

DDY



Bi-weekly Market Update

SEPTEMBER 9th

2017

Summary:

Bonaparte (Napoleon) as many of you know, is not one of my favourites, but I just must give you his top quotes

Une belle femme plaît aux yeux, une bonne femme plaît au coeur ; l'une est un bijou, l'autre un trésor.

L'art de gouverner consiste à ne pas laisser vieillir les hommes dans leur poste.

Le meilleur moyen de tenir sa parole est de ne jamais la donner.

N'interrompez jamais un ennemi qui est en train de faire une erreur.

Dans les révolutions, il y a deux sortes de gens : ceux qui les font et ceux qui en profitent.

Nothing so trite as

“ when intervention for SMP stops, then the truth will hit home “

Or

“ when butter hits €2,5 per packet of 250g, margarine will become popular again”

Or

good old Brian Rice who taught me the adage “ the only remedy to high prices is high prices”.

TABLES

GDT n°194	minus 0.4%		GDT n°195	plus 0.3%
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	04/04/201 7	02/05/201 7	16/05/201 7	06/06/201 7	20/06/201 7	04/07/201 7	18/07/201 7	01/08/201 7	16/08/201 7	05/09/201 7	
AMF	5,930 \$	6,275 \$	6,690 \$	6,670 \$	6,995 \$	6,625 \$	6,825 \$	6,300 \$	\$6,270	\$6,375	210kg CP (2)
BUTTER Font	4,892 \$	5,100 \$	5,680 \$	5,915 \$	6,030 \$	5,970 \$	6,560 \$	6,080 \$	\$5,710	\$6,100	82%, uns,cp2
SMP Font	2,044 \$	2,080 \$	1,975 \$	2,180 \$	2,180 \$	2,095 \$	2,045 \$	1,980 \$	\$1,975	\$1,935	MH CP 3
SMP Arla		1,900 \$	2,025 \$	2,185 \$	2,040 \$	1,890 \$	1,975 \$	1,990 \$	\$1,980	np*	MH cp 2
FCMP Font	2,998 \$	3,410 \$	3,340 \$	3,110 \$	2,930 \$	3,115 \$	3,120 \$	3,140 \$	\$3,125	\$3,105	Reg cp 2

EEX										
	05/07/201 7	12/07/201 7	19/07/201 7	27/07/201 7	02/08/201 7	09/08/201 7	16/08/201 7	23/08/201 7	30/08/201 7	06/09/201 7
BUTTER	€ 6,180	€ 6,280	€ 6,280	€ 6,213	€ 6,300	€ 6,433	€ 6,592	€ 6,683	€ 6,858	€ 6,892
SMP	€ 1,882	€ 1,883	€ 1,785	€ 1,762	€ 1,775	€ 1,775	€ 1,768	€ 1,735	€ 1,727	€ 1,677
WP	€ 873	€ 850	€ 853	€ 850	€ 827	€ 807	€ 797	€ 790	€ 767	€ 733

Dutch official prices										
	05/07/201 7	12/07/201 7	19/07/201 7	27/07/201 7	02/08/201 7	09/08/201 7	16/08/201 7	23/08/201 7	30/08/201 7	06/09/201 7
BUTTER	6,140 €	6,140 €	6,140 €	6,190 €	6,300 €	6,500 €	6,550 €	6,800 €	6,850 €	6,950 €
FCMP	2,940 €	2,950 €	2,950 €	3,050 €	3,100 €	3,100 €	3,100 €	3,100 €	3,100 €	3,100 €
SMP Food	1,850 €	1,790 €	1,740 €	1,740 €	1,740 €	1,740 €	1,720 €	1,720 €	1,720 €	1,660 €
WP	870 €	850 €	840 €	830 €	830 €	810 €	790 €	780 €	760 €	710 €

ETS FREDDY

NZX FUTURES

	03/07/2017	05/07/2017	17/07/2017	05/07/2017	31/07/2017	02/08/2017	14/08/2017	17/08/2017	01/09/2017	08/09/2017	in €
SEPT	\$3,090	\$3,250	\$3,200		\$3,300	\$3,240	\$3,320	\$3,260	\$3,240	\$3,125	€ 2,590
OCT	\$3,100	\$3,230	\$3,200		\$3,290	\$3,250	\$3,325	\$3,290	\$3,255	\$3,110	€ 2,578
NOV	\$3,125	\$3,250	\$3,200		\$3,260	\$3,260	\$3,350	\$3,300	\$3,245	\$3,090	€ 2,561
DEC	\$3,150	\$3,225	\$3,200		\$3,245	\$3,270	\$3,335	\$3,260	\$3,220	\$3,075	€ 2,549
JAN	\$3,160	\$3,250	\$3,200		\$3,250	\$3,275	\$3,295	\$3,265	\$3,220	\$3,075	€ 2,549
FEB	\$3,175	\$3,260	\$3,175		\$3,250	\$3,275	\$3,300	\$3,265	\$3,210	\$3,075	€ 2,549
MAR	\$3,175	\$3,275	\$3,175		\$3,200	\$3,275	\$3,290	\$3,265	\$3,210	\$3,075	€ 2,549
APR	\$3,160	-			\$3,250	\$3,275	\$3,290	\$3,300	\$3,250	\$3,120	€ 2,586
MAY	\$3,150	-						\$3,300	\$3,225	\$3,145	€ 2,607
JUNE 2018	\$3,140	-							-	\$3,160	€ 2,619
JUNE 2017	\$3,100	-							-		-
AUG	\$3,100	\$3,000	\$3,200	-		\$3,230	\$3,190	\$3,195			
	03/07/2017	05/07/2017	17/07/2017	05/07/2017	31/07/2017	02/08/2017	14/08/2017	17/08/2017	01/09/2017	08/09/2017	in €
SEPT		\$6,650	\$6,650		\$6,950	\$6,400	\$6,350	\$6,400	\$6,450	\$6,460	€ 5,355
OCT		\$6,600	\$6,625		\$6,950	\$6,350	\$6,300	\$6,380	\$6,425	\$6,460	€ 5,355
NOV		\$6,550	\$6,575		\$6,900	\$6,300	\$6,250	\$6,360	\$6,380	\$6,460	€ 5,355
DEC		\$6,500	\$6,525		\$6,850	\$6,250	\$6,250	\$6,340	\$6,320	\$6,350	€ 5,264

JAN 18		\$6,450	\$6,475		\$6,800	\$6,200	\$6,160	\$6,250	\$6,170	\$6,300	€ 5,222
FEB		\$6,400	\$6,340		\$6,750	\$6,200	\$6,100	\$6,200	\$6,200	\$6,250	€ 5,181
MAR		-			\$6,750	\$6,200	\$6,050	\$6,200	\$6,100	\$6,200	€ 5,139
APR		-			\$6,550	\$6,200	\$6,050	\$6,150	\$6,170	\$3,145	€ 2,607
MAY		-						\$6,100	\$6,170	\$3,160	€ 2,619
JUN		-							\$6,100		-
JUL		-							-		-
AUG		\$6,750	\$6,750		\$7,075	\$6,400	\$6,400				

Country overview

ARGENTINA

(a) No positive developments yet on the SanCor front, but apparently the continued slow loss of milk suppliers continues.

(b) Taken from a study by Patricia Laura ENGLER , Laura Beatriz GASTALDI , Magdalena Rosa MARINO , Ignacio ESNAOLA , Enrique CARTIER

	Nov-16	Jul-17
Dairy distributors		
sales value		100%
distribution margin	45.73%	43.95%

Dairy processors

sales value		100%
processor margin	50.55%	46.11%

Dairy producers

sales value	82.11%	92.28%
meat value	10.38%	7.72%
producer margin	-7.50%	15.79%

ETS FREDDY

AUSTRALIA

- (a) From SBS, Aug 22nd : « ...Australia's biggest dairy processor, Murray Goulburn, could have become a takeover target as plummeting milk supplies pushed the business to a full-year loss of \$371 million. Murray Goulburn's dairy suppliers have been deserting the troubled co-operative after it unexpectedly slashed its farmgate milk price in April 2016, sparking chaos across the industry. On Tuesday the co-op announced its milk supply dropped by almost 22 per cent to 2.7 billion litres in 2016/17 as other dairy processors paid farmers more for their milk. It expects its milk supply to drop further in the current financial year, to about two billion litres. In July, Murray Goulburn had expected a milk intake for 2017/18 of about 2.3 billion litres; in June, the forecast had been about 2.5 billion litres.

- (b) From Dairy Australia :

	2016/17	2017/18	
Tonnes	Jul - Jul	Jul - Jul	% Change
<i>Butter</i>	1,482	1,234	-16.8%
<i>Butter Oil</i>	992	320	-67.8%
<i>Cheddar **</i>	3,817	3,520	-7.8%
<i>Other Cheese **</i>	7,582	7,855	3.6%
<i>Milk</i>	15,378	14,537	-5.5%
<i>SMP</i>	8,450	18,333	116.9%
<i>WMP</i>	8,735	5,602	-35.9%
<i>Whey Products</i>	2,936	2,957	0.7%
<i>Mixtures</i>	10,114	9,326	-7.8%
<i>Other Dairy Products</i>	5,255	5,380	2.4%
Total	64,740	69,064	6.7%

CHINA

(a) I don't know *when* but it seems that Starbucks bought out their Chinese partner from their Chinese JV . The point? They paid us\$1,3 bln for his share. Obviously somebody believes in a rising Chinese middle-class !

(b) "Take the fight to the enemy" : it seems that (Bloomberg August 31st) Chinese infant formula producers are going global to regain market share " ... Feihe International Inc. is the latest company to invest in overseas manufacturing, spending C\$300 million (\$238 million) to build a plant in partnership with Canada Royal Milk in Ontario. That follows similar moves by Inner Mongolia Yili Industrial Group Co., which has invested in plants in the U.S. and New Zealand, and Yashili International Holdings Ltd..." And of course you have read over the last years about all the Chinese JV-s in Europe. Originally to produce for the Chinese market, but surely that is not the only market in the world....

(c) And again Bloomberg : Barry Callebaut is eyeing China: “ ... the world’s largest cocoa processor, has come up with the first new natural color for chocolate since Nestle SA started making bars of white chocolate more than 80 years ago. While it has a pinkish hue and a fruity flavor, the Zurich-based company prefers to refer to it as “ruby chocolate.

The new product may help boost sales in a struggling global chocolate market that producers hope has touched bottom.

(d) I read somewhere that China was funding a dual carriageway from Lusaka to Ndola. 321 KMS; US\$1,2 billion loan. Nearly 10,000 jobs. It will link central and southern parts to the copperbelt. [*What is the EU doing I wonder? I think we’re gazing at our navel and moaning....*]

FRANCE

(a) This is about China, but I read the article in my Flemish newspaper and it was confirmed by France Agricole : Chinese authorities are stopping/blocking the import of soft cheeses (camembert, brie, époisses) and some blues (roquefort, bleu, fourme d’Ambert), and some goats’ milk cheeses..Hard rind (raclette, comté, beaufort, gruyère, emmental, tomme de Savoie)cheeses seem free, as are italian (?) mozzarella .

[In my opinion, this is an absolutely typical or is it natural? development: China will slowly, slowly make it difficult for us to export dairy products to them. Although, in view of the future for drinking water, they should always exempt UHT/fresh/sterilised drinking milk]

(b) by pure chance, water follows:” Danone owns VOLVIC [*and Evian*] .This Company produces 7 millionbottles of water p.d. Yes, per day ! 70% of which is exported.”

(c) €333, 73 was the average price paid in June for French milk : during Q1 it was €344,39

Milkfat during the whole calendar year so far, is also down by about 0,18 g/l :[*a significant amount I think*]

GERMANY

(a) Butter in 250g in Kempten went from €6,92 to €7,06

Not unexpectedly, buyers of bulk butter are a little more hesitant to commit forward at current prices

(a) German milk supplies;



INDONESIA, September 6th

Summary of key points

- ∞ Indonesia's Ministry of Agriculture has advised importers to Indonesia it would stop issuing import recommendations for retail ready milk products including fresh (pasteurised) milk, liquid milk (UHT, sterilised and evaporated) and sweetened condensed milk/creamer.

RDY

- ∞ These products would only be allowed if they are to be used as an input for industrial production or for further processing in Indonesia.
- ∞ The justification given by the Ministry of Agriculture was that imports would only be allowed if domestic production was insufficient and/or products could not be produced domestically.
- ∞ Exporters to Indonesia are strongly encouraged to ensure that an import permit has been issued by the Indonesian authorities prior to preparing product for / exporting to Indonesia.
- ∞ The department will continue to make representations on this matter and will keep industry informed of any changes.
- ∞ Please refer to Market Access Advice 2015-02 for previous advice on import restrictions on 1L UHT milk.
- ∞ The Manual of Importing Country Requirements (MCoR) will be updated to reflect these changes.

IRELAND

(a) Thank you Seán Cummins of Agriland for this :

.... Irish dairy farmers were paid a base milk price of 34-35c/L (including VAT) for milk collected during the month of July...

.. Jim Bergin of Glanbia said about factors which (will) influence price : 1 weather.... 2 France and Germany have recovered their position and are getting back to parity with last year... 3 a weaker US dollar, higher European production and the potential for strong supplies from New Zealand all need to be considered....

When the three of those come together on a more level playing field than there was, and you see the US with a stockpile of cheese and skim, it will have a sobering effect on the market to some degree.

(b) From Agriland again, thanks Sylvester Phelan :

More than half (51%) of professionals working within the agri-food industry believe that Brexit could offer a positive opportunity for Ireland,.... marks a significant increase in positive sentiment,

Reasons??

The main reasons given included:

Brexit will reduce our dependence on the UK and encourage new market opportunities (37%);

Brexit will mean that Ireland is the only English-speaking country in the EU (as a first language), which presents us with an advantage (16%);

Ireland's unique relationship with the UK will give us an advantage over other EU countries (13%);

Brexit will increase the need for innovation within the industry (12%).

NETHERLANDS.

- (a) Friesland C. guaranteed price for September is €40,5 per 100 kilos.
But DOC is snapping at their heels (for the moment)

Voorschotmelkprijs DOC Kaas (exclusief BTW) bij 4,41% vet en 3,47%					
	Veltprijs in €/kg	Eiwiltprijs in €/kg	- Jaarleverantie 800.000 kg - Gemiddelde duurzaamheids- en weidetoeslag € 0,90 (excl. NL weidetoeslag)	- Jaarleverantie 800.000 kg - Maximale duurzaamheids- en weidetoeslag € 2,25	- Jaarleverantie 1.100.000 kg - Maximale duurzaamheids- en weidetoeslag € 2,25
Januari	2,926	5,851	33,07	34,42	34,71
Februari	2,926	5,851	33,07	34,42	34,71
Maart	2,926	5,851	33,07	34,42	34,71
April	2,926	5,851	33,07	34,42	34,71
Mei	3,017	6,034	34,10	35,45	35,74
Juni	3,109	6,217	35,14	36,49	36,78
Juli	3,291	6,583	37,22	38,57	38,86
Augustus	3,474	6,948	39,29	40,64	40,93
September	3,566	7,131	40,33	41,68	41,97

.(“Gemiddeld” is average)

This is all because milk supply has really taken a tumble.

- (b) SMP: in the 24th week of this year, price was not quite €2000. For this coming week, quotes are more around intervention level of €1670
- (c) Dutch milk supply so far this year to July (incl) :0,73% less, compared to July’16.
It is reported that milkfat in milk showed an even bigger drop, though actual figures not easy to find.

SILVER NANOPARTICLES

- (a) in polymeric matrices for fresh food packaging

Nanosilver-including containers are innovative concepts in active food packaging to prolong the shelf-life of food and the quality maintenance. In modern packaging strategies the adsorbent pads are extensively used to adsorb fluids exuded from fresh food. To avoid the health risks associated with food storage it is very important to exert a control of the loads of spoilage-related microflora of adsorbent pads, over all for meat and fish storage containers. This is effectively achieved by food packing in AgNPs embedded matrices. Two main distinctions can be made, based on the type of matrix, whether it is edible or non-edible. In both cases, the shelf life of fresh foods such as, meat fruit and dairy products are significantly increased by biocide effects against E. Coli, Salmonella, L. monocytogenes and S. aureus, Pseudomonas spp. Concerns about possible AgNPs toxicity caused EU and USA food safety authorities to enforce regulations in the their use in actual food packaging, the limits being set on the Ag⁺ migration to the packed food. Evaluations made on the Ag⁺ migration from AgNPs to packed food in several usage conditions indicates that acidic food, microwave heating and the use of nanofillers may increase the migration, the actual Ag⁺ concentration, staying below the limits set by safety authority.

(d) And a report (from Agrindus, an agribusiness company located in São Carlos, São Paulo state, Brazil, has increased the shelf life of grade-A pasteurized milk from seven to 15 days.) This feat was achieved by incorporating silver-based nanoparticles with bactericidal, antimicrobial and self-sterilizing properties into the rigid plastic bottles used as packaging for the milk.

URUGUAY

Conaprole will pay the equivalent of us\$ 0,34 per liter of milk with 3,67% fat and 3,38% proteins for the milk supplied in August. This was 7,7% more than the quantity of milk supplied in August 2016 and so far 2017 is running 2% ahead of 2016.

USA

(a) Thank you Matt (Dairy Market Analysis) for these snippets;

“...a little more butter available on spot market...even for export...stocks at 59,1 days usage compared to average 51,3 ...”

“...in July, USA exported least milk solids in the last 6 months...”

“ ...imports uninteresting, except for IRISH butter imports: Kerrygold has 2,6% of the branded retail sector !

From Matt’s chart, I’d judge that 75% of USA imports are Irish. And in July, imports were nearly 6 million pounds

(b)And John (Rice Dairies) points out some weird things in the whey/cheese markets;
“...Dairy Products report had some big surprises in it. To begin with, it listed inventories as jumping by 12 million pounds month to month. Production of whey jumped by 11 million pounds, while at the same time WPC80 jumped 1.4 million pounds. WPI actually decreased by 900,000 pounds. On a net whey solids increase, this would imply about 13 million pounds of whey solids increase... I am not sure which one is wrong: either whey production is too high or cheese production is too low. Possibly, they are both off....”

(c)Maybe from July, but still interesting I think 😞 (Farm Journal’s Milk) : “

The European Union is bent on getting geographically-relevant cheese names banned from use in any place other than their native country. That would put names like Gorgonzola, Mozzarella, Provolone and others out of business, at least here in the U.S.

By aggressively negotiating with countries around the world for these “geographical indications” (GI), the EU hopes to gain exclusive use of these common food names. According to the U.S. Dairy Export Council (USDEC) and an Informa Economics IEG report, if the EU effort is successful it would cost the U.S. dairy industry billions of dollars, slash domestic cheese consumption and increase consumer prices.

The big deal is ongoing negotiations between the EU and Mexico. A GI barrier in Mexico would be a significant impairment to U.S. exports. “If we allow the Europeans to monopolize certain terms for cheeses, that will make it difficult to market much of what we produce in this country,” Vilsack told the committee today

Michael

ETS FREDDY BAINES S.A. ANTWERP BELGIUM

ETS FREDDY

Pundit.co NZ
October 25th, 2014
[Tim Watkin](#)

number of dairy cows in this country -- currently 4.7 million on 1.7 hectares of land and growing -- then a drop in water quality and environmental standards is inevitable.

CEO Theo Spierings reckons 2-3% more dairy over the next decade is feasible given the size of the country

The staggering story we found researching the interview was the Australian dairy boss saying that given the number of live cows it's importing China "should" be self sufficient in dairy in five years.

FARMERS MUST LIMIT THE AMOUNT OF nutrients the cows spill out into the environment.
In Canterbury, there were 200,000 cows in 1994. Today, there are more than 1.2 million.

A farm producing 100,000 kilos of milk solids should have a cash surplus of about 1 million NZ\$, which should allow it to do maintenance, repair work and pay off some debt.

Agfirst has drawn up a model which shows that the break-even in Waikato could be \$5.73 for this coming season. DairyNZ was talking about \$5.45.

For the season 2016-2017, farm profit was \$80k [I presume as average for the same group which allowed AgFirst to calculate the above break-even] . The year before it was minus \$182,700

Top 10 dairy companies in 2016, based on Turnover (blns of euro)

Nestle	21.7
Danone	16.6
Lactalis	16.3
Dairy Farmers of America	12.2
Friesland Campina	11.1
Fonterra	10.8
Arla Foods	8.9
Yili	8.1
Saputo	7.6
Mengniu	7.4

NZ milk production for the 12-months through June 2017 down 0.9% (-0.5% on a milksolids basis)