



BARRY WILSON'S DAIRY INDUSTRY NEWSLETTER

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Canada/Australia

SAPUTO BUY LION DAIRY & DRINKS FOR A\$280m

Canadian dairy company Saputo, who last month completed their purchase of Dairy Crest in the UK, are buying the speciality cheese business of Japanese-owned Lion Dairy & Drinks in Australia—their second acquisition in the country in 18mths, after Murray Goulburn. The Montreal-based cheesemaker will pay A\$280m for the specialty cheese portfolio, with brands including South Cape, Tasmanian Heritage, Mersey Valley and King Island Dairy. The acquisition includes two manufacturing facilities in Tasmania—Burnie and King Island—with 400 employees. In 2018, the business generated revenues of about \$192m. The transaction is subject to foreign investment approval and clearance by the Australian Competition and Consumer Commission, and is expected to close later this year.

- Saputo are closing the former F&A cheese plant in Burnett County, Wisconsin, which they acquired with one other factory from F&A last year.

China

FIRST-QUARTER WMP IMPORTS AT 3-YEAR HIGH

Total Chinese dairy imports in March were up 9.8% in volume and up 17.8% in value, according to CLAL analysis, pushing first-quarter imports to 862,900t (+14%) valued at US\$3bn (+16%). China's March imports of milk powder were around 25% lower than in February—the first 2mths of the year saw exceptionally high imports—but were still well up on last year. WMP imports in March were up 61% to 43,900t, the highest March volume for 3yrs, almost all of it from NZ. SMP imports were up 15% to 20,600t, infant formula up 16% to 27,900t, liquid milk/cream up 35% to 74,900t and cheese imports up 9% to 7,600t. Imports of whey products were down 27% to 36,028t and butter imports were down 49% to 4,000t. First-quarter WMP imports were the strongest since 2014, totalling 276,500t, according to Highground Dairy analysis. Despite lower volumes from NZ (-39%) and the US (-89%), SMP imports in Jan-Mar were the highest on record, with Australia and the EU more than making up for any shortfall. The EU's market share for SMP jumped to 24%, up from 8% during the same period last year. Butter imports are back to a similar level to 2016 and 2017, while whey imports were at a four-year low thanks to ASF and tariffs on US product.

NZ exports of WMP were up 41% in March, with China more than doubling its orders from a year earlier, to 52,700t. Export to Southeast Asia reached a 4-year high. First-quarter WMP exports were at an all-time high, up 26% to 98,100t.

CHINA DAIRY IMPORTS

tonnes	Mar '19	v. '18	YTD
Milk & cream	74,900	+35%	+22%
WMP	43,900	+61%	+29%
Whey prods.	36,000	-27%	-16%
Infant form.	27,900	+16%	+35%
SMP	20,600	+15%	+28%
Lactose	8,900	-22%	ND
Cheese	7,600	+9%	+4%
Butter	4,000	-49%	-31%

NZ DAIRY EXPORTS

tonnes	Mar '19	v. '18	YTD
WMP	157,100	+41%	+26%
SMP	37,600	+3%	+10%
Milk & cream	35,400	+38%	+34%
Cheese	34,800	+28%	+13%
Butter	27,000	-8%	+24%
AMF	18,800	+23%	+49%
Infant form.	13,000	+103%	+82%
Casein	5,700	-16%	+3%

World milk

NZ MARCH PRODUCTION DOWN 7.5%

March milk production in NZ dropped to 161.43m kg of milksolids, down 7.5% from the same time last year as the industry loses growth momentum (the first year-on-year downturn since last April was posted in February). In volume, March production was down 8.2% at 1.713m tonnes (1,663m litres), the lowest since March 2013. Volume deliveries for the season to date (June-Mar) are up 3.2% to 19.6m tonnes (19,044m litres), according to DCanz. Very severe dry weather, especially in the North Island, is now causing many cows to be dried off early. A season which began with a bang could end with a whimper.

US milk production in March is estimated down 0.4% from last year to 18.9bn lb—the first year-on-year decline for 25mths—and down 0.1% in the top 23 producing states to 17.8bn lb (7,845m litres), according to latest data. After revisions to January and February data, US Q1 production is up 0.2% from last year. The top five producers—Calif., Wis., NY, Idaho and Texas all continued to produce year-on-year growth, led by Texas (+5.8%).

EU milk production in February was down 0.1% from last year, according to the Milk Market Observatory. For Jan-Feb, it was down 0.8%, with the Netherlands down 3.6%, France -2.6% and Germany -0.7%. Polish production was up 3.6%, Ireland +3.2% and the UK +2.9%. Lower production is reported for key producers in March, with the Netherlands down 2.4% and Germany down 0.1%.

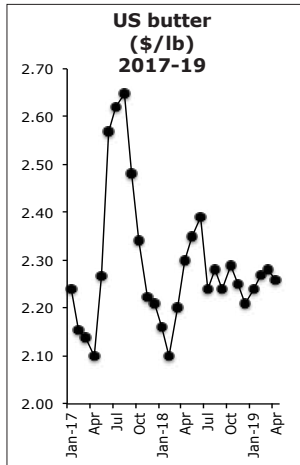
GLOBAL TRADE UP 4% IN 2018

Exports of all dairy products were up 4% to 71.7m tonnes in milk equivalent in 2018, according to Eucolait. EU exports, which overtook NZ in 2017, took the lead again, accounting for close to a third of global trade, although the US (ranking third) saw the greatest demand growth, moving its share up from 18% in 2017 to 19.5%. The global dairy market remains very concentrated on the supply side as around 74% of exports (in ME) are from the EU, NZ and the US, followed by Belarus, Australia, Argentina, Uruguay, Canada, Turkey and Ukraine. Global trade in all dairy products was down 0.8% to €43.3bn, with EU trade accounting for 36%. The EU, by far the strongest player on the cheese market, exported a new record of 833,000t, up 0.5% from 2017. Belarus became the 4th biggest supplier and achieved the highest CAGR of the main cheese exporters (+8%) between 2011-2018. China is at no. 7 with 108,300t of cheese imports last year (compared with less than 2,000t in 2000).

In this issue		Big Sky Cheese		3		Danone		4		Fromagerie Alpine		6		Lion Dairy		1		Saputo		1,7	
Aldi	7	Carbery Group		5		Eurilait		6		Glanbia		5		Mehsana		3		St Albans Co-op		3	
Amul	7	Coca-Cola		3		Fen Farm Dairy		7		Hochland		4		Müller		6		Vreugdenhil Dairy Fds.		4	
Bega Cheese	3	Conaprole		3		Fonterra		3		Idaho Milk Prod.		3		Nestlé		4		Yili		3	
Bellamy's	3	Dale Farm		6		FrieslandCampina		4,7		Kerrygold		5		New Kenya Co-op		3		Zeijerfeld		4	

BREXIT GULF IS HERE ALREADY

The market might not be a game of two halves right now, but it is a game of two hemispheres," we reported a month ago, such was the divergence in fortunes across Europe and NZ/GDT on prices, which had effectively created a two tier market with a €1,000/tonne differential between the two on butter. And now there's further divergence within Europe, with the English Channel acting as a sea border for soar-away milk volumes in the UK and Ireland (up 8.5% on the five-year average for Q1 between the two of them) and struggling volumes on the Continent, where the big dairy countries still can't find the right gears to get going. The net effect is,



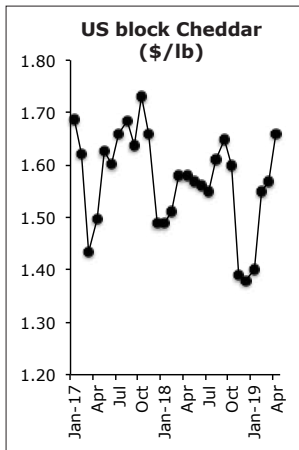
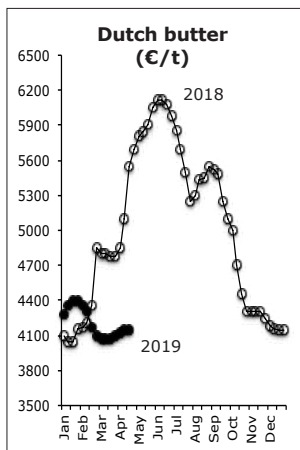
in the UK, the lowest spot price in years at between 10p and 13ppl; milk is being dumped due to no outlets, and confused and frustrated buyers are wondering why this isn't dragging down commodity prices. In contrast, though, is the plethora of very relaxed and bullish sellers riding on the back of the low EU milk volumes, and even lower ones from NZ and the US (see p1) and Australia (see p3) for March. In fact none of the major exporting dairy regions are showing any growth in milk volumes. Indeed IFCN say that the world is currently in a negative supply situation if India and Pakistan are excluded from their data set. Which neatly explains why buyers aren't having it their way at all.

Sellers' bullishness is not, however, being reflected in commodity prices yet, with EU butter stable throughout April at €4,100-€4,200/t, according to the official prices. The reality, though, is that the tipping point is €4,000/t, with buyers

wanting to source at €3,900/t and sellers wanting to sell at €4,100/t. The latter are standing firm on a limited manufacture, and what they hope will be a burgeoning export market for butter given the fact the EU is the cheapest source right now. That, or something, is certainly stoking the furnace of futures markets and tipping the balance away from buyers—prices have crossed €4,400/t for early Q3 and €4,500/t for Q4, having dropped to €4,300/t in March.

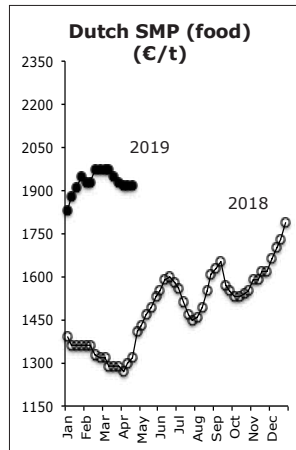
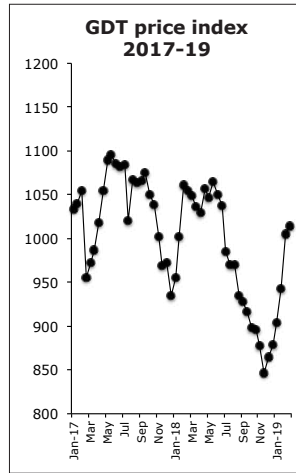
UK cream is £1.50-£1.55/kg, having posted another increase. Sellers are comfortable with that—their worst fears of prices dropping below the £1.40 level of mid-April have not been realised and a freefall avoided.

Also strengthening the hand of sellers are rallying EU Edam and Gouda prices, which generally react the fastest to changing market sentiment, and especially to milk volumes. They are firming and are now up as much as €250 to €2,950-€3,000/t from their early April levels. Firmer Dutch cheese prices have been reflected in volumes traded and rising prices on the DAO.eu trading platform. In the space of a few weeks, foil-ripened Gouda cheese has become more expensive, and batches of



short, and prices are remaining robust at around £3,300/t. Traders are also reporting ever more positive SMP prices, with the EU market at €1,900/t now but with €2,000/t and even €2,100/t increasingly on the radar for Q4. Some potentially juicy tenders are creating more of a buzz, and that's helping to fuel prices. They are also encouraged by skim conc export markets, with Germany's relatively low milk volumes again stimulating interest. The price is put at €1,100/t, but there have been some transport issues to the Continent reported, with those unlucky enough not to source wagons having to accept what they can get for it, or even seeing some dumped.

US markets—US butter was fully firm last week at \$5,000/tonne and 40lb Cheddar blocks were firm at over \$3,650/t. US trade data has echoed GDT trends: February butterfat and cheese exports were up while milk powder shipments stalled. Exports of SMP/NDM were down 17%. Cheese exports were up 16% with sales to Mexico 9% higher than a year before and shipments to South Korea up 71%. Analysts believe US cheese exports may slow in coming months as a result of firmer US prices.



Weekly market prices @3.5.19

EU OBSERVATORY PRICES

(€/t)	May 1 v. Apr 17 2019	2019 high	2019 low
Butter	4200 +0.2%	4500	4190
WMP	2880 -0.3%	2890	2700
SMP	1940 +2.1%	1940	1740
Cheddar	3200 -1.5%	3310	3040
Whey powder	830 -1.1%	890	830

US QUOTES, CHICAGO MERC.*

(\$/t)	May 3 v. Apr 19 2019	2019 high	2019 low
Butter (AA)	5010 ND	5040	4925
SMP (grdA)	2285 +4.5%	2285	2110
Cheddar			

—40lb blcks 3675 +0.3% 3675 3050
 —500lb bar. 3610 +3.9% 3610 2580

*Conv. from US ¢/lb @ 1 tonne = 2,205lb

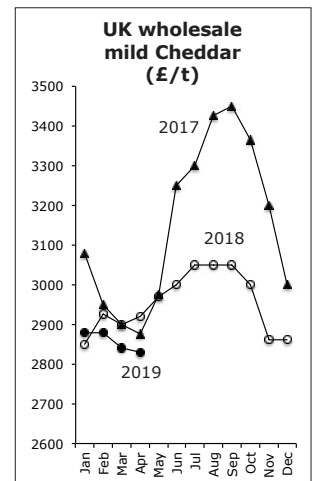
EU market indicators

LITTLE PRICE MOVEMENT

The **Dutch Dairy Board** left four of their official dairy commodity prices unchanged last week and increased their SMP (feed) price by €40 to €1,830/t—its highest since June 2017. The butter price was left at €4,140/t (unchanged for 3wks); WMP at €3,030/t; SMP (food) at €1,950/t and whey powder at €750/t (unchanged for 5wks).

The German IFE consultancy calculated last week's **average EU raw milk value** at 31.3c/kg at the farmgate level, 0.2c higher than the week before, based on official butter and SMP prices in the Germany, France and Netherlands. The average butter price in these reference countries was unchanged at €4,205/t and the SMP average was up €23 at €1,973/t.

DAO.eu reported 308t of Gouda making €2,870-€3,000/t in the past 2wks. A total 24t of Estonian SMP (feed) made €1,870/t 150t of SWP (feed) made €810/t. DAO say their online trading platform is gaining traction, currently with 139 companies registered.



Australia**MILK PRODUCTION COLLAPSES**

March milk production in Australia fell sharply again, down 10.6% nationally at 579.1m litres, and production for the season to date (Jul-Mar) was down 6.7% to 6,822m litres, its lowest for over 20yrs. On current trends, the 2018-19 season is likely to end on around 9bn litres, down from a peak of 11.3bn litres in 2002. March production was down 12.9% in Victoria (down 8.2% for the season to date), down 12.6% in NSW (-10.0%), and was down 14.7% in Queensland (-10.5%). March production in Tasmania was down 2.0%, according to Dairy Australia. Record high milk prices in southern Australia will be small compensation for drastically lower milk supplies as the new milk season starts, according to Rabobank. Processors are confronted with record levels of surplus processing capacity—in excess of 2bn litres. Rabobank say there were signs of a bottoming in the margin cycle, with farmgate milk prices improving and more upside to come and an indicative weighted average farmgate milk price in the southern export region of A\$6.40/kg of milksolids, a level achieved only once before. The volume of milksolids in the system is at a 24-year low and the industry is structurally contracting while facing higher costs. Rabobank forecast a further 0.8% drop next season, assuming an 'average' autumn.

- Queensland company **Coolum** are seeking investment for a pilot plant in Australia after developing technology that gives milk a shelf-life of 60 days without using preservatives or additives. The technology has been approved by Dairy Food Safety Victoria and will allow the product to be shipped rather than flown to Asia.

- **Bega Cheese** shares hit a 2019 high of A\$5.49 before closing at \$5.32 last week after they won a legal battle to keep using the trademark yellow lids on their peanut butter jars. Bega bought the brand in 2017 from former Kraft business Mondelez Australia as part of a A\$460m deal. Kraft were claiming they still had rights to the packaging style.

NZ/Asia**FONTERRA + COCA-COLA**

NZ's Fonterra and Coca-Cola have formed an alliance to launch ready-to drink beverages in SE Asia, starting in Vietnam and including a children's range, adult breakfast drinks and skincare.

BELAMY'S SHARES LEAP ON CHINA APPROVAL

Bellamy's Australia share price jumped 23% to A\$11.91 on news of long-awaited regulatory approval for exports to China from China's State Administration for Market Regulation. Bellamy's also announced a new partnership with infant milk powder specialist ViPlus Dairy to produce a formulation series at the ViPlus facility in Toora. Bellamy's are investing \$4m-\$6m in the scheme.

China**YILI SALES MOTOR UPWARDS**

China's state-owned Inner Mongolia Yili Industrial Group, whose 2018 sales were up 17% to 79.6bn yuan, could exceed 90bn yuan this year, analysts say. First-quarter 2019 sales were also up 17% to 23.13bn yuan (US\$3.4bn). Yili have increased their market share to 26% in China, with a market penetration rate of 64.3%—much higher than the industry average—and become a leading distributor of healthier lifestyle products off the back of their dairy products business. They are also pursuing the acquisition of Westland Milk Products in NZ.

- Yili have withdrawn plans to acquire a majority stake in Pakistan's Fauji Foods after the two parties failed to reach an agreement before the deadline.

India**MEHSANA BREAK AWAY**

Mehsana Dairy are breaking away from Amul after 46yrs, slicing 10% off the revenues of the Gujarat Co-op Milk Marketing Federation, after "political differences" (see I HEAR, p7).

IFCN**EST. WORLD MILK PRICE UP 2.6c**

German farm consultancy IFCN estimated the world price for March farmgate milk should have been 38.4 US cents/kg, based on world dairy commodity prices—up 2.6c (+7.3%) from Feb and up 7.5c (+24%) since December. It is 9.4% higher than in March 2018. The world price of cattle feed expressed as a milk price was down 0.3c to 21.7c/kg.

US**QUESTIONS ON FUTURE OF ST ALBANS/DFA**

Vermont-based St Albans co-op—who have 350 members supplying over 500m litres of milk—confirmed rumours last week that they are in discussions with DFA about the future of the co-op. St Albans and DFA previously shared ownership of Dairy Marketing Services, who controversially marketed milk throughout the northeast (see I HEAR p7).

FARM NUMBERS DOWN 6.8% IN 2018

Dairy farm numbers in the US dropped 6.8% last year—a loss of 2,731 farms—to 37,470, according to USDA. Wisconsin, which has the most dairy farms, but also had the most exiting, lost 590 (-6.5%) although cow numbers were little changed. Pennsylvania, with the second most dairy farms, lost 370 (-5.6%) and California reported farm numbers down 55 to 1,335 (-4.0%).

- **Idaho Milk Products'** expansion at their Jerome facility that began in October 2018 is on track for completion by August. It is expected to increase their milk volumes by almost 30% to 4.4m lbs/day.

- A proposal for the development of an artisanal dairy processing facility by **Big Sky Cheese** at the new Madison Food Park, Montana, could see the revival of cheesemaking in the state. Big Sky will be manufacturing hard, fresh and aged Round Clothbound Cheddar and Gouda as well as a dairy-milk based Feta cheese from about 10m litres of local milk a year. There are currently no processing facilities in Montana.

Canada**ST-ALBERT GET \$1.5m GOVERNMENT FUNDING**

Canada's federal minister of agriculture announced funding of up to C\$1.5m under the Dairy Processing Investment Fund for St-Albert Cheese Co-op to upgrade their facilities in Ontario. A total 32 processors have so far been approved for funding worth over \$34.7m.

Uruguay**CONAPROLE OPEN \$35m PLANT**

Conaprole have opened a new US\$35m dairy plant in Uruguay to manufacture premium products including infant formula. The board have decided against the sale of the company, proposed by farmers last year. Conaprole chairman Alvaro Ambrois forecasts revenue growth similar to last year's 7% amid a recovery in benchmark dairy prices and says they have dropped plans to invest in Brazil, despite recovering demand, in order to improve domestic efficiency.

Kenya**NEW KCC PRIVATISATION**

The Kenyan government has suspended plans to privatise New Kenya Co-op Creameries, citing fears of leaving the sector entirely in private hands. Trade minister Peter Munya said New KCC were a critical state investment. A sale has been in the pipeline for 10yrs, with the cabinet proposing 34% of the business would be floated on the Nairobi Securities Exchange while farmers would receive 42% and company staff 4%, leaving the remaining 20% in government hands. Farmers have fought for years for full-scale ownership. The government allocated the co-op Sh400m (US\$4m) in 2015 to fund a powder milk plant in Eldoret.

US**NEW MARGIN RISK TOOL OFFERED**

The USDA last week announced a new web-based tool developed in partnership with the University of Wisconsin to help dairy producers evaluate coverage levels in the new Dairy Margin Coverage programme, which replaces the Dairy Margin Protection programme.

Madagascar**ADENIA CAPITAL SELL SOCOLAIT**

Adenia Partners, a private equity fund manager in Sub-Saharan Africa, have sold their majority stake in Socolait of Madagascar to a consortium comprising a 'European strategic player' and a local FMCG group.

Adenia bought close to 100% of the dairy processor and distributor in 2012 in partnership with the company's MD, Philippe Penouty. They have achieved an average gross IRR of 27%.

Brussels update**SLIM INTERVENTION SMP PICKINGS**

Just over 33t of intervention SMP sold at the latest tender, leaving about 1,105t in store in Spain, Slovakia and the UK. Member states accepted offers to sell 33.42t of SMP at a minimum price of €1,660/t—the highest since sales started in earnest last December—compared with 244t at a minimum of €1,641/t at the previous tender. There were bids for a total 543.4t (against 1,139t available). DG Agri officials emphasised that the price awarded reflected the structure of bids in line with a healthy SMP market and allowed stocks in Finland to be emptied. Offer prices ranged from €1,581–€1,660/t against €1,550–€1,680 at the previous sale. The prevailing SMP market price was €1,884/t (food) and €1,690/t (feed)—almost on the intervention buying-in price. SMP exports in January reached a record 90,000t.

SLOWER GROWTH PREDICTED FOR THIS YEAR

EU milk deliveries are forecast to increase by 0.7% this year, after 0.9% growth last year despite the summer's drought, according to the European Commission's latest Short-term Outlook report. Last year's increase was partly due to a 3% yield increase and greater use of feed concentrates in the last quarter, which in turn could have had an impact on first-quarter production this year. Manufacture of dairy products is forecast to increase by 0.4%, after a decline of 0.4% last year. Exports are expected to be up 0.8% and imports to fall by 7%, against a backdrop of dairy consumption growing 0.3%. With world economic growth revised downwards by several institutes for 2019–2021, the Commission said the risk for lower growth in the EU is significant, with signs already of lower growth in main EU economies, uncertainties over Brexit and risks of further tariffs.

—Solid farmgate milk prices, supported by global demand, were expected to lead to further production growth in 2019 (assuming normal weather conditions). Prices are expected to be driven by the increase in SMP values and a steady butter price, although spring milk deliveries and the increase in milk fat content could weigh on prices over the next few months. The number of dairy cows in the EU in December was 1.6% below a year earlier, with the number of 2-year-old heifers down 2%.

—The EU sustained its leading global position as an exporter in 2018 (32% market share, excl. infant formula), closely followed by NZ. The tariff-related drop in US exports to China provided more opportunity for EU exports, with flows to China rising by 11% (covering almost 25% of all Chinese imports in 2018, excluding infant formula). The increase in whey powder shipments explains 60% of such growth. In 2019, further world import demand growth is expected.

—EU cheese is expected to continue to offer the best and relatively stable returns to processors. Cheese is also the main dairy product exported in value (infant formula excluded). In 2018, it reached close to 40% of EU dairy exports (16% in volume). In the past 10yrs, the trade value has increased by almost 60%. A decline in exports to the US, the EU's main partner (-5%), last year was more than offset by increased shipments to Japan (+12%) and Switzerland (+2%). With the ratified free trade agreement with Japan, and sustained global demand, further growth is expected in 2019 (+1%), contributing to a production increase of 0.7%.

HOGAN REJECTS AFRICA SLURS

Farm Commissioner Phil Hogan has spoken out against NGO attacks on European companies exporting milk powder, particularly to West Africa. He pointed out that of yearly EU exports of some 1.15bn tonnes of milk powder, just 90,000t went to the region. The product targeted was 'fat filled powder' (skimmed milk plus vegetable fat) which, according to the commissioner, is more affordable and more suitable for the climate. There is no EU public policy on the trade, he said. The sales are "undertaken exclusively by private parties on prevailing commercial terms" with export refunds gone.

—The EU is to make €4.2m available under the External Investment Plan to help banks in Africa and the European Neighbourhood provide loans to underfinanced sectors including small businesses.

Netherlands**LTO AVERAGE DOWN TO 33.52c/kg FOR MARCH**

The LTO EU milk price league table for March showed the average down 0.9% at 33.52c/kg. Granarolo were top at 37.87c and Glanbia bottom at 30.69c; nine of the 16 prices were unchanged (details next time).

- **FrieslandCampina** have cut their guaranteed milk price by 0.75c to 35.25c/kg for May (for milk with 4.41% b/f and 3.47% prot. for a producer supplying 600,000kg of milk/year). The payment for b/f will be €2.8771/kg, for protein €5.7542/kg and for lactose 0.5753/kg.

VREUGDENHIL REPORT SALES DECLINE

Vreugdenhil Dairy Foods turnover was down 6.8% in 2018 to €730m. The company processed 1.3bn kg of milk into WMP, SMP, fat powder, butter, cream, special blends and infant nutrition ingredients at four production sites. Production of ingredients for infant nutrition was expanded, involving optimisation of a production line in Gorinchem, along with one for the fast and flexible delivery of milk powders. Vreugdenhil intend to be climate-neutral from 2029, and are starting to implement a nine-step action plan with the aim of reducing energy consumption by 5% per tonne of product in 2019.

ZIJERVELD ACQUIRE BAKKER KAASHANDEL

Cheese wholesaler Zijerveld, part of FrieslandCampina Dairy Essentials, have acquired W. Bakker Kaashandel, who specialise in cheese cutting and packaging. The activities will be integrated into Zijerveld. Bakker Kaashandel, founded in 1928, are based in Bodegraven with about 80 staff.

MARCH MILK -2.4%

March milk supply in the Netherlands was 1.187m tonnes, 2.4% less than last year; milk collection averaged 38,300t a day, 1.3% lower than in February.

Germany**HOCHLAND FOOD SERVICE BOOST**

Despite growth abroad and positive development of their foodservice business at Hochland, price increases have dampened brand development. Cheese sales of the family business from Allgäu were up 4% to a record 363,000t on sales up marginally to €1.49bn. The Hochland group's market investments amounted to almost €39m, €1.5m more than in the previous year. The main contributors were Hochland Russia and US subsidiary Franklin Foods, part of the group since 2017. Their fresh cheese export, the third-largest on the US market, continued strong sales growth.

ALDI LAUNCH ANIMAL WELFARE MILK

Aldi Süd and Aldi Nord have jointly introduced liquid milk under their premium animal welfare label 'Fair&Gut', launched by Germany's animal protection association, which is stricter than legal requirements. Cows must have more space in cowsheds, access to fresh air year-round in a barn and 120 days of pasture per year. Alpine and regional milks are being added to the range. The retailers rely on the Deutsche Tierschutzbund, the umbrella association of local animal protection associations, who also run protection shelters for animals. Tierschutzbund send out their own inspectors (see I HEAR, p7).

Switzerland**MILK DEFINITION DILEMMA**

Fromarte, the Swiss cheesemakers' association, have rejected the introduction of an industry standard for sustainable milk which would give a 3 rappen bonus for 'A' milk quality. Fromarte want this supplement to apply only to milk that has not been turned into cheese.

NESTLÉ SALES +4%

Nestlé report first-quarter 2019 organic growth of 3.4% of sales up 4.3% to CHF22.2bn (€19.4bn), thanks in part to a positive net impact of 1.2% from acquisitions and baby formula and better sales in the US and China.

DANONE SALES +0.8%

Danone posted underlying 2019 first-quarter sales growth of 0.8%, impeded by setbacks in China and the boycott in Morocco but said they expected sales growth to accelerate in the second quarter.

US—Amid an SEC investigation and weak sales, Kraft Heinz announced that **Bernardo Hees** will step down after 6yrs as CEO this July, to be succeeded by Anheuser-Busch InBev veteran **Miguel Patricio**.

US—**Andrei Mikhalevsky**, president and CEO of California Dairies, has announced that he will retire at the end of the year.

India—Mother Dairy have appointed **Sangram Chaudhary** as the company's new MD with effect from May. Chaudhary has over three decades in India's dairy sector and was previously executive director of the National Dairy Development Board. Former MD **Sanjeev Khanna** resigned in February after less than 2yrs.

Ireland—Glanbia CEO **Siobhán Talbot** was re-elected to the board with the highest majority of all directors—96.1%. **Mark Garvey** gained 95.9%. **Hugh McGuire** and **Brian Phelan** have both retired (see below).



Ireland—The IFJ report that Ireland's European commissioner **Phil Hogan** is seeking a second term but not as farm commissioner.

UK—**Kevin Lane**, former CEO of Ornua (Irish Dairy Board), has been appointed a non-executive director of Wheatsheaf Group, part of the Grosvenor Estate (whose 3,000-cow dairy is the biggest single milk supplier to Tesco). Wheatsheaf operate, invest in and help to develop businesses in the food and agriculture sectors.

UK—AHDB Dairy have appointed three new members to their sector board. **Joe Towers**, **Liz Haines** and **Ian Harvey** took up their roles in April for 3yrs. They replace **Janette Prince**, **Tim Gue** and **David Cotton**.

UK—Defra are advertising for "people with an interest in farming and food, the countryside, rural communities, the environment or how an exit from the EU is strategised" across all their directorates—Animal and Plant Health, Environmental Regulation, EU Exit Overview, Food Chain, Future Farming, Marine/Fisheries and Strategy.

Russia

EXPORTS TO CHINA TO START THIS YEAR

The first deliveries of Russian dairy products to China may begin in the third quarter of 2019, according to the Russian ministry of agriculture. A total 33 domestic companies had been cleared to do so, Russian Dairy News report. The ministry forecasts 2019 milk production will grow 1.6% to 31.1m tonnes.

RUSSIAN DAIRY INDEX MOVES HIGHER

On April 29, the Russian Dairy Research Centre's Dairy Index amounted to 25.86 roubles (about 36 eurocents) per kg (excl. VAT, b/f 3.6%, prot. 3.0%), which is 0.8% higher than the previous Monday and 8.6% higher than a year earlier. The increase was due to the growth of import prices associated with higher prices on the European exchange. The average price of raw milk in the Russian regions, however, was down slightly (-0.2%) from the previous week to 24.47 roubles (about 34c/kg), which was 7.5% higher than the price in April 2018.

Belarus/China

FIFTH SHIPMENT TO CHINA

A fifth railway train carrying Belarusian dairy products distributed by ZAO Meat & Dairy Co to China left Koyadichi for a 12-day journey to Tuanjiecun in Chongqing on April 20. The train consisted of 41 40ft containers of milk and whey powders manufactured by OAO Molodechno Dairy Plant, OAO Slutsk cheesemaking plant, UP Polotsk Dairy Plant, and OAO Zdravushka Milk.

Belarus/Tajikistan

JOINT MILK PROCESSING VENTURE PLANNED

Belarus are planning a joint milk processing venture with Central Asian country Tajikistan following a meeting of the Belarusian-Tajik intergovernmental commission on trade and economic co-operation in Minsk.

Ireland

GLANBIA CEO'S SALARY HIKE SLATED

Glanbia PLC have come under fire over plans to increase CEO Siobhan Talbot's pay to over €1m while dairy suppliers face farmgate price cuts. The pay rise is the latest in a series of salary, bonus, share and benefits gains for Glanbia's top executives. Glanbia are proposing to increase Talbot's pay by 22% from €859,000 to over €1m. Her total remuneration package in 2018 was €2.34m. But under the new proposals Talbot can earn a bonus of 150% of her annual salary plus a 26.5% cash pension contribution and long-term share awards of up to 2.5 times her salary. Before the agm, independent share advisers and researchers Glass Lewis and ISS advised votes against the salary proposals as "there was no compelling reason for the increases". A spokesperson for Glanbia Ireland said that the increases were "needed to retain their top talent". The remuneration committee's report also gained the lowest vote, with 21.3% of shareholders voting against it. Corporate governance law requires the company to look into the reasons for this; an update will be given and action taken by October.

- Glanbia PLC have reiterated their full-year guidance of 5%-8% growth after reporting first-quarter revenues up 8.4% on a constant currency basis with growth across all key businesses. Volumes were up 1.4% while pricing was down 2.7%, driven by lower cheese markets and brand investment and pricing initiatives in the performance nutrition division. Net debt at the end of the quarter was €810m, up 91% from a year earlier, largely due to the Watson and SlimFast acquisitions. All resolutions proposed at the agm on Apr 24 were passed, including a final dividend of 14.49c.

Ireland

KERRYGOLD TOPS €1bn SALES

Kerrygold have become the first Irish food brand to exceed €1bn annual retail value, agriculture minister Michael Creed and Ornua Foods managing director Róisín Hennerty told farmer shareholders last week at Ornua's Kerrygold Kitchen. The butter brand was launched by Sir Anthony O'Reilly, CEO of what was then called An Bord Baine (subsequently Irish Dairy Board and now Ornua) in 1962. The recipe has not changed since—its distinct, rich flavour now sells 7.5m packets a week, making it the no. 2 butter brand in the US, no. 1 in Germany and no. 3 in the UK.

CARBERY GROWTH SLOWS

The Carbery Group, owned by the four West Cork co-ops, have reported turnover up 1.4% to €423m in calendar year 2018, compared with 22% growth in 2017. Adjusted pre-tax profit was up 3.7% to €25.1m. EBITDA increased to €43.9m. Milk supplies were up 5% to 536m litres. They employ more than 600 staff at eight sites in Ireland, the UK, the US, Brazil and Thailand. Carbery said they would increase investment by €22m this year as part of an ongoing diversification programme, with €100m investment planned over the next 2yrs including construction of a €78m Mozarella plant. Their Ballineen plant is Ireland's largest single cheese-producing facility. Carbery have also invested €18m outside Ireland, including extending a facility outside Chicago to cater for their American markets and acquisition of Italian flavour company Janousek.

Ireland

MARCH MILK PRICE DOWN TO 30.2c

After averaging 30.6c/litre between December and February, the average farmgate milk price in Ireland fell to 30.2c in March, with seven of the 14 remaining co-ops (with LacPatrick now eliminated after merger with Lakeland) recording cuts (with Glanbia and Centenary cutting by almost 1c).

IRISH FARMGATE MILK PRICES

2019	Mar	Mar v. Feb
Drinagh	31.87	nc
Lisavaird	31.72	nc
Bandon	31.72	nc
Barryroe	31.72	nc
Boherbue	30.40	-0.60
Aurivo	30.37	-0.10
Lakeland	29.94	-0.48
North Cork	29.71	nc
Dairygold	29.44	nc
Kerry	29.41	nc
Tipperary	29.41	nc
Arrabawn	29.14	-0.71
Glanbia	28.94	-0.95
Centenary	28.94	-0.96
avge	30.20	-0.38

Ranked according to March prices, Source: IFJ

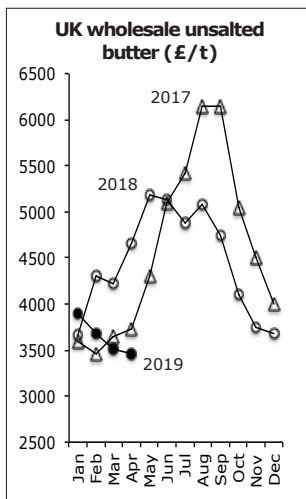
THUMBS DOWN TO JERSEYS

Irish dairy farmers are drastically reducing their use of Jersey semen for herd replacements, with nominations down from nearly 10% to under 7% of the total; use of Holstein Friesian sires now dominate the industry. These figures are from ICBF who account for 40% of the national dairy herd. Only 2% of cows have been nominated to beef bulls as Irish farmers continue the move from beef to dairy.

UK wholesale prices

ALL DAIRY PRICES WEAKER IN APRIL

All wholesale dairy markets in the UK were marginally weaker in April, according to AHDB Dairy, with butter down 1.4% at £3,460/tonne and bulk cream down 0.7% at £1,500/t—both down 30% since last summer. SMP was down 1.2% at £1,650/t and mild Cheddar down 0.4% at £2,830/t (down 8% since August). AMPE in March was down 1.7% at 27.8ppl and MCVE was down 0.7% at 30.81ppl.



Company news

FOSTON CLOSURE PLANNED

Müller Milk and Ingredients are planning to close their Foston plant in south Derbyshire as part of their cost cutting programme. USDAW (Union of Shop, Distributive and Allied Workers) officials said that, following an “extraordinary” meeting with Müller, the site will now enter into collective consultation at a national level to interrogate the company’s business case, exploring all alternatives to closure and job losses. The six Müller sites in the review are Foston, Severnside in Gloucestershire, Bellshill in Scotland, Manchester, Droitwich in the West Midlands and Bridgwater in Somerset. Müller have started a 45-day statutory collective consultation process to assess current and future utilisation and capacity requirements.

- Müller have announced they will enter a logistics partnership with Müller Group sister company Culina Group, who will assume day-to-day management control of MMI Distribution from June 1. Tanker operations bringing milk from farms will continue to be run by MMI.

Northern Ireland

DALE FARM PULL OUT OF FIVEMILETOWN

Dale Farm are ending production at Fivemiletown cheese factory, putting 18 jobs at risk. The Fivemiletown speciality cheese brands business was bought by Dale Farm in 2014 and they leased the factory from Fivemiletown. The current lease will not be renewed and production will be moved to Cullybackey in June. The Fivemiletown goat’s cheese will continue but some Fivemiletown retail brands will be wound up. Staff will be offered transfers to other Dale Farm locations.

Retail

SUPERMARKETS CUT FRESH MILK PRICES

Supermarkets are slashing their prices for fresh milk again as the spring flush brings an abundance of milk. The cost of supermarket fresh milk rose earlier this year when Waitrose and Sainsbury’s increased their price for four pints of fresh own-label milk from £1.10 to £1.15, following similar moves by Morrisons and Amazon Fresh at the end of last year, amid fears that the fodder shortage would tighten supplies and push up production costs. When this failed to materialise, Sainsbury’s came back to £1.10 last month, while Amazon Fresh and Morrisons have both reduced their price to £1.09. The Grocer reported last week, bringing the three retailers back in line with Asda and Tesco. Iceland have kept their price at £1, making them the cheapest major retailer for own-label fresh milk. Waitrose are still selling four pints of own-label fresh milk at the higher price of £1.15, after increasing their farmgate milk price.

- Despite rumblings of discontent on the Continent, almost 90% of GB Arla farmers have allegedly signed up to the new Arla One Contract. The Danish dairy farmers union LDM, meanwhile, have appointed two lawyers to challenge Arla.

UK farmgate milk prices

MILK PRICES TAKE A PAUSE IN MAY/JUNE

UK farmgate milk prices seem to be taking a pause in May/June after combined cuts averaging about 1.5ppl in the first quarter, with mixed messages coming from the market. The single biggest factor in falling UK farmgate prices has been the rapid rise in domestic milk production but this is now abating. UK wholesale markets are also stabilising, with butter/cream down 30% in the past 9mths and cheese down 5%+. On the Continent, Dutch Dairy Board prices have held up well, with butter down less than 5% and SMP up 5%+. On the world market (at least the Asian market): the GDT index is up by more than 20% so far this year. In the past 18mths, while aligned supermarket contract pool prices have shown an average increase of about 1.4ppl, non-aligned prices have fallen by an average of about 2.4ppl. UK farmgate milk prices started to rise sharply in the second half of 2017 and continued at over 29.0p until late in 2018. They are down about 1.5ppl so far in 2019, will they go much lower? There have been few price cuts announced so far for May: 0.75p at SCC, 0.45p at the Co-op, 0.35p at Wensleydale, 0.34p at Tesco, 0.5p for Blackmore Value Farm Cream, 0.35ppl for Pattmores, and only one so far for June: 0.75p at Barbers. In Scotland, Grahams have also cut their May milk price by 0.75p.

UK FARMGATE MILK PRICES & PRICE CHANGES—2019

ppl	Jan	Feb	Mar	Apr	May	price	change in 2019
Müller—M&S	+1.41	-	-	+0.54	-	33.40	+1.95
Müller—Tesco	-	+0.37	-	-	-0.34	31.14	+0.03
Müller—Sainsbury	+0.56	-	-	+0.24	-	30.69	+0.80
Arla—Sainsbury	+0.56	-	-	+0.24	-	30.21	+0.56
Müller—Co-op	-	-0.03	-	-	-0.45	29.60	-0.48
DC-Davidstow	-	-1.00	-	-	-	28.98	-1.00
Crediton Dairy	-1.25	-0.75	-	+0.50	-	28.32	-1.50
Barber, AJ & RG	-1.00	-0.50	-	-	-	28.17	-1.50
Arla manuf.	-1.33	-	-	-0.01	-	28.13	-1.34
Wyke Farms	-1.00	-0.65	-	-	-	28.12	-1.65
Pattmores	-1.00	-	-0.50	-	-0.35	27.80	-1.85
Freshways	-1.06	-	-0.41	-0.30	-	27.64	-1.77
Wensleydale	-0.50	-0.75	-	-	-0.35	27.49	-1.60
Belton	-1	-0.55	-	-	-0.75	27.35	-2.30
F/M Manuf.	-0.75	-0.25	-	-	-	27.34	-1.00
South Caernarfon	-1.00	-0.75	-	-	-0.75	27.33	-2.50
Lactalis	-1.50	-	-	-0.37	-	27.23	-1.87
F/M Liquid	-0.78	-0.26	-	-	-	27.22	-1.04
Glanbia/Llangefni	-	-	-	-1.00	-	27.14	-1.00
Arla Direct	-1.00	-0.75	-	-	-	26.94	-1.75
Dale Farm GB	-1.00	-1.00	-	-1.00	-	26.84	-3.00
Meadow Foods A&B	-1.00	-	-	-0.75	-	26.77	-1.75
Pensworth	-1.20	-	-1.25	-	-	26.44	-2.45
Müller non-aligned	-1.00	-	-1.25	-	-	26.30	-2.25

Source: AHDB milk prices for February 2019 plus changes notified since.

FSA

FROMAGERIE ALPINE RECALL

Fromagerie Alpine last week recalled Saint Félicien and Saint Marcellin raw cows’ milk cheese in the UK because of possible E.coli contamination. The products are sold by Tesco and Harrods. Cheeses affected include: Tesco Finest Saint Félicien du Dauphiné Cheese and Xavier David Saint-Marcellin PGI sold by Harrods. No other Fromagerie Alpine products are known to be affected, according to the FSA. The products listed might be contaminated with Shiga toxin producing E. coli (STEC). Symptoms caused by this organism include diarrhoea, abdominal pain, and haemolytic uremic syndrome, which can lead to kidney failure and can be fatal. Point-of-sale notices are displayed in all retail stores that sold these products; consumers who bought them are advised to return them.

Company reports

EURILAIT SALES DOWN 2%

Shepton Mallet, Somerset-based **Eurilait**, a subsidiary of Brittany-based French co-ops Eurial and Laita—who mainly import French cheeses into the UK—have reported sales down 2% to £67.7m for calendar year 2018, with operating profits up 3.5% at £766,000 and pre-tax profits up 3.8% at £676,000. Dividends paid to their French parent were unchanged at £500,000. Net debt was down 46% at £2.1m. Staff numbers were down from 96 to 85.

—Staff numbers at **Heler’s** in 2018 were 142, not as stated last time.

Milk production

PRODUCTION STILL UP

Average daily GB milk production rose by 0.6% for the week ending April 20 compared with the week before. Deliveries are currently running 1.1% above AHDB Dairy's latest forecast, and 4.4% above the same week last year, equivalent to 1.6m litres per day.

GB DAIRY FARM NOS. DOWN TO 8,792

According to FSA data the number of dairy farmers in England and Wales fell by 522 (5.6%) to 8,792 in the 12mths to May. The biggest fall was in the Northern region (down 119 to 1,417). The largest number was in the North West (down 97 to 1,972) followed by the Far West (down 93 to 1,440). Numbers in Wales were down 59 to 1,723.

UK markets

ORGANIC TIE-UP

Organic certifier OF&G (Organic Farmers and Growers) have joined forces with global accreditor Control Union UK (CUUK) to open and expand markets for UK organic food production by offering certification on a global scale.

Farmhouse cheese

BIG INVESTMENT FOR BARON BIGOD

An East Anglian dairy farm has invested £500,000 in its cheese business, run by Jonny Crickmore and his wife Dulcie. The new cheesemaking building at Fen Farm Dairy, near Bungay, on the Suffolk/Norfolk border, has been designed to create optimum conditions for the production of their Baron Bigod raw milk Brie.

The ethos of recalibrating the farm's assets to focus on its most profitable product has also been applied to the 290-strong dairy herd, which are now a Montbeliarde/Montbeliarde-Holstein cross.

Since the first 72 Montbeliarde cattle were bought in 2012, cheese production has been expanded to about 60t a year.

The new building employs six people and was part-funded with a £152,000 grant from the EU Leader programme. It will take production capacity up to around 100t/year. "We were selling milk to a processor at 1p profit but as soon as we started selling it in our shop we made 50p. For every 50 litres we sold through the processor we only needed to sell one through the shop. Now we use about 40% of our milk on farm."

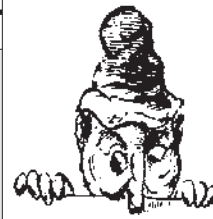
St Albans/DFA—St Albans co-op, the last remaining independent dairy co-op in northern New England, US, have been struggling for years with low commodity and farm milk prices, beleaguered by old, inefficient milk powder processing equipment. Their downhill spiral started in the early 2000s when Dean Foods paid \$50m to major New England supermarket chain, Stop & Shop, then supplied by St Albans, to cease processing fluid milk at their plant in Massachusetts and take a full supply of packaged milk from Dean. Since DFA and their subsidiary, Dairy Marketing Services, had locked up supply contracts with many other New England fluid processors, St Albans had no choice but to affiliate with DMS and tie their marketing fortunes to DFA's dictates. The hard pill to swallow will be DFA's announcement at the March annual meeting that they are to bump up their equity requirements on members. The co-op's leadership is "studying" proposals and will come out with specifics in June. Currently, DFA require members to contribute 1.75¢/lb on all milk marketed. DFA members have had several years to build up this equity. The shocker is that DFA are reportedly about to propose doubling the equity requirement, which would be very painful for St Albans members (see p3).

F/C's price review—FrieslandCampina farmers are psyching up for a fight over what will almost certainly be a drop in the guaranteed farmgate milk price, possibly by 1c, at next year's review. Some board members have privately expressed the view that the guaranteed price is 1c-1.5c too high, amid rumours that the co-op are struggling to make money on core dairy products. F/C are being tightlipped, but the current definition of the guaranteed price, taking into account all types of surcharges, is now perceived to bear little relation to the competitors F/C's price is indexed to. Current proposals are that the indexed group should be broadened out and weighting changed. One thing seems certain—DOC Kaas will be dropped from the reference group as DMK's milk price is already included. A new addition could be Vreugdenhil Dairy due to its market positioning, while the importance of premium cheesemaker Cono's milk price could be demoted. And could F/C even reference their milk price to an Irish dairy? This would neatly link post-Brexit markets to the F/C milk price.

—F/C farmers are joining the PlanetProof scheme, with its 2c/kg bonus, in droves which must be a relief for F/C. The ink on the final certification scheme was barely dry before the first Campina milk cartons with the quality mark appeared on the shelves. No doubt they were keen to keep up with A-ware, whose own sustainable line was launched last summer in Albert Heijn. PlanetProof milk is now being processed at F/C's Lelystad and Lutjewinkel plants as well as Maasdam and Steenderen as the co-op build the milk pool up to what is expected to be around 10%-15% of the total. Conversion is at the farmer's risk—early birds have been keen to secure the premium (for now).

—Back at HQ, the dairy brain drain at F/C continues with Fraser Tooley, for the past 8yrs business development director of the ingredients division, business development enthusiast and incumbent European Whey Processors Association president, has told colleagues he will quit this summer.

Amul—GCMMF/Amul are nervous about the possibility of Mehsana breaking away. Mehsana's milk



I hear....

procurement has stagnated at 1.8m litres a day, compared with Banaskantha's leading 5m litres per day, and they have been at loggerheads with GCMMF since their former chairman, Vipul Choudhury, was removed as Amul chairman after the BJP came to power in 2014. Mehsana are understood to be in debt to the tune of Rs1,500 crore (US\$215m), a shaky basis

on which to start marketing independently across India, and spats with GCMMF over feed supplies have ended up (to their loss) in court. It is well known that all 17 dairy unions of GCMMF have strong political links and political bickering has often impacted the growth of the brand. Most were originally backed by Congress and had to shift allegiance when BJP came to power. Congress are believed to be backing Mehsana's break from Amul. Will others follow suit or can their charismatic MD, R.S. Sodhi, amid hints of retirement, hold things together?

Welfare labels—German discounters Aldi and Lidl are once again stealing a march on competitors, this time in the arena of "responsibly sourced" and animal welfare. Aldi's adoption of a 'Fair&Gut' approach is so far unrivalled in terms of product choice, all clearly labelled with definition and assurances. And far from adding to a UK-style proliferation, all inspections are done by Deutsche Tierschutzbund, the umbrella organisation for all local animal protection associations, who have developed the scheme for cow welfare. Simple.

Austria quandary—Retailers in Austria are not alone in putting the squeeze on milk prices, but their latest moves are rattling the country's 25,000 dairy farmers who, with an average 20 cows and a high cost base, have scaled up value by improving quality and provenance branding and by going organic. All the milk delivered to Austrian dairies is now produced GMO-free, 68% originates from mountain areas, 16% is organic and around 15% haymilk. However, formerly supportive politicians are now coming down on the side of retailers. Previous attempts by farmer groups to encourage the processors—of which there are over 80, with more than 100 factories between them—to come together to lobby the three major processors (Rewe, Spar and Hofer) have come to nought, but it may be the only way to go. While cross-company co-operation is acceptable, even encouraged, under EU law, processors have suddenly become self-righteous, saying they can't possibly do so in this case, citing competition laws. About 40% of Austrian milk, by value, is already exported, including to non-EU countries. Is there scope for more? How easy for the retailers to divide and conquer.

Russians on tour—Russian 'entrepreneurs' are importing banned products including cheese into Russia under the guise of goods for personal use and then reselling them, consumer watchdog Rosselkhoznadzor has warned. So-called "cheese and sausage tours" allow imports of up to 5kg per person, unlikely to be checked by customs.

Saputo UK—Charismatic is how Lino Saputo Jnr was described by Dairy Crest staff and farmers who finally came face to face with him at Davidstow recently. With aplomb Saputo proclaimed he planned to meet his dairy farmers worldwide at least once a year, and held loyalty and business ethics in the highest esteem. No evidence yet of any D/C management changes. And also no update on Saputo's credit rating, cut by ratings agencies pending completion of the DC acquisition of D/C and their big debts.

DRY SUMMER SLOWS EU MILK PRODUCTION

EU milk production is estimated by DIN at 164.4m tonnes in 2018, up just 0.3% from the previous year and a similar growth to 2016—after growth of 1.4% in 2017. The European Commission’s latest Short-Term Outlook puts Europe growth, including Russia and Belarus, at a slightly higher 0.8% (to 226.4m tonnes), with the EU increasing by a more robust 1.0% to 167.3m tonnes. Either way, growth has slowed, and most growth was in the first half of the year before the dry summer set in. Of the top five producing countries, Germany was up 1.1% to 32.98m tonnes, the UK was up 0.3% to 15.5m tonnes and Poland was up 2.5% to 14.05m tonnes. France was down 0.8% to 25.7m tonnes and the Netherlands—with pressure from phosphate quotas—was down 3.4% to 14.32m tonnes. The hot summer, leading to drought conditions in parts of northern Europe, constricted year-on-year growth everywhere over the autumn and winter. The market ended 2018, and continues into 2019, broadly in balance, with winter forage concerns a faint memory as the new season starts with a surge in output on the back of mild conditions and early grass growth.

EU MILK PRODUCTION		
'000t	2018	v.'17
Germany	33,000	+1.1%
France	25,700	-0.8%
UK	15,500	+0.3%
Netherlands	14,320	-3.4%
Poland	14,045	+2.5%
Italy	13,010	+0.2%
Spain	8,370	+0.8%
Ireland	7,815	+4.2%
Denmark	5,625	+2.3%
Belgium	4,165	+3.5%
Czech Rep.	3,130	+1.7%
Sweden	2,765	-1.8%
Finland	2,225	-6.0%
Hungary	1,980	+0.4%
Portugal	1,850	+0.1%
Lithuania	1,530	+2.6%
Romania	1,100	+7.0%
Slovakia	815	-1.3%
Latvia	800	-3.8%
Estonia	750	+3.2%
Greece	610	+1.2%
Bulgaria	612	+5.7%
Slovenia	565	-2.4%
Croatia	450	-5.7%
Luxembourg	286	-23.5%
Cyprus	226	+4.6%
Malta	40	-2.4%

Source: DIN/EU Commission

EU PRODUCTION EVOLUTION		
January	'19 v'18	'18 v.'17
Romania	+6.0%	+12.4%
Estonia	+4.9%	+3.9%
Poland	+3.2%	+4.3%
Cyprus	+2.7%	+11.7%
Greece	+2.0%	+0.4%
UK	+1.7%	+1.4%
Denmark	+1.7%	+5.3%
Finland	+1.3%	+0.2%
Belgium	+0.8%	+7.8%
Ireland	+0.6%	+8.8%
Lithuania	+0.1%	-0.5%
Malta	-0.3%	+0.5%
Lux.	-0.3%	+11.5%
Sweden	-0.4%	-1.8%
Spain	-1.6%	+5.4%
Hungary	-1.7%	-0.1%
Slovakia	-1.9%	+2.9%
Italy	-2.0%	+6.1%
Germany	-2.1%	+5.3%
Czech Rep.	-2.1%	+6.6%
Latvia	-2.1%	+0.7%
France	-2.9%	+4.5%
Portugal	-2.9%	+4.3%
Netherlands	-5.1%	+0.2%
Slovenia	-5.5%	+4.2%
Croatia	-6.6%	+3.0%
Austria	-7.6%	+10.3%
Bulgaria	-12.7%	+37.8%

ITALY STILL TOP PAYERS

In 2018, the average EU raw milk price was over 34c/kg, 2% less than in 2017 and 2% above the 2013-2017 average. Prices evolved unevenly, with half of the top 10 milk producing countries experiencing increases ranging from +0.3% (Spain) to +3.1% (Denmark) during the course of the year and the other half seeing declines of between -0.7% (Netherlands) and -6.4% for Ireland, where significant production expansion continued. According to latest MMO data, among the top 10, Italy remained the top payer in March 2019, with an estimated 39.7c/kg (up 11% from a year earlier) while Spain was the lowest with 32.04c (+1.8%); most of the top 10 were 3%-4% above the same time last year. Prices across all member states were averaging level with or slightly below February as processors reacted to stronger EU spring production in contra-flow to the slowdowns in NZ, the US and Oz (see p4).

EU WEIGHTED AVERAGE FARMGATE MILK PRICE		
c/kg	2018	v.'17
Jan	35.6	+6.6%
Feb	34.4	+3.0%
Mar	33.6	+1.5%
Apr	32.7	-1.5%
May	32.1	-2.7%
June	32.3	-2.4%
July	32.9	-3.8%
Aug	33.6	-4.8%
Sept	34.8	-5.4%
Oct	35.8	-4.5%
Nov	36.1	-4.5%
Dec	35.5	-5.3%
	2019	v.'18
Jan	35.0	-1.7%
Feb	34.9	+1.5%
Mar*	34.9	+3.9%

*Est. Source: EU Milk Market Observatory

SMP PRICES 'RESCUED' BUT MARKETS LEVEL OUT

Although commodity prices showed signs of strength at the beginning of the year, they subsequently reversed course—apart from diminishing WMP markets. While expanding SMP exports (see DIN Feb 26), the EU also brought down intervention stocks, which peaked at 390,000t, to 175,800t at the end of December—less than half their volume at the beginning of the year—through a series of tenders. The effect on the average EU SMP price, which had fallen as low as €1,320/t in April, was initially slow, but gathered pace during the year, pushing the average to a high of €1,730/t by the end of December and leaving the overall average for the year down 17% (a similar fall was seen in 2016-17).

Butter production in the EU was lower than anticipated as available milk supply reduced and is estimated to have scaled back slightly to around 2.4m tonnes. The average butter price nevertheless peaked at €5,860/t in June, and was down to €4,400/t by the end of the year.

The EU herd is forecast to shrink slightly in 2019, after 1% contraction in 2018, but rising milk yields per cow could lead to similar growth of up to 1%, forecasters suggest.

EU DAIRY COMMODITY PRICES				
€/tonne	High	Low	Avge	v.'17
SMP	1,730	1,320	1,490	-17%
WMP	5,860	4,400	5,100	+75%
Cheddar	3,380	3,100	3,300	-3%
Gouda	3,220	2,910	3,100	-6%
Em'tal	4,670	4,210	4,400	+5%
Butter	5,860	4,400	5,100	+1%
Whey powder	840	670	770	-11%

Source: DIN/EU Milk Market Observatory

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