



## Bi-weekly Market Update

February 6<sup>th</sup> 2017

ETS FREDDY BAINES

## Summary:

EU SMP tender results:

Eucolait has provisionally advised that the highest bid was €1850 per mt.

This is lower than the previous tender's high.

Total bids made did not quite reach 1,800 mt

The largest amount of bids were at prices between €1,600 and €1,700 per mt.

Nothing was allocated.

What a farce !

Prices in EU for fat ( cream/butter/AMF) seem to have bounced off their recent lows.

All powders are drifting down with slightly higher production and offers just not finding more buyers.

Prices for NZ product doing well, even though production has not dropped quite as much as predicted.

AMF just keeps reaching higher. I think we're at the highest level in 5 years.

More and more and more milk in USA.

Difficult....

ITS FREDDY BAINES

TABLES

GDT n°180	plus 0.6%		GDT n°181	plus 1.3%
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	04/10/2016	18/10/2016	01/11/2016	15/11/2016	06/12/2016	20/12/2016	03/01/2017	17/01/2017	08/02/2017	
AMF	\$4,950	4,970 \$	5,085 \$	5,310 \$	5,455 \$	5,305 \$	5,280 \$	5,470 \$	5,640 \$	210kg CP (2)
BUTTER Font	\$3,990	4,165 \$	4,165 \$	4,160 \$	4,275 \$	4,290 \$	4,335 \$	4,380 \$	4,620 \$	82%, uns,cp2
SMP Font	\$2,170	2,190 \$	2,345 \$	2,590 \$	2,700 \$	2,695 \$	2,735 \$	2,685 \$	2,675 \$	MH CP 3
SMP Arla	\$2,220	no offers	2,100 \$	2,185 \$	no info !	2,240 \$	2,280 \$	2,310 \$	2,170 \$	MH cp 2
FCMP Font	\$2,768	2,785 \$	3,255 \$	3,410 \$	3,560 \$	3,480 \$	3,200 \$	3,225 \$	3,290 \$	Reg cp 2

EEX									
	14/12/2016	21/12/2016	28/12/2016	04/01/2017	11/01/2017	18/01/2017	25/01/2017	01/02/2017	08/02/2017
BUTTER	€ 4,450	€ 4,397		€ 4,370	€ 4,353	€ 4,287	€ 4,223	€ 4,123	€ 4,033
SMP	€ 2,078	€ 2,142		€ 2,138	€ 2,153	€ 2,160	€ 2,130	€ 2,063	€ 2,038
WP	€ 807	€ 817		€ 827	€ 823	€ 840	€ 837	€ 837	€ 840

Dutch official prices									
	14/12/2016	21/12/2016	28/12/2016	04/01/2017	11/01/2017	18/01/2017	25/01/2017	01/02/2017	08/02/2017
BUTTER	€ 4,390	€ 4,390	€ 4,390	€ 4,360	€ 4,310	€ 4,240	€ 4,170	€ 4,070	€ 3,970
FCMP	€ 3,170	€ 3,200	€ 3,200	€ 3,200	€ 3,170	€ 3,140	€ 3,080	€ 3,040	€ 3,000
SMP Food	€ 2,090	€ 2,120	€ 2,120	€ 2,150	€ 2,170	€ 2,170	€ 2,120	€ 2,020	€ 2,020
WP	€ 820	€ 820	€ 820	€ 830	€ 840	€ 840	€ 830	€ 840	€ 840

NZX FUTURES											
WMP											
	03/10/2016	03/11/2016	14/11/2016	22/11/2016	10/12/2016	10/01/2017	16/01/2017	19/01/2017	07/02/2017	08/02/2017	in €
SEPT	-	-				\$3,500	\$3,495	\$3,460	\$3,400	\$0	€ 0
OCT	\$2,805					\$3,490	\$3,490	\$3,510	\$3,400	\$0	€ 0
NOV	\$2,975	\$3,355	\$3,375			\$3,490	\$3,500	\$3,520	\$3,400	\$0	€ 0
DEC	\$2,985	\$3,470	\$3,520	\$3,560	\$3,560			\$3,530	\$3,400	\$0	€ 0
JAN	\$2,995	\$3,505	-	\$3,610	\$3,610	\$3,250	\$3,310				-
FEB	-	\$3,550	\$3,590	\$3,580	\$3,580	\$3,360	\$3,400	\$3,350	\$3,300	\$3,320	€ 3,112
MAR	\$2,990	\$3,570	\$3,560	\$3,550	\$3,550	\$3,400	\$3,470	\$3,380	\$3,410	\$3,380	€ 3,168
APR	\$2,990	\$3,600	\$3,600	\$3,670	\$3,670	\$3,430	\$3,500	\$3,400	\$3,340	\$3,400	€ 3,187
MAY	\$3,005	\$3,600	\$3,600	\$3,680	\$3,680	\$3,400	\$3,430	\$3,400	\$3,320	\$3,420	€ 3,205
JUNE	\$3,030	\$3,650	\$3,600	\$3,690	\$3,690	\$3,470	\$3,470	\$3,400	\$3,380	\$3,440	€ 3,224
JULY	-	\$3,650	\$3,600	\$3,700	\$3,700	\$3,480	\$3,480	\$3,440	\$3,380	\$3,460	€ 3,243
AUG				\$3,710	\$3,710	\$3,490	\$3,480	\$3,450	\$3,400	\$3,480	€ 3,261

AMF											
	03/10/2016	03/11/2016	14/11/2016	22/11/2016	10/12/2016	02/01/2017	16/01/2017	19/01/2017	07/02/2017	09/02/2017	in €
SEPT		-				-	\$0	-	\$5,290	\$5,500	€ 0
OCT	\$4,980					-	\$0	-	-	\$0	€ 0
NOV	\$5,010	\$5,220	\$5,150			-	\$0	-	-	\$0	€ 0
DEC	\$4,980	\$5,340	\$5,340	\$5,400	\$5,510			-	-	\$0	€ 0
JAN	\$4,975	\$5,380	\$5,380	\$5,500	\$5,530	-	\$5,280				
FEB	\$4,925	\$5,400	\$5,400	\$5,525	\$5,560	-	\$5,180	\$5,470	\$5,420	\$5,690	€ 5,127
MAR	\$4,870	\$5,410	\$5,410	\$5,550	\$5,590	-	\$5,180	\$5,430	\$5,380	\$5,660	€ 5,089
APR	\$4,800	\$5,430	\$5,430	\$5,575	\$5,530	-	\$5,180	\$5,400	\$5,350	\$5,650	€ 5,061
MAY	\$4,975	\$5,010	\$5,450	\$5,600	\$5,630	-	\$5,200	\$5,450	\$5,350	\$5,640	€ 5,108
JUNE	\$4,975	\$5,450	-	\$5,625	\$5,550	-	\$5,220	\$5,460	\$5,340	\$5,630	€ 5,117
JULY	\$4,975	-	-			-	\$5,190	\$5,465	\$5,320	\$5,500	€ 5,122
AUG	\$4,975					-	\$0	\$5,470	\$5,310	\$5,500	€ 5,127

## Country overview

### Argentina

Contradictory reports on what SanCor is up to. According to one member of the Board, the coming week might be crucial for the Company's future. Restructuring or selling off. The official spokesman denied this Board Member's right to make any comments....

In January, Argentina exported 7,399 mt of FCMP at an average FOB price of us\$ 3117 per mt. Russia and Uruguay paid considerably more.

Last year, January, it was 7,322 mt at us\$3053 per mt.

Exports to Venezuela are not taken into account.

Biggest export markets were: Brazil, ( 3,631 mt) – Algeria ( 2,771 mt), Nigeria ( 544 mt) and Russia ( 400mt)

### Australia

(a) Thank you ABC-Rural (Brett Worthington on January 30<sup>th</sup>) for a birds' eye view of what happened in Oz ( and probably in very many other countries !)  
“....The further north you travel in Australia, the more likely that farmers are producing milk that will end up being sold fresh in bottles, to end up on someone's breakfast cereal, or in their cup of tea..... But the majority of Australia's dairy farmers are not in that category. Instead, they are concentrated across the powerhouse dairy regions of Victoria and Tasmania, as well as southern NSW and south-east SA, where most of their milk is processed.

Instead of being sold in a liquid form, it is turned into cheese and milk powders for export, and as a result, the global dairy market is the biggest driver of the price those farmers are paid..... A processor starts the financial year setting its milk price. It will then usually announce a "step-up", where it lifts prices and retrospectively back-pay farmers the difference.

When Murray Goulburn, and later Fonterra, announced sudden and retrospective price cuts it was the southern farmers who were hardest hit.

#### **But there is some good news :**

(b) On February 2nd : Fonterra Australia has today advised suppliers that it has increased its average farmgate milk price to \$5.20 per kilogram of milk solids. This brings Fonterra's farmgate milk price to its forecast closing price for the 2016/17 season.

Fonterra Australia Managing Director René Dedoncker said that this revised price reflected improvement in the global commodity markets and progress on key initiatives for the Australian business.

“Production has fallen across the major exporting regions, particularly Europe and New Zealand, and we've seen a significant decline in Australian milk supply.

“This has helped to rebalance global supply, while demand has remained firm.

## China

- (a) It doesn't look as if trade relations were that good last year already. With Trump on the warpath, what next?

From the People's Daily :

Chinese exporters have suffered a total of 20 trade remedy probes initiated by the United States in 2016, an 81.1 percent increase year on year, the Ministry of Commerce (MOC) said Thursday.

The 11 anti-dumping and nine anti-subsidy investigations involved 3.7 billion U.S. dollars, up 131 percent from 2015, the MOC said.

Recently, the U.S. published a series of trade remedy rulings involving Chinese products, including truck and bus tyres as well as imports of Chinese stainless steel sheet and strip.

China suffered 140 trade remedy measures from the United States as of the end of 2016, including 102 anti-dumping and 38 anti-subsidy measures, according to MOC data.

Last year, Chinese exporters suffered a record 119 trade remedy probes, initiated by 27 countries or regions, a 36.8 percent increase year on year.

- (a) And on 17/1/17 the paper reported

Asahi ... sell off its dairy and farm businesses in China, and will shift its focus to strategic growth fields, like beer, according to the employee.

Experts said that the Japanese beverage maker's example shows weaknesses in China's cold-chain logistics....

company found it's difficult to scale up the business while maintaining its farming methods, so both its dairy and farm businesses ran at a loss, the report noted.... cities where most of the country's Japanese population live, but because China's logistics for fresh milk cannot guarantee delivery channels like Japanese logistics can, the company failed to make much headway...

In China, freezer capacity per individual stands at 0.07 cubic meters, lower than 0.36 cubic meters in the US and 0.33 in the Japan, lenglian.org.cn report said.

Also, China's cold chain flow rates for fruits and vegetables, meat and seafood approached 30 percent, 50 percent and 65 percent, respectively, in 2015, while the rate of perishable items in developed countries and regions was more than 90 percent over the same period

## Denmark

Arla's investment plan for 2017 contains investments of up to 335 million euro (compared to 227 million euro in 2016).

Most of the investments focus on production upgrades that will increase profitability of products sold on core markets like Germany, UK, Denmark, Sweden, the Netherlands and Finland as well as on production sites that supply high-quality dairy products to Arla's emerging markets outside the EU.

One such investment is 13 million euro for Rødskær dairy in Denmark, which is one of the leading mozzarella sites in the world. By investing in new world-class technology, Arla will be able to take the product quality to new heights as well as expand the site's production of mozzarella for the international pizza industry.

## Ireland

(a) Ornua's PPI justifies a price of €29,8 per litre, say some.

(b) The top Irish ( EU?) cow is a Holstein, with an EBI of €342.

With an average calving interval of 376 days, this cow is currently in her eleventh lactation. As well as having an EBI of €342 she also has a lifetime production of 56,908kg of milk, with 4.22% Fat and 3.48% Protein.

EBI: EBI is a single figure profit index aimed at helping farmers identify the most profitable bulls and cows for breeding dairy herd replacements. It comprises of information on seven sub-indexes related to profitable milk production. These are; (1) Milk production, (2) Fertility, (3) Calving performance, (4) Beef Carcass (5) Cow Maintenance (6) Cow Management and (7) Health.

(c) From Farmer's Journal

	€ / kg solids	€/l
Drinagh	4,19	29,76
...		
Dairygold	4,05	28,86
Arrabawn	4,04	29,17
....		
(12 <sup>th</sup> ) Lakeland	3,98	28,41
Glanbia	3,97	28,36

## Japan

Thank you Takayuki for this insight;

“Average age of dairy farmers here has already exceed 60 years old and production of raw milk has been declining year by year.

In addition, the biggest production area, Hokkaido was attacked by two Typhoons last year and it is thought that dairy farmers got serious damages.”

This contradicts GAINS somewhat more positive view that Japanes production would be amply sufficient....

## Mexico

Recent depreciation of the Mexican peso could create a drag on U.S. animal product exports in 2017. In early January, the value of the peso fell almost 20 percent compared with its value in January 2016. Most recent U.S. export data shows that, on a volume basis, Mexico is the largest foreign destination for U.S. exports of pork, poultry (broilers, other chicken, and turkey), and **dairy products (skim milk powder and cheese)**. Mexico is the third largest export market for U.S. beef, after Japan and South Korea. Lower U.S. prices from larger product supplies could, however, offset some of the negative exchange rate effects as the year unfolds. Prices of livestock and poultry are expected to be lower in 2017 compared with last year: cattle (-10 percent), hogs (-15 percent) and poultry (-2 percent for broilers, -7 percent for turkey). Lower livestock and poultry prices are likely to result in lower prices for both domestic and foreign consumers of beef, pork, and poultry. **On the other hand, higher U.S. prices of eggs (+10 percent) and milk (+11percent) over last year could weigh on exports to Mexico.**

## Netherlands

- (a) FC's guaranteed milk price for February is €35 per 100 kg. This is an increase of €0,50 compared to January 2017.  
Constituent values: protein, €571 fat: €258 and lactose €57.

- (b) December 20, 2016: In partnership with the World Bank Group's International Finance Corporation and the Dutch development bank FMO, Royal FrieslandCampina N.V. has acquired a majority stake of 51 percent in Engro Foods – Pakistan's second largest dairy producer. Through the strategic alliance, Engro Corporation will remain a significant shareholder and partner in Engro Foods. The Pakistan dairy company is the country's second largest dairy producer. Engro Corporation will remain shareholder and significant partner in Engro Foods.

The execution of this transaction, as approved by competition commission and other relevant authorities, is one of the single largest private sector Foreign Direct Investment (FDI) in Pakistan in recent years, amounting to a total investment of USD 450 million (430 million Euros).

- (c) DOC Kaas' price for February 2017 is €32,66

## New Zealand

- (a) Synlait Milk, the NZX-listed dairy company, increased the forecast payout for its farmer suppliers to \$6.25 per kilogram of milk solids for the current season up from a prior forecast of \$6/kgMS.  
The forecast payout is slightly higher than the \$6/kgMS Fonterra Cooperative Group is forecasting it will pay its 10,500 farmer shareholders.

- (b) From NZ Herald, Jamie Gray, February 10<sup>th</sup> :  
... New Zealand imports of controversial feed supplement palm kernel expeller (PKE) ... came to 1.5 million tonnes in 2016, down from a record 2.2m tonnes in 2015 and 2.12m tonnes in 2014.... PKE and other supplements have in the past been used to extend the end of the season, when prices were favourable.

Kilsby said PKE in particular has been popular as a cheap source of feed.....”

And  
...Data from the Dairy Companies Association of NZ, which collects data from all the major dairy companies, shows production fell by 3.6 per cent in terms of milksolids in the season to date up to December. Over the same period, Fonterra has reported a 5.5 per cent decline, indicating the co-op has lost suppliers to its competitors, Kilsby said.

- (c) Some insights from Rabobank's latest Report on NZ:



... New Zealand had been a key beneficiary of the decades-long shift towards freer trade, but that agriculture faced a period of heightened regulatory uncertainty...

... following Donald Trump's election in the US and the resulting breakdown of the Trans Pacific Partnership (TPP) agreement," she said.

"The breakdown of this agreement brings with it increased risk of an escalation to rising protectionism...

.... increasing the importance of this year's trade negotiations with China - on an improved Free Trade Agreement (FTA) - and with the United Kingdom and the European Union on FTAs,

.... New Zealand's tightening environmental regulations and this year's general election could also have a major impact...

.... The bank expects to see a slower rate of growth in New Zealand milk production emerge in the 2017-18 season and beyond, due to increasing environmental regulation, resource constraints and social pressures.

Another thing that may inhibit production levels is the investment appetite of dairy farmers and whether they invest profit in further expansion or prioritise debt repayment

(d)

New Zealand Milk Production      000 kg Milksolids

2008		2009	2010	2011	2012	2013	2014	2015	2016	
150,182	<b>jan</b>	162,310	165,987	168,523	185,898	193,526	211,212	208,569	208,036	99.74%
111,354	<b>feb</b>	124,356	138,858	144,569	163,457	155,153	174,246	165,666	171,624	103.60%
103,011	<b>mar</b>	132,344	135,098	144,951	161,558	136,317	167,006	165,138	162,357	98.32%
71,755	<b>apr</b>	105,452	92,665	121,766	141,720	95,393	126,431	138,067	134,607	97.49%
36,640	<b>may</b>	44,432	47,862	69,123	79,430	57,662	72,316	80,808	82,798	102.46%
8,286	<b>june</b>	7,765	8,068	10,731	11,194	10,423	11,736	13,104	13,013	99.31%
13,001	<b>july</b>	1,144	12,382	13,679	16,698	15,655	16,795	19,011	19,923	104.80%
77,040	<b>aug</b>	79,240	85,583	88,755	101,877	110,712	117,546	116,682	113,130	96.96%
169,206	<b>sep</b>	167,610	187,472	197,308	197,308	213,678	225,777	209,494	210,113	100.30%
204,395	<b>oct</b>	212,191	234,812	242,746	242,746	256,842	270,839	263,469	247,431	93.91%
200,338	<b>nov</b>	205,416	216,654	234,207	234,207	241,310	253,495	248,034	234,770	94.65%
185,238	<b>dec</b>	174,989	200,787	215,226	215,226	225,149	235,449	232,655	225,501	96.93%
1,298,520	<b>total</b>	1,426,920	1,444,708	1,601,823	1,751,319	1,711,820	1,882,848	1,860,696	1,823,303	97.99%

## USA

- (a) "Trumpism": it might not be only Mexican and Canadian products which get hit by US tariffs. The EU and the USA had been slowly moving towards a modus vivendi with regards to the EU's ban on hormone-treated beef. But apparently the US industry is still looking for compensation for the losses incurred. And if they don't get these, might pressure the new Administration to raise duties. Maybe EU exporters will end up paying for "the" wall ?
- (b) According to Farmers' Journal :  
The all milk price is forecast higher at \$17.70-\$18.40/100 pounds (36.68-38.13c/l in euro terms).
- (c) From AgWeb, February 2<sup>nd</sup> : "...USDA released its cattle inventory report. The report showed there are 4.75 million milk replacement heifers. According ..... that's more than half of the milking herd.... heifer number hasn't seen numbers that large since 1985, and it has been growing at a pace of 2.5 percent year-over-year..... this production isn't going to end any time soon and U.S. dairy producers are going to have to start exporting their products.....Demand at home is not going to get the job done

*Michael*

**ETS FREDDY BAINES S.A. ANTWERP BELGIUM**