



PRINT THE GLOBAL DAIRY eBRIEF

FEATURED

TPP members claim “significant progress” at ministerial; NZ cites concerns

Trade ministers and heads of delegations said they “made significant progress” at last week’s three-day Trans-Pacific Partnership (TPP) ministerial meeting in Australia. Although no details were released, Japan tabled new tariff proposals to a number of TPP countries (apart from the United States) offering improved market access for sensitive agricultural products, including dairy. Several countries welcomed the new offers, but also noted that they still needed additional market access concessions from Tokyo to move TPP talks forward. New Zealand, on the other hand, rejected the new offer out-of-hand, saying it was not even a basis for further discussions.

New Zealand Trade Minister Tim Groser issued a strong warning that the nation would not agree to any deal with Japan that excluded dairy or only offered dairy improvements under existing WTO commitments. Media reports suggested Japan’s latest offer involved allocating its current WTO market access volumes to TPP members. Groser also made clear that New Zealand would not automatically sign on to the dairy access deal Japan might make with the United States. U.S. dairy interests are not New Zealand’s dairy interests, Groser said.

Advances made in agricultural market access discussions with the United States reportedly prompted Japan’s market access offers. Japanese officials cited “considerable progress” in U.S.-Japan negotiations, while conceding that important issues remained unsettled. U.S. authorities did not specifically comment on ag talks with Japan, but *Inside U.S. Trade* quotes USTR Michael Froman as saying that there is a sense among ministers that the talks are within reach of the “finish line.” Australian Trade Minister Michael Robb expressed significant optimism, saying that the group had “turned the corner in a very significant way” at the ministerial and that ministers seemed prepared to make difficult decisions and compromise to finalize the deal. The TPP ministers’ statement said, “we consider that the shape of an ambitious, comprehensive, high-standard and balanced deal is crystallizing.”

Trade ministers will meet again on Nov. 8 on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit in Beijing to review progress and determine whether leaders should hold a summit in the following days. (*TPP; Interest.co.nz, 10-28-14; New Zealand Herald, 10/28/14; Inside U.S. Trade, 10/29/14, 10/27/14; 10/25/14; 10/16/14*)

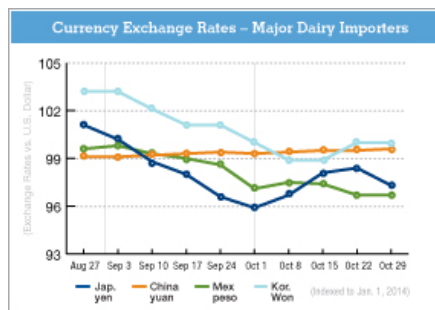
EU market study examines the impact of quota removal

USDEC released a new in-depth analysis of how the removal of EU milk production quotas in 2015 might affect the EU dairy sector and world markets. The report not only examines the impact of quota removal on overall milk production in the EU, but also considers what that would mean in terms of actual exportable volumes of product entering the world market.

For “European Union: The Impact of the Removal of Milk Quotas in 2015,” USDEC completed a bottom-up analysis of the market situation by talking with key industry decision makers in primary EU milk-producing countries. The report builds on those discussions by providing likely scenarios and assessing the impact of increased EU milk

CURRENCY AND PRICES

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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

	Oct 1	Oct 15	Oct 29
Cheese	3950-4440	3950-4400	3950-4400
SMP	2325-2825	(-25) 2300-2800 (-25)	(-75) 2225-2725 (-75)
Whey	1025-1300	1025-1300	1025-1275 (-25)
Butter	3600-4150	(+25) 3625-4175 (+25)	(+25) 3700-4150 (+25)
WMP	2800-3325	2800-3325	2800-3300 (-25)

SMP prices continue to slump, though prices of other commodities are generally steady. Buyers are getting coverage for first quarter 2015 but not much beyond that. Competition from Oceania is keeping downward pressure on prices.

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

production and exports on the U.S. industry.

The report comes in two forms: a 75-page version that provides a product-by-product look at EU production through 2020, and a 355-page version that also includes a country-by-country breakdown of the bloc's six major milk producers. The reports are free to members. To obtain a copy, please contact Rebecca Vidal at rvidal@usdec.org or 703-528-3049.

Register now for 2014 Dairy Industry Food Safety Crisis Drill

Time is running out to sign up for the final DMI Dairy Industry Food Safety Crisis Drill of 2014. The training session, set for Nov. 19-20 in Dallas, offers U.S. companies a chance to assess their crisis preparedness during a realistic crisis drill scenario—in this case, a natural disaster strikes and dairy food safety is called into question.

The exercise provides an opportunity for companies to test their traceability systems, evaluate their crisis preparedness plans, identify areas for improvement, and experience how social media will shape public perception and industry response (and how a company or organization can contribute to the conversation). It also gives industry and government representatives a chance to work side by side to discuss response and communication plans, and allows company spokespeople a chance to sharpen their media interview skills.

Participation in the drills is one of the best ways for a company to strengthen its crisis preparedness. For more information or to register, click [here](#).

Save the date! USDEC Global Dairy Outlook set for Dec. 4

Join USDEC analysts Marc Beck and Alan Levitt as they examine the drivers and dynamics of today's global dairy market at the Export Council's 8th Annual State of the Industry outlook webinar. The one-hour event (Dec. 4 at 2 p.m. EST) features insights on pricing trends, a look ahead to 2015 and a live Q&A with webinar attendees. To register, please click [here](#).

[Back to top](#)

PUBLICATIONS

USDA releases additional dairy product annuals

USDA's Foreign Agricultural Service has released a total of eight "Dairy and Products Annuals" over the past two weeks. To download each report, click on the respective country or region: [Brazil](#), [Chile](#), [India](#), [Indonesia](#), [Mexico](#), [New Zealand](#), [South Korea](#) and [Ukraine](#).

[Back to top](#)

MARKET CONDITIONS

New Zealand dominates ALIC SMP, butter tenders

New Zealand dominated Japan's Agriculture and Livestock Industries Corp. (ALIC) emergency SBS tenders for 8,000 tons of SMP and 3,000 tons of butter on Oct. 21 and Oct. 23, respectively. It won 72 percent (5,742 tons) of the SMP tender and 91 percent (2,731 tons) of the butter.

Australia finished a distant second with 1,016 tons of SMP, followed by Belgium (800 tons) and the United States (200 tons). Germany, Finland, Ireland, the UK and India each secured 100 tons or less of SMP. For butter, the Netherlands had the second highest amount, 200 tons, and Switzerland, France and Australia won less than 25 tons each. (*USDEC Japan office*)

Dairy companies anticipate Ebola impact

Nestlé said that the Ebola outbreak in Africa has yet to disrupt production or transport. It has no plans at present to close or reduce output at any of its eight factories in West and Central Africa because of Ebola, including plants producing milk powder and chocolate drinks, but noted that it is ready to "adjust" operations if the disease continues to spread.

Fonterra Co-operative Group said it could lose 5-6 percent of exports (equivalent to NZ\$150 million) should the epidemic worsen. The World Bank previously estimated that Ebola's economic cost could reach nearly \$33 billion by the end of 2014 if the virus spread outside of Guinea, Liberia and Sierra Leone. (*International Business Times*, 10/27/14; *Reuters*, 10/23/14)

India moves closer to exporting to Russia; Russia considers Kazakhstan intervention

Russia said it was considering limiting food transit from Belarus and Ukraine to Kazakhstan. Authorities claimed Kazakhstan was receiving banned products from the West and shipping them under false labels to Russia.

On the other hand, Russian regulatory authorities have reportedly approved four Indian meat and/or dairy companies to export to Russia and began inspections of several additional companies this week. India said it expected certification of additional dairy suppliers as early as the end of November. Officials did not name the approved companies but said a full list would be published by the end of the year.

In addition, Russia added Israel to its list of potential dairy and meat suppliers, saying the first batches of Israeli products could arrive before the end of the year. Apart from Belarus, media reports noted increased shipments of cheese and other dairy products from Argentina, Serbia, Switzerland and Uruguay to Russia in the third quarter, but nowhere near the volumes of displaced EU product. (*Reuters*, 10/30/14; *Dairy Markets*, 10/29/14, 10/23/14, 10/20/14; *RT.com*, 10/28/14; *The Financial Express*, 10/27/14; *News.az*, 10/27/14)

[Back to top](#)

COMPANY NEWS

Danone, Universal Robina form beverage JV

Philippine food and beverage manufacturer/distributor Universal Robina Corp. (URC) formed a 50/50 joint venture with Danone Asia Holdings to manufacture and market beverage products. URC said it hopes the new entity, Danone Universal Robina Beverages, will help diversify its product line and expand its domestic market share. (*Nikkei Asian Review*, 10/23/14)

New Zealand expands manufacturing innovation options

The Waikato Innovation Park in New Zealand is spending NZ\$5 million (about US\$4 million) to expand its FoodWaikato spray drying facility. The facility was built to allow food manufacturers the ability to run smaller commercial batches of new products and test their viability before making major manufacturing plant investments of their own. The expansion will include blending, separating and injecting equipment to allow specialty ingredients such as vitamins and minerals to be wet-blended with milk prior to spray drying. (*Company reports*)

Mergers and acquisitions

Australia's **Retail Food Group** (RFG) paid US\$144 million for **Gloria Jean's Coffees International**. RFG owns a number of coffee foodservice brands. The deal will give it 2,400 outlets in 40 countries. (*FoodNavigator-Asia.com*, 10/27/14)

Company news briefs

UK dairy co-op **Dale Farm** reportedly signed a contract to export cheddar to Japanese food manufacturer Hoko Co. Dale Farm did not comment on the size of the deal . . . **Idaho Milk Products** opened a new technical center in Jerome, Idaho, to house R&D and quality assurance labs and marketing and sales offices . . . China's **Evergrande Dairy Group**, formed this summer by Chinese real estate firm Evergrande Group, rolled out its debut dairy product, *Cowala* infant formula. New Zealand contract manufacturer GMP Dairy makes the product with milk from Evergrande-owned Kiwi milk producer Cowala Dairy . . . New state-owned, vertically integrated dairy company **Tianjin Jialihe Husbandry Group** is building a \$98 million fluid milk processing plant. The plant, due for completion in 2016, will process 500 million tons of milk annually, most of it sold as fresh pasteurized . . . **FrieslandCampina** is building a new €30 million cheese warehouse in Gerkesklooster, Netherlands, to replace facilities damaged by fire earlier this year. Once completed in November 2015, the specialty cheese plant at the site will return to its original production volume of 57,000 tons per year (about a third of which is exported). (*USDEC China office*; *Company reports*; *DairyReporter.com*, 10/28/14; *KMVT-TV*, 10/23/14)

[Back to top](#)