



Issue 3 – 07 Feb 2014

Global Developments

A new Farm Bill is close to reality in the US, where President Obama is expected to sign the Agricultural Act of 2014 into law today (US time). The bill shifts policy away from direct payments and price supports to improving crop insurance tools and providing a new, voluntary livestock margin protection program. It also includes cuts to food stamp programs as well as reforms to conservation and land programs, and provisions to strengthen livestock disaster assistance and support for beginning farmers.

Commodity prices shrugged off a late increase in offer volumes and the Chinese New Year holiday at this week's GlobalDairyTrade auction (event 109), where the GDT Price Index rose 0.5%. Powders were stable to slightly higher: SMP steady overall at US\$4,746/t on average, and WMP up 1.4% to US\$5,005/t. Cheddar retraced some of its recent gains, down 4.3% to US\$4,935/t. AMF (up 1.2% to US\$5,569/t) and butter (up 2.6% to US\$4,775/t) prices showed continued strength, though DairyAmerica product eased slightly: www.globaldairytrade.info

European dairy giant Arla Foods has announced a €332million (A\$488m) investment program aimed at boosting capacity and improving energy and water efficiency. Arla plans to double its exports to growth markets outside the EU by 2017, targeting Russia, China, the Middle East and Africa.

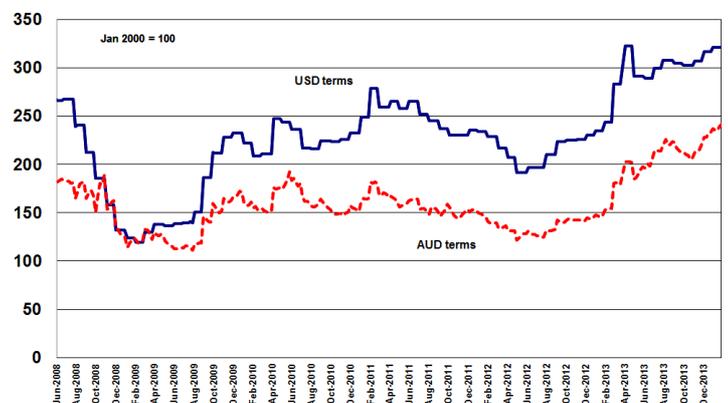
US regulator Commodity Futures Trading Commission (CFTC) has registered NZX as a Foreign Board of Trade under the US Commodity Exchange Act. NZX can now offer direct access to its dairy derivatives: WMP, SMP and AMF futures, and WMP options.

The Australian Front

Bulla Dairy Foods (Bulla) announced last week that it would build a new milk separation plant at its Forest Street, Colac site. Bulla operations general manager James Downey told local media that the \$7m investment did 'not impact...reliance on sourcing raw milk from...existing third-party dairy suppliers, and [the project did not] represent an entry into direct farm supply.' Mr Downey said the new plant, including two 150,000-litre milk silos, would ensure that Bulla had 'consistent and cost-effective supply of fresh premium cream, skim and whole milk' in the context of a volatile market. Designed for cream, cottage cheese and yoghurt manufacture, Bulla's Forest Street site came online in 2002; this latest development at the site gives Bulla options beyond securing supply above the site's existing requirements.

United Dairy Power (UDP) earlier this week confirmed that its founder Tony Esposito had agreed to sell the business to Hong Kong businessman William Hui—for \$70m according to *The Australian Financial Review*. UDP management stated that there were 'no plans to change any supplier arrangements, and no changes are expected to the company's day-to-day operations.' Established in 1999, UDP has expanded beyond a milk-broking focus into a business with logistics and manufacturing capabilities, and a turnover of more than \$200m and profits over \$15m. In late 2011, UDP acquired Lion's South Australian cheese plants at Jervois and Murray Bridge, with combined output of 15,000 tonnes of butter, whey powder and 'Caboolture'-branded cheese.

Saputo (SAP) announced to the Australian Stock Exchange (ASX) on 6 Feb that it had a 79.13% interest in Warrnambool Cheese & Butter (WCB). Having gained control of WCB, CEO Lino Saputo indicated that the Canadian company sees potential for 'some other small tuck-in businesses in Australia...and New Zealand [and Brazil, the USA...] looks pretty interesting...as well.' Consolidation to come?



Australian Export Index (Base = 100 at Jan 2000)

	This Week	Last Month	3 Months ago
Index (USD)	320.9	320.9	307.1
Index (AUD)	238.8	235.4	212.5
AUD/USD	0.8807	0.8934	0.9473

Contact: **Glen Fisher** • Phone **(03) 9694 3731** • Email gfisher@dairyaustralia.com.au

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