



Issue 15 – 25 July 2014

Global Developments

In a result that surprised many observers, GlobalDairyTrade (GDT) saw another sharp decline at event 120 last week, with the GDT Price Index closing 8.9% lower. AMF and WMP were the hardest hit amongst the volume products, averaging US\$3,250/t (down 9.9%) and US\$3,088/t (down 10.7%) respectively. Having lost 14% on average last auction, butter pricing was relatively steady this time around, easing 1.1% to US\$3,144/t. At an average of US\$3,516/t, SMP prices remain well above those for WMP, with a fall of 7.7% only widening the gap. Buttermilk powder was the only product to post an average increase: up 7% to US\$4,426/t. Full results at www.globaldairytrade.info

Canada's largest dairy cooperative Agropur is set to acquire the dairy processing assets of US-based cheese and dairy ingredients business Davisco Foods International, according to a joint announcement this week. Agropur's US processing operations will double on completion of the transaction (scheduled for August 1, 2014) and its global milk intake will increase by 50%. Davisco processes around 1.7 billion litres of milk into 170,000 tonnes of cheese and 80,000 tonnes of whey ingredients each year, while Agropur processes 3.4 billion litres into a range of branded products across its 32 plants in Canada and the United States.

New Zealand's High Court has ruled that Danone's legal action against Fonterra in relation to last year's WPC80 scare (and associated product recall) should wait until the conclusion of an international arbitration process between the parties in Singapore. The 'substantial degree of factual overlap' between the claims in both cases and a previous agreement to settle legal claims through the arbitration process were cited by Justice Geoffrey Venning in judging that 'it would not be in the interests of justice for both claims to proceed in tandem.'

In another example of how major global players are expanding investment behind borders, Friesland Campina Vietnam officially launched construction of a 'dairy zone' in the Duy Tien District of Vietnam's Ha Nam Province. Friesland Campina is managing and executing direct investment in the public-private partnership project which is ultimately expected to include 3 zones, each with about 50 farms. Friesland Campina's support will also include financial assistance for farmers, technical advice, and the establishment of feed supply and milk quality systems. Friesland and its local and international public and private sector partners are aiming to found the dairy zones on family farms, with herds building to 50-80 head, which will provide employment and income as well as lessen reliance on imported milk. Vietnam's per capita annual milk consumption is low by developed country standards, at around 15 litres, and domestic fresh milk production is estimated to meet only 30% of demand. But sustained income growth for the 90 million plus population is expected to support per capita milk consumption growing to 28 litres by 2020.

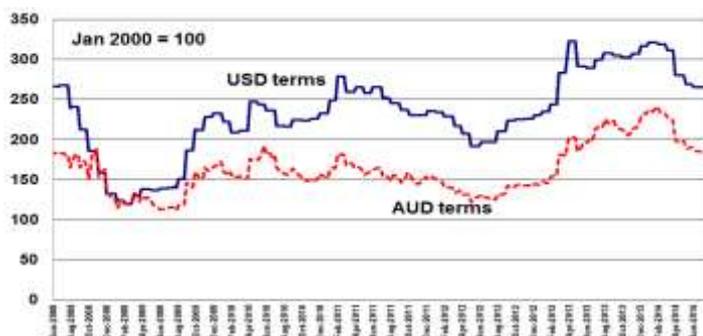
The Australian Front

It took until the very last month of the 2013/14 season, but Australian milk production has exhibited some modest growth on the prior season: sustained double-digit growth from Tasmania and Victoria underpinned June's 659 million litres to take the season total to 9.238 billion, 0.4% up on 2012/13's 9.200 billion.

Murray Goulburn (MG) is partnering with CowBank to help with establishing a herd through 'Next Generation Herd Start,' as part of its Next Generation package to support the entry of young farmers into the industry. The pilot programme is aiming to provide financial support for herd purchases to between 12 and 15 farmers during the next year and is expected to benefit especially young farmers who would otherwise lack the equity to access finance.

Bega Cheese (BGA) announced to the Australian Stock Exchange (ASX) that it would not have to pay an additional \$13.3 million in tax as implied by an Australian Tax Office (ATO) audit position paper earlier this year. The ATO reversed its previous position after receiving more information from the company's subsidiary Tatura Milk Industries (TMI).

A quick reminder that the Australian Dairy Farm Investment Forum will take place in Melbourne on 15 September 2014. This will be a unique event not only for prospective investors but farmers looking at different capital raising options. See: <http://www.dairyaustralia.com.au/Industry-information/Dairy-events-calendar/Melbourne/Australian-Dairy-Farm-Investment-Forum.aspx>



Australian Export Index (Base = 100 at Jan 2000)

	This Week	Last Month	3 Months ago
Index (USD)	265.0	265.0	280.0
Index (AUD)	184.9	184.9	197.9
AUD/USD	0.9392	0.9394	0.9274

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