeting

At the request of Polly Olson, chair of USDEC's Global Ingredients Committee, staff has arranged for a global permeate strategy meeting in conjunction with the fall Board of Directors and Membership Meeting, Oct. 15-16 at Chicago's Swissôtel. The session, aimed at members with a vested interest in promoting permeate use in food applications, takes place from 1-2 p.m. on Wednesday, Oct. 15, prior to the official start of the event.

The session will review the global strategy for permeate and include a strategic discussion on the opportunities and challenges for key markets and the approaches for overcoming those challenges. Please RSVP to Vikki Nicholson at vnicholson@usdec.org if you plan to attend the permeate meeting and for a copy of USDEC's global permeate strategy.

To register for the Board of Directors and Annual Membership Meeting, click [here](#). To view the complete preliminary agenda for the event, click [here](#).

Submit reservations for Gulfood 2015 starting Oct. 8

USDEC will begin accepting registrations for the 2015 Gulfood show via email starting at 4 p.m. ET on Wednesday, Oct 8. The trade show is slated for Feb. 8-12, 2015, in Dubai. USDEC will allocate positions on a first-come, first-serve basis. The trade show is one of the most popular among USDEC members and spaces generally fill up in a matter of minutes.

Gulfood, the Middle East's leading exhibition for the foodservice and hospitality sectors, attracts attendees not only from the Middle East, but from around the world, with more than 150 countries represented in 2014. While nominally a foodservice/hospitality event, executives from importers, distributors and retailers all attend.

Please note: USDEC will be setting aside two positions for member companies who have not previously exhibited at the Gulfood show. Additionally, due to high demand and space limitations, USDEC member companies with their own booth within the U.S.A. Pavilion or elsewhere in the show are ineligible to participate in the USDEC booth.

To register for the USDEC booth, email Amy Foor at afoor@usdec.org starting at 4 p.m. ET on Oct 8. For general information on Gulfood, click [here](#).

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TRADE POLICY

USDEC decries CETA market barriers

USDEC, in a joint press release with NMPF and IDFA, spoke out against the "artificial and illegal trade barriers" to the Canadian market for U.S. cheese created by the Canada-EU Comprehensive Economic and Trade Agreement (CETA). Europe released the full official CETA text earlier this week. It confirms provisions on geographic indications (*see Global Dairy eBrief, 10/24/13*) that "clearly violate Canadian intellectual property procedures and existing international trade commitments." Affected cheeses include asiago, feta, fontina, gorgonzola and munster. In addition, the deal reallocates 800 tons of its 20,412-ton WTO tariff rate quota for cheese to the EU. To view a copy of the release, click [here](#). The CETA text still requires legal review and ratification. The implementation date is unknown. Opposition to the deal has been growing in the European Parliament, which finds fault with its investor-state dispute settlement language. (*USDEC staff; Reuters, 9/25/14*)

USDEC comments on Russian WTO compliance

USDEC and NMPF submitted joint comments to the USTR's office citing Russia's violation of its WTO commitments. Not only does the recent politically motivated embargo on a wide variety of ag products (including dairy) from the United States and EU appear to violate those commitments, so does Russia's demands that U.S. facilities shipping there be registered on a government-assembled list.

Russia agreed to abolish its facility-listing requirement as part of its WTO accession package and to make sure the requirement did not carry over to its Customs Union partners Belarus and Kazakhstan. The United States, Russia and its Customs Union partners resolved a dairy certificate dispute this past spring that originally shut down the market for U.S. suppliers in 2011. That was a major accomplishment requiring years of hard work from USTR, USDA and FDA. But the United States still cannot ship to Russia due to the embargo and facility-listing requirements.

USDEC and NMPF "strongly support U.S. actions to insist Russia and its Customs Union partners abide by the WTO commitments they have already made" and call for action to expand U.S. dairy export opportunities in the interim. (*USDEC staff*)

USTR says no progress in talks with Japan

The USTR's office reported that USTR Michael Froman and Japanese Minister for Economic and Fiscal Policy Akira Amari "were unable to make further progress on the key outstanding issues" in the Trans-Pacific Partnership (TPP) at a two-day meeting last week in Washington, D.C. The Japanese delegation in fact left midway through the second day after reportedly presenting a new proposal that fell far short of even meeting U.S. demands halfway. The USTR's office will hold an all-day meeting on Oct. 9 to provide an in-person update on the state of talks to all cleared advisers, including USDEC Senior Vice President Trade Policy Jaime Castaneda. *(USDEC staff; Inside U.S. Trade, 9/25/14, 9/24/14)*

CCFN opposes new Lisbon Agreement GI approach

The Consortium for Common Food Names (CCFN) expressed concern about a proposal to expand the Lisbon Agreement, an international system for geographical indications (GIs) followed by about 30 nations, the majority from Europe. The current draft of the proposal is overly broad and seeks to dramatically expand the registration of common names across many more countries, creating considerable trade risk and potentially imposing significant costs on food producers in many nations. CCFN voiced its misgivings at the 2014 World Intellectual Property Organization (WIPO) General Assembly Meeting last week in Geneva, Switzerland. A more specific discussion of the WIPO's Lisbon Agreement proposal takes place later this month. To view the CCFN statement on the proposal, visit the CCFN website at www.commonfoodnames.com. *(CCFN)*

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MARKET CONDITIONS

GDT sinks more than 7 percent

The GlobalDairyTrade (GDT) Price Index declined 7.3 percent to an average winning price of US\$2,599/ton at the Oct. 1 auction, the lowest level since August 2009. All products declined, with WMP leading the way down. The average winning WMP price fell 10 percent to US\$2,443/ton, while SMP declined 2.7 percent to US\$2,540/ton.

Supply and demand remain out of balance, with favorable weather and low feed costs bolstering output from the world's major dairy exporters. Production growth should begin to slow in Europe and New Zealand by the first quarter of 2015, due to strong comparables and falling farmgate prices. Demand should begin to turn as China works its way through heavy stockpiles accumulated in the last half of 2013 and first half of 2014. If Russia begins buying from Europe again, that could accelerate a turnaround. But at present, lower international commodity prices could languish well into 2015.

Average winning prices for remaining products were as follows: AMF, US\$3,1174/ton (-5.0 percent); butter, US\$2,514/ton (-6.6 percent); cheddar, US\$3,028/ton (-1.2 percent); buttermilk powder, US\$2,723/ton (-11.3 percent); casein, US\$8,224/ton (-1.4 percent), and sweet whey powder, US\$1,175/ton (-9.3 percent). Lactose did not trade. *(GDT;USDEC staff)*

China to overtake U.S. as world's largest dairy market

A new Euromonitor global dairy study predicts China will overtake the United States as the world's largest dairy market by 2017. The group projects Chinese dairy sales will double to \$70 billion by 2019, driven by rising incomes, expansion of modern supermarket chains and rising ownership of refrigerators in rural as well as urban areas. *(DairyReporter.com, 9/26/14)*

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USDEC NEWS

Dairy ingredients take the stage at weight management seminar

USDEC highlighted the value of U.S. dairy ingredients at the 2014 Weight Management Technologies Seminar, Sept. 30 in Itasca, Ill. The 90 attendees from various food and beverage manufacturers sampled the high-protein Veggie Burst prototype made with WPI and milk minerals. In addition, USDEC global marketing's domestic ingredients program sponsored the Global Food Forum's morning beverage service for the R&D and food scientist participants to highlight how dairy ingredients can provide weight management solutions. For a data sheet on Veggie Burst, click [here](#).

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COMPANY NEWS

Fonterra rolls out new farmer growth program, plans funding

Fonterra Co-operative Group unveiled a new multi-faceted producer program to support farmer expansion and boost the size of its annual milk pool (across all nations in which it operates) from the current level of 23 million tons to 31 million tons by 2025. In addition to rebranding its domestic RD1 farm supply stores as Farm Source and offering discounts, rewards and technical support to members, it plans to take the concept global to other markets in which it produces milk, such as China and Chile.

The co-op is also looking to bolster financial support by creating a fund that would connect farmers with capital from outside investors. The fund would complement rather than replace other forms of debt and equity funding, Fonterra said. The co-op has yet to decide on its exact structure, but said it could be up and running by the end of July 2015.

Separately, Aquila Capital Farms NZ is marketing its first New Zealand dairy farming trust. The company aims to raise NZ\$100 million from institutional investors outside New Zealand for lending to dairy farmers. (*Company news; The Land, 9/30/14; Wall Street Journal, 9/29/14; Reuters, 9/26/14*)

Company news briefs

Chinese regulators cleared New Zealand's **Synlait Milk** to ship retail-ready infant formula to China . . . **Mead Johnson Nutrition** opened a \$325-million manufacturing site and R&D center in Singapore. The complex will enhance the company's ability "to advance pediatric nutrition science and product innovation," Mead Johnson said . . . **PepsiCo** opened its first Middle Eastern innovation center in Dubai. The center will develop flavors and products tailored to local taste preferences . . . **Mondelez International** is building a \$90 million biscuit manufacturing plant in Bahrain to serve rising demand in the Middle East and North Africa . . . **Nestlé** realigned its divisions, moving the Middle East, North Africa, Turkey and Israel from Zone Asia, Oceania and Africa (Zone AOA) into Zone Europe and renaming it Zone EMENA (Europe, Middle East, North Africa). (*USDEC Middle East office; Company reports; BusinessDesk, 9/30/14; DairyReporter.com, 9/26/14*)

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