

Fortnightly Update

Issue 24 – December 7, 2012

Global Developments

Recently released data from the EU indicates **manufactured production of butter and SMP has begun to fall behind 2011 levels on a monthly basis, as milk intake slows**. August production of butter was 5.0% down on the same month in 2011, whilst SMP output trailed by 4.6%. **Both products are still up on a year-to-date basis however** – butter by 2.5% to 1,339,000 tonnes, and SMP by 3.3% to 841,000 tonnes. The same cannot be said for WMP (a lower volume product in Europe), the production of which was down 5.5% on last year for August, and 3.3% year-to-date at 481,000 tonnes.

After a protracted development and approval process, the **Fonterra Shareholders' Fund (FSF) is up and trading as of Friday November 30th** on the Australian and New Zealand stock exchanges. Opening at NZ\$6.66 (A\$5.28) after the NZ\$5.50 pre-list price at the very top of the proposed range, **the units gained almost 25% on their first day of trading to close at NZ\$6.85**. Prices continued to firm on Monday, before retreating slightly over the course of this week to **close yesterday at NZ\$6.69 (A\$5.30)**. Under the structure of the US\$432million (A\$413m) float, unit holders earn the right to dividend payments, but not voting rights - which remain restricted to Fonterra's 10,500 NZ farmer shareholders. The first non-NZ investor to disclose a substantial shareholding, **Australia's Commonwealth Bank holds 7.4% of the units** via associated funds, according to a substantial shareholder notice lodged yesterday.

Another major NZ dairy transaction with a complicated history has finally been completed, with the sale of **16 former Crafar farms settling after two years of political and legal challenges** since the receivers initially accepted the offer by China's Shanghai Pengxin. The purchase price was around NZ\$200million (A\$158m).

This week's Global DairyTrade (GDT) event (#81) concluded with the **Trade-Weighted Index (TWI) easing 2% amidst generally softer prices** for most commodities. **AMF was a notable exception, with prices tightening a further 3.7%** to US\$3,197/t in line with a wider uptick in fat prices. SMP eased 1.0% to US\$3,362/t whilst maintaining its premium over WMP, which averaged US\$3,170/t (down 3.5%) – **weighed down by large inventories** associated with a strong NZ season to date. Full results at www.globaldairytrade.info

The Australian Front

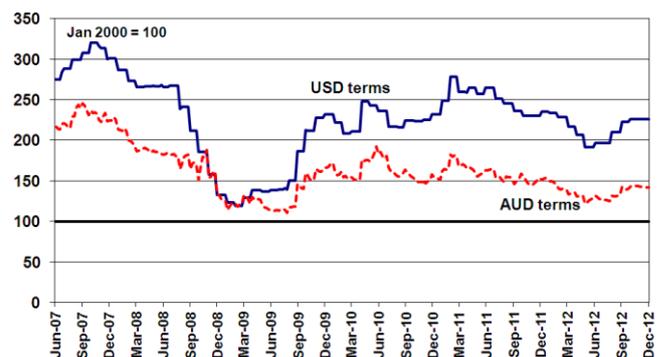
French giant **Lactalis has acquired the Menora Foods-owned specialty cheese manufacturer Jindi** for a reported \$20m. *The Australian* reported that Lactalis, which controls Parmalat Australia, **intends to retain Jindi's existing staff and management and look at further expanding the business**. Victorian-based Jindi accounted for 5.0% of the \$276.8m 'Entertaining' cheese sub category according to the latest available data from *RetailWorld*.

Norco Co-operative has bought back the licensing rights to its branded fresh milk and dairy products from Fonterra Brands. The deal sees the Lismore based company re-enter the marketing, sales and distribution business; **hoping to capitalise on 'a demonstrated consumer loyalty to regional brands** and new-found interest in a co-op that adds value to its members' milk.'

Aussie Farmers Direct (AFD) and Organic Dairy Farmers are investing \$1.2m to manufacture butter at AFD's Camperdown factory. AFD CEO Peter Skene expects the factory to **produce 1-2m butter packs in the initial 12 months of operations**. The plant's two butter lines will supply butter to be sold under the Aussie Farmers Direct brand in addition to a certified organic butter to be sold under Organic Dairy Farmers' own brands.

Nestlé's acquisition of Pfizer Nutrition in Australia has been approved by the Australian Competition and Consumer Commission (ACCC) conditional on the global giant (a) **selling an exclusive 10-year license for Pfizer's local infant nutrition brand portfolio** to an ACCC-approved independent purchaser, and (b) **agreeing to a further 10-year 'blackout period'** that prohibits Nestle from marketing Pfizer's brands.

Export Index



Australian Export Index (Base = 100 at Jan 2000)

	This Week	Last Month	3 Months ago
Index (USD)	226.1	226.1	223.1
Index (AUD)	141.9	142.4	142.3
AUD/USD	1.0441	1.0406	1.0271