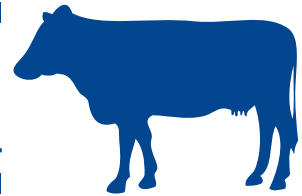


DAIRY WEEK



The Weekly bulletin on the Australian and New Zealand dairy industry and international markets

Week beginning 25 January 2010

www.dairyweek.com

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Dairy Week

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EDITORIAL - Oceania production hit by dry conditions

Supply issues still dominate the dairy scene in both New Zealand and Australia.

The drought gripping New Zealand's Northland province is worsening with the strong winds and lack of rainfall. But other key dairying regions are also feeling the impact of the El Nino weather pattern which has dominated the New Zealand spring-summer period to date.

Milk production across Australia is also well down. Victoria, the country's major dairy state, recorded a 10% drop in milk production for November, compared to the month the previous year. Overall states, milk production was back 6.8%.

A recent United States Department of Agriculture report, detailed in this issue of Dairy Week, presents an interesting picture

of future supply and demand, and its impact on prices. The key message is that higher demand, both foreign and domestic, along with reduced production should lead to higher prices.

Meantime, it is interesting to hear of Oceania Dairy's confidence it will raise the capital required to set up a dairy processing facility at Waimate, in the Canterbury region of the South Island of New Zealand. The company claims it has strong support from local farmers and investors, keen to pump in the NZ\$74.75 million it was seeking to build its plant.

The facility will be very near existing sites operated by Fonterra and other, smaller dairy sector companies, making the competition for milk supply very intense.

DAIRY MARKET REVIEW Date 22 January 2010

NZX Agrifax

USD per tonne

	22-Jan-10	15-Jan-10	08-Jan-10	01-Jan-10	25-Dec-09	23-Jan-09
Butter	3750	3750	3750	3800	3800	1900
Skim milk Powder	3000	3100	3150	3200	3250	1800
Whole milk Powder	3300	3350	3350	3450	3500	2000
Cheddar Cheese	4000	4100	4150	4250	4250	2950
Casein	8250	8350	8450	8600	8600	6500

NZX Agrifax Commentary:

Dairy commodities continue to look unsettled after retreating further last week.

Skim milk powder took the heaviest hit. A little over 3% was removed from its value as it eased from US\$3100/tonne to US\$3000/tonne. Pressure is likely being applied as Europe and US production begins to build.

Cheddar dropped nearly 2.5%, as it slipped from US\$4100/tonne to US\$4000/tonne. Meanwhile, butter has remained firm for the

past three weeks. However, it may soften in the coming weeks as pressure continues to mount on its current price levels.

Whole milk powder lost a small US\$50/tonne and is now at US\$3300/tonne, bringing the total fall so far for the month to US\$150/tonne.

The NZX Agrifax weighted average commodity price has had its sixth consecutive week of falls. Over this period it has lost a total of US\$240/tonne and is currently at US\$3900/tonne.

Cadbury consents to Kraft takeover

FoodWeek Online 20 January 2010

UK confectionary company Cadbury has after months of wrangling accepted the takeover bid from US food giant, Kraft Foods, reports FoodWeek Online.

“The board of Kraft Foods is pleased to announce the detailed terms of a recommended final offer for Cadbury and the board of Cadbury unanimously recommends Cadbury security holders to accept the terms,” a joint statement said.

The deal is worth 840 pence per share or £11.5 billion (AU\$20.28 billion).

Kraft is to pay 500 pence in cash and 0.1874 Kraft Foods shares per Cadbury share.

“In addition, Cadbury shareholders will be entitled to receive 10 pence per Cadbury share by way of a special dividend following the date on which the final offer becomes or is declared unconditional,” the statement added.

“The terms of the final offer reflect the strength of Cadbury’s business, its brands and the future potential for growth through the combination of Kraft Foods and Cadbury.”

FULL STORY

Comment:

Unite the Union Release 19 January 2010

The successful bid by US giant Kraft for Cadbury marks a “very sad day for UK manufacturing,” Unite the Union said on Tuesday.

Kraft is thought to have persuaded large institutional shareholders that an increased bid for Cadbury is enough to swap a 200-year history of growth and independence for a place within the conglomerate’s growing portfolio.

Unite said that the increased bid, an estimated £12 billion, and the continued exclusion of workers and key shareholders from the takeover consultation, means its concerns for

Cadbury’s future and the future of nearly 7,000 workers in the UK and Ireland very much remain.

Jennie Formby, Unite’s national officer for food and drink, said: “This is a very sad day for UK manufacturing. A successful, iconic, independent UK brand will now be owned by a giant company with massive debt”.

“We have very real fears about how Kraft will repay its debt, particularly as it has ratcheted it up still further in order to purchase Cadbury. Whatever good intentions Kraft may have towards Cadbury’s workforce, the sad truth is there will be an irresistible imperative to pay down their debt, and this raises real fears for jobs and investment in this country.”

FULL RELEASE

Just-food.com/Katy Humphries 19 January 2010

However, Kraft Foods has dismissed such concerns of job losses and site closures in the UK, harking back to its earlier pledge that the US Food giant would not reduce Cadbury’s UK factory footprint, reports Just-food.com.

“We expect to continue with a significant presence in this market and we believe that advanced scale will allow us to continue to invest in Cadbury facilities, such as Bournville,” said Kraft chairman and CEO Irene Rosenfeld

“We expect to be a net importer of jobs to the UK.”

However it has also been revealed that Kraft is targeting annual cost savings of US\$675 million.

“Kraft said that the combined company will be able to reduce operational costs by US\$300 million a year, general and administrative expenses by US\$250 million and marketing and selling costs by US\$125 million,” reports Just-food.com.

FULL STORY

FrieslandCampina sees significant changes in dairy sector by 2020

FrieslandCampina Release 14 January 2010

By 2020, the dairy sector, FrieslandCampina and the applications for which milk is used will all look very different to the way they are now, said FrieslandCampina CEO Cees ‘t Hart to 700 young FrieslandCampina dairy farmers at the first FrieslandCampina youth day.

Mr ‘t Hart stressed that he was not using the youth day in Arnhem, the Netherlands, to unveil FrieslandCampina’s new strategy. He was, he said, simply sharing his thoughts and views on how the dairy sector and FrieslandCampina might have changed by 2020. “We won’t be unveiling our strategy until later this spring. What I’ve been putting together for today’s event is a series of reflections and thoughts about 2020.”

Mr ‘t Hart predicted that dairy is to become one of the world’s most valuable foods. “By 2020, milk will be seen and handled the world over as one of the most valuable foods. The nutrients in milk will be recognised for their positive effects on human health. A balanced diet without dairy or milk components? Unthinkable – and inadvisable!”

He also designated northwest Europe as one of the leading production regions for dairy in 2020.

“Imagine yourself in a satellite and think about the earth needing dairy produce. Where would you produce it? Wherever it’s easiest and most logical to do so,” suggested Cees ‘t Hart.

“In northwest Europe, we can secure the global food supply with a minimum load on the environment and on our surroundings. Why? Because northwest Europe offers the best natural conditions for the production of milk and because the dairy farmers there have an unrivalled capacity to combine this

with modern technology.”

Mr ‘t Hart said he thought it quite possible that innovations currently being prepared by the Dutch Courage Foundation, such as the Cowfortable initiative, would have been broadly rolled out by 2020.

Mr ‘t Hart then spoke how dairy and sustainability could no longer be an issue 2020.

“Imagine that by 2020, dairy and sustainability are no longer an issue. Existing problems will have been resolved in the decade in between. In other words, we will have sustainable enterprise, social acceptance and extra market opportunities,” suggested ‘t Hart.

Possible scenarios include FrieslandCampina’s plants running on green energy and dairy entrepreneurs being rewarded for low energy consumption per litre of milk produced.

Mr ‘t Hart stressed the role of dairy innovation between now and 2020.

Consumers currently know dairy and FrieslandCampina through its foods, which range from dairy drinks and milk powders to cheese and butter. In the ideas that Mr ‘t Hart unfolded to his audience, there was also a future role for the application of milk components in cosmetics and clothing. The use of milk components in food would continue to be vital, even though it could take a very different form. He even suggested the idea that dairy farmers might extract water from milk on their farms, which would then be used in other innovative applications.

FULL RELEASE

Probiotec buys out Dairy Farmers joint venture

Stock & Land 18 January 2010

Health supplement distributor Probiotec has bought all of Dairy Farmers' shares in the Australian Dairy Proteins joint venture the two companies set up in 2002, reports Stock & Land.

The joint venture manufactures dairy proteins from whey, including the only dairy-based high-purity immunoglobulins in the world, which Probiotec has Therapeutic Goods

Administration approval to use in pharmaceutical products.

Probiotec is currently negotiating with five large dairy companies to increase its supply of whey for its Malanda, Queensland plant, reports Stock & Land.

[FULL STORY](#)

Fonterra considering bond offer

Fonterra Release 20 January 2010

Fonterra announced on Wednesday that it is considering making an offer of senior unsecured bonds. The offer is expected to open in February/March 2010.

The issue will be for a maximum of NZ\$250 million. Fonterra will mandate ANZ, part of ANZ National Bank Limited; BNZ; and Westpac Institutional Bank, a division of Westpac Banking Corporation, as Joint-Lead Managers.

No money is currently being sought and no applications for securities will be accepted or money received unless the

investor has received a simplified disclosure prospectus.

Further details of the offer will be made available once a simplified disclosure prospectus is available prior to the offer launch.

Fonterra intends to use any money raised for general business purposes, including partial replacement of a €300 million Euro Medium Term Note maturing in April 2010.

[FULL RELEASE](#)

National Foods faces pressure again in Tasmania

Australian Food News/James Ferre 20 January 2010

National Foods looks like it will come under pressure once again in the Australian state of Tasmania, reports Australian Food News.

Having only just settled a dispute with its farmers in the region, it now faces pressure from milk distributors in Tasmania after it elected to go with transport company SRT Logistics for deliveries to the Coles and Woolworths supermarkets. The decision unfortunately comes at the expense of approximately 30 independent distributors.

Greg Marriott from the Amalgamated Milk Vendors Association said the news was unsettling for milk distributors in the state, reports Australian Food News.

"I'm hopeful that with what's happened with the dairy farmers that National Foods will sit down with the distributors and give us a fair hearing and meet with us honestly and openly," he said.

"Originally they told us that they would give us a chance to tender, but they didn't give us a chance to tender, we were just given the ultimatum that we were losing the business."

"There will be guys that will lose quite a bit of business and maybe even their livelihoods, so obviously they will go to the media, there's no doubt about it," he added.

[FULL STORY](#)

Arla Foods and Starbucks enter RTD coffee JV

Just-food.com 21 January 2010

Danish dairy company Arla Foods has entered into a joint venture with Starbucks in which it will manufacture, distribute and market Starbucks-branded ready-to-drink ("RTD") coffee beverages throughout Europe, reports Just-food.com.

"Starbucks is a super brand around the world, based on strong values and high quality products and we are very pleased about the fact that Starbucks and Arla will work together in the European RTD cold coffee business," said Arla CEO Peder Tuborgh.

Rich DePencier, vice president of Starbucks' international

consumer products business, said the company wanted to enter the Starbucks brand into the European market.

"The success we have had bringing ready-to-drink coffee products to consumers in North America and Asia demonstrates the global potential of the business and we are proud to join with Arla Foods to bring our premium RTD beverages to consumers in Europe," DePencier said.

[FULL STORY](#)

PEOPLE MOVEMENTS

Ex-Dairy Farmers boss appointed to key role in agri firm

Viterra Release 17 January 2010

Global agribusiness firm, Viterra Inc, has announced Rob Gordon's appointment as President South-East Asia and Senior Vice-President of Viterra.

Mr Gordon will work with the management team to successfully integrate and enhance the company's Australian and New Zealand operations to achieve higher performance and optimal operating efficiencies, with a focus on superior service to growers and customers. In the longer term, Mr Gordon will also work with the global executive management team to identify and pursue further growth of Viterra's presence in Australia, New Zealand and South East Asia, consistent with Viterra's overall plans for diversification and global growth.

"We are very pleased to welcome Rob to Viterra's leadership team. He has over 25 years of progressively senior strategic and operational management experience and in that time has demonstrated a wealth of innovation in the food industry," said

Mr Fran Malecha, Chief Operating Officer, Viterra.

Most recently, Mr Gordon served as the CEO and Managing Director of Dairy Farmers Pty Ltd. in Sydney, leading its transformation from a farmer owned co-operative to a leading Australian branded consumer goods company.

Prior to that, he was Managing Director for Goodman Fielder Consumer Foods Pty Ltd, successfully integrating its heritage companies including Uncle Toby's and Meadow Lea Foods and subsequently driving consistently profitable growth across a number of channels and categories. The early part of Mr Gordon's career was in Unilever where he had various operational roles across the supply chain in the UK, mainland Europe and Australia.

Mr Gordon's appointment is effective immediately.

[FULL RELEASE](#)

New Lactalis chairman appointed

Just-food.com/Stuart Todd 18 January 2010

French dairy group, Lactalis has appointed Daniel Jaouen as chairman, Just-food.com reports.

He steps into the shoes of Michel Leonard who decided to leave the company in order to spend more time with his family.

Mr Jaouen has been working for Lactalis for 20 years, previously in the role of director of international affairs.

[FULL STORY](#)

FARMGATE

WA farmers face another tough year

ABC News/Jessica Brown 19 January 2010

Dairy farmers in Western Australia are facing another tough year in 2010 with an oversupply of milk triggering a drop in farmgate prices, reports ABC News.

Fonterra Australia's prices in the region are down over 10 cents a litre in comparison to the same period in 2009 and Challenge Dairy is also predicting farmgate prices will average around 40 cents a litre during summer, a price that is around 5 cents a litre below the same period last year.

WA Farmers Federation representative, Peter Evans said the drop in prices was due to a number of factors.

"We've got two things working against each other, we've got rising international prices because there still is demand for milk and that is helping. But here in WA we've got a little bit too much milk because of our reduced processing capacity which is having a downward pressure on our price," he said.

He added that the problem is not helped by the importation of powdered milk into WA.

"Part of it is caused by one company bringing in milk powder to make their flavoured milks with, and part of it is UHT coming

into the state, so the demand for milk has quickly reversed in Western Australia."

He said that the use of powdered milk has become more widespread in the industry over the past year and that is having an impact on WA farmers.

"That's milk that's expected to come from Western Australia's farmers and it's not."

A recent survey by Dairy Australia found that 10% of WA dairy farmers were considering getting out of the industry, reports ABC News.

However, Mr Evans noted that WA was still doing better than the Eastern States.

"Western Australia was amongst the highest proportion of farmers who actually said they'll be producing more milk in three years than what they are now so there's obviously a group there that are still very, very positive," he said.

[FULL STORY](#)

New Zealand's Northland in drought

New Zealand Government Release 20 January 2010

The Government is coming to the aid of drought-stricken farmers in Northland, says New Zealand Agriculture Minister, David Carter.

"The Government has declared Northland as a medium-level drought zone, following a recent meeting of the Northland Rural Support Trust, and a drought recovery package is now in place to help affected farmers," said Mr Carter.

All three of Northland's districts – the Far North, Whangarei and Kaipara – are affected.

Drought relief measures offered by the Government include tax assistance for farmers under the Income Equalisation Scheme, farm management advice, welfare support and funding for Rural Support Trusts to provide help.

A record dry November and challenging spring conditions have led to poor pasture in many areas, which has dried out further with the recent low rainfall, high winds and temperatures.

"The situation in Northland is grim and if there is low rainfall through to March, as predicted, there won't be enough grass to feed livestock in many areas," said Mr Carter.

"As a farmer myself, I have real sympathy for the pain that farmers are feeling under these conditions. There is severe pressure on Northland rural communities."

Mr Carter said Ministry of Agriculture and Forestry staff will continue to actively monitor the situation and work with local Rural Support Trusts.

"I urge farmers in Northland to talk to their local Rural Support Trust and to seek advice if they are finding the conditions tough. The Government is fully committed to helping rural communities through this," says Mr Carter.

[FULL RELEASE](#)

Designer dairy farms for sale in NZ

FoodWeek Online 21 January 2010

Carter Holt Harvey is to sell 29 "designer dairy farms" around the Tokoroa region of New Zealand, hoping to bring in NZ\$224.5 million from the sales, reports FoodWeek Online.

The farms range in size from 218 to 726 hectares and are built on former forestry land.

"The farms represent the end process of converting forested

land back into a productive state," said senior agent for Bayleys, Mike Fraser-Jones.

The price tags for the farms range from NZ\$5.1 million to NZ\$10.4 million, reports FoodWeek Online.

[FULL STORY](#)

INDUSTRY STAKEHOLDERS

Dairy UK answers climate change critics

Dairy UK Release 18 January 2010

Dairy UK has responded to the conclusions of a recent report by WWF-UK and the Food Climate Research Network "How Low can we Go?: an assessment of greenhouse gas emissions from the UK food system and the scope for reduction by 2050".

Dairy UK Director General Jim Begg said: "WWF suggests removing some of the nation's most popular foods from the shelves...educating consumers to choose different foods and topping up a plant-based diet with supplements. Dairy UK believes that these are dangerous principles that will alienate consumers and the food industry alike."

"Dairy UK would be happy to work with WWF in a constructive fashion to tackle the environmental challenges that we all face – including radically lowering emissions from the food chain. But that means recognising the social, economic and cultural importance of the dairy industry.

"The conclusion that dairy farmers should be encouraged to invest in slashing their output as the world's population grows is unrealistic. And it is not sensible to advocate that consumers switch to a vegetarian diet, topped up with vitamin supplements. It is high time that environmental pressure groups recognised that dairy foods are in fact very efficient sources of nutrition."

"We hope that WWF will engage with the industry and support existing initiatives such as the Milk Roadmap, the Environmental Plan for Dairy Farming and the development of a carbon footprinting standard for dairy. Processors, retailers and dairy farmers are quietly making progress towards targets that will see a major reduction in emissions through more efficient handling of slurry, eliminating waste to landfill and using more recycled plastic in milk bottles."

"This is where the true greenhouse gas savings are being made."

- Since 1990, dairy farmers have reduced methane emissions by 14%
- Over the past nine years, dairy processors have reduced energy use per kilogram of product by 11%
- Half of the 130,000 tonnes of plastic used annually to make milk bottles will come from recycled sources by 2020
- Large processors will send no waste to landfill by 2015
- Large processors will use 30% less water by 2020

[FULL RELEASE](#)

Climate chief clears confusion over Copenhagen Accord

Newsroom/Marie McNicholas 21 January 2010

The United Nations' top climate official has admitted that a January 31 deadline for joining the Copenhagen Accord is a "soft" deadline and countries can choose to be part of the accord later, reports Newsroom.

Yvo de Boer's latest interpretation of the accord suggests it is a weaker document than its architects' have painted it and explains how New Zealand can breach the deadline while supporting the accord.

Mr de Boer says he has written to countries asking if they want to "associate" themselves with the accord, rather than adhere to it, and to indicate what emissions-cuts targets or actions they can take to combat climate change.

"They can indicate one, two or three of those things by the deadline but they can also indicate them later," he said.

"In that sense countries are not being asked to sign the accord, they are not being asked to take on a legally binding target . . . it will be an indication of their intent."

The executive secretary of the UN Framework Convention on Climate Change responsible for administering the Kyoto Protocol and international climate talks cast the accord as a political tool that could be deployed to unlock the talks, rather than to replace them or Kyoto, reports Newsroom.

The accord was thrashed out by a minority of world leaders on the sidelines of the December climate summit when the twin set of formal talks failed to progress. The formal conference failed to adopt the accord but eventually agreed to take note of it.

Addressing the prevailing confusion over its status and meaning, Mr de Boer warned against making the accord more than it is.

"I have had no indications that countries want the accord to begin to lead a life of its own. Countries see it as an instrument to advance the formal negotiations inside the UN process."

Mr de Boer did not expect all countries to meet the deadline and the accord would become a living document that tracked commitments as they were added.

"You could describe it as a soft deadline, there's nothing deadly about it. If you fail to meet it you can still associate with the accord afterwards."

The Copenhagen summit was designed to find a more ambitious, binding treaty to succeed Kyoto from 2012 that would limit climate warming by 2 degrees, through industrialised countries cutting emissions by 25 to 40% by 2020 and developing countries limiting growth in theirs.

The Copenhagen Accord specifies a 2 degree limit but contains no emissions targets apart from those that countries submit voluntarily.

However, it sets out a verification and reporting regime for emissions pledges and a financing system to help poor countries cope with climate change.

Although only a small group of countries negotiated the accord, Mr de Boer said those countries represented 80% of global emissions and the document had broad support at the highest possible levels, reports Newsroom.

DairyNZ to take new approach

Dairy NZ Release 21 January 2010

A new regional approach is changing the face of DairyNZ.

The industry good body has set down a key challenge for the next three years – an adoption strategy designed to bring positive change on-farm and within the dairy industry.

Central to the new strategy is increasing DairyNZ's focus on regional issues, which has seen the organisation's New Zealand-wide regions expand from four to nine.

DairyNZ GM development & extension Dr David McCall said the new approach will see farmers working more closely with specialist DairyNZ staff on local issues and activities.

"The regional plans will contain both national and local priorities, all of which contribute to the five outcomes in the Strategy for New Zealand Dairy Farming, launched earlier this year," he said.

"Each regional plan will be informed by farmers in that region and will detail priority activities for that area."

Along with a change to the consulting officer structure, each area will have a senior leader working in the regions. These regional leaders will be responsible for delivering the regional plan, through working alongside farmers, partners, stakeholders and DairyNZ staff.

"The idea is to give farmers more contact with senior people. It also recognises that while a majority of dairy farming issues are common nationally, there are also distinct local regional differences."

The nine new regions are: Southland/South Otago; Canterbury/North Otago; Top and West of South Island; Lower North Island; Taranaki; Southern Waikato; Northern Waikato; Bay of Plenty/ Coromandel and Northland.

FULL RELEASE

EXPORTS AND TRADE

Higher milk and product prices expected in 2010, USDA says

USDA Livestock, Dairy and Poultry Outlook/Rachel J Johnson 20 January 2010

USDA projects 2010 milk production at 188.4 billion pounds, which would represent a further decline from the 2009 lower production.

Cheese prices are expected to strengthen throughout 2010 as economic recovery proceeds and milk supplies tighten. Cheese prices are expected to average US\$1.570 to US\$1.650 per pound in 2010, a rise from the US\$1.2966 per pound average posted for 2009. USDA's December Cold Storage report placed total cheese stocks at the end of November at 961,376 pounds, 117 % of year-earlier levels.

Butter prices, like cheese prices, are expected to rise through 2010 and are forecast to average US\$1.390 to US\$1.500 per pound, well above the US\$1.2096 average price for 2009. Butter stocks were 142,175 pounds, 119% of November 2008's level.

Lower expected milk production in 2010 should reduce both cheese and butter production this year compared with last year, helping to support prices and drawing down stocks.

Exports on a skims basis are forecast to rise to 25.5 million pounds and reach 4.8 billion pounds on a fats basis.

Exports of nonfat dry milk ("NDM") and skim milk powder ("SMP") are expected to rise in 2010 to 660 million pounds, a recovery from 2009, but still below 2008.

Cheese and cheese product exports are expected to rise in

2010 to about 245 million pounds, and butter and butter fat exports are expected to climb to 71 million pounds.

Continued improvement in exports will be a significant factor in the price outlook, especially for skim milk powders. In addition, domestic use on both a fat and skims-solids basis is expected to rise just over 1% in 2010.

Higher demand, both foreign and domestic, along with reduced production should tighten milk equivalent stock on both a fats and skims basis by year's end. Year-end stocks are expected to fall to 8.85 billion pounds from 11.1 billion pounds milk equivalent on a fat basis. On a skims basis, ending stocks are projected to tighten to 9.5 billion pounds from 11.0 billion at the end of 2009.

The strengthening in dairy product prices translates into higher prices for milk in all classes in 2010 compared with 2009. The Class IV price is forecast at US\$14.75 to US\$15.60 per cwt, substantially above 2009's average of US\$10.89 per cwt. The Class III price is expected to rise to US\$14.75 to US\$15.55 per cwt, up from 2009's US\$11.36 per cwt average. The all milk price is forecast to average US\$16.20 to US\$17.00 per cwt, up from US\$12.79 per cwt in 2009.

[FULL REPORT](#)

NZFSA to investigate milk formula online trade

The New Zealand Herald/Christopher Adams 15 January 2010

The New Zealand Food Safety Authority ("NZFSA") is planning to investigate the online trade of New Zealand-made infant formula in China, reports The New Zealand Herald.

The practice of buying infant formula from New Zealand supermarket shelves and selling it through internet shopping sites to China has stepped up recently as traders take advantage of the distrust Chinese parents continue to have in locally produced baby milk powder.

NZFSA senior programme manager Neil McLeod said the organisation "was not aware" of the trading until it was revealed by The New Zealand Herald.

"We were aware that there were large numbers of Chinese people in New Zealand buying [milk] powder to send to friends and relatives in China, but the way your (The New Zealand

Herald's) story goes it makes it sound as if it's a commercial deal, rather than a family deal," said McLeod.

"If it's a commercial venture and they are not getting certification from us, then it's something we'll look at," he added.

McLeod said that all food exports from New Zealand to China required a food safety certificate from the NZFSA and the authority would therefore be investigating whether the online traders in infant formula were acquiring such certificates.

He also noted that he was surprised that the Chinese authorities were allowing the trade, reports The New Zealand Herald.

[FULL STORY](#)

Global probiotic dairy market will be worth US\$24 billion by 2014, says market researcher

Agra Informa Limited 21 January 2010

According to a new report by market researchers, MarketsandMarkets, the global probiotic dairy market will be worth US\$24 billion by 2014, reports Agra Informa Limited.

The total probiotic market is predicted to reach a value of US\$32.6 billion by the year, and probiotic dairy products will get the biggest slice of the pie, already accounting for just under 70% of the market in 2009.

Geographically, the biggest markets for probiotic dairy products are Europe and Asia and these regions are expected to account for nearly 42% and 30% respectively of total market revenue in 2014.

However, according to the report, the US is "slowly but surely" opening up and is predicted to grow at a compound annual rate

of 17% from 2009 to 2014. This growth will largely be driven by probiotic cultured drinks and probiotic yoghurts.

MarketsandMarkets also forecast that "niche" products such as probiotic ice creams and probiotic chocolate will increase their market share by 2014 as consumers become more confident of the "extra" benefits of fortified products, reports Agra Informa Limited.

Probiotic cheese and probiotic butter however, are "fated to the status of ultra-niche products due to their conventional image as unhealthy dietary products."

[FULL STORY](#)

Global market overview

USDA Release/Steve Schneeberger 21 January 2010

Oceania overview: Oceania milk production is on the down side of the season with some area declines quite noticeable. In New Zealand, an El Nino weather pattern is impacting areas of Central and further North on the North Island. Reports indicate that output in some of this area is down 15% from projections. Already in this area, a casein plant has been shut down, six weeks earlier than usual.

Elsewhere in New Zealand, milk output is being impacted by weather patterns, but not to the extent of Central and Northern areas. Milk producers and handlers indicate that rainfall is needed in the very near future to re-establish pasture growth. They state that this rainfall must occur for at least a week to impact depleted moisture levels.

In Australia, weather patterns are also impacting dairy regions, but not to the extent of Northern New Zealand. Australian milk production figures for November were recently released which indicated that milk output for November was down 6.8% when compared to November 2008. On a cumulative year to date basis (July - November), milk output is trailing last year comparables by 5.4%.

In Victoria, the major milk production region of Australia, November's production was down 10.0% with the Northern area of Victoria recording a 17.6% decline. Overall milk volumes are declining at a more gradual pace than their New Zealand counterparts.

Manufacturing schedules are declining in both countries with stocks being generated for known needs. In most instances, stocks are adequate for ongoing and regular customers with basically no stock available for new or spot needs. Traders and handlers indicate that buyer interest is present, but no product is available to fill these inquiries from the Oceania region.

Following the results of the most recent globalDairyTrade event in New Zealand on February 2, many traders and handlers adjusted their near term prices to be in line with the auction averages. Supplies of whole milk powder appear to be tighter in Australia, as no Australian whole milk powder was available for the January auction. Anhydrous milkfat traded slightly higher in January following a sharp decline in December. Also in the

past few weeks, it was announced that skim milk powder will be traded at the March auction for the first time.

Western and Eastern Europe overview: Milk production throughout Europe remains seasonally low. Some signs of seasonal increases reported a few weeks ago have subsided as colder temperatures and winter weather patterns returned. In recent days, temperatures and conditions have improved, but no signs of recovery are being reported at this time.

At the January 21 Dairy Management committee meeting, no significant changes have occurred to dairy related programs. Export refunds remain at zero and the Commission continues to indicate that it is too early to start releasing butter and skim milk powder onto the market. Many within the industry are speculating that it will probably be after the upcoming spring milk flush before product is released.

Traders and handlers indicate that stocks are available for both domestic and international buyer interest. Prices for most manufactured dairy products, except whey, are trending lower. Many manufacturers and handlers would like to clear these stocks before the new milk production season resumes and additional offerings become available. At this point, sales, especially internationally, are slow, but buyer inquiry is starting to resume. Traders and handlers speculate that no significant sales will occur especially as prices decline. They feel that buyers have waited this long to re-enter the marketplace, waiting awhile longer will probably be the case.

Winter weather conditions in Eastern Europe continue, thus limiting any type of early start to the upcoming milk production season. Typically, Eastern European milk production does not show signs of increases until late February, thus dairy product manufacturers and handlers are stating that the upcoming season appears to not be any different at this time. Traders and handlers state that stocks are available for immediate clearance and many are hoping to clear these volumes before the new season resumes. At this point, sales activity remains slow.

MANUFACTURING R&D

Fonterra invests in Tasmania

Fonterra Release 19 January 2010

Fonterra has announced it will be implementing an \$11.5 million capital investment program to increase cheese and whey powder processing capacity at its dairy manufacturing sites in northern Tasmania.

"Fonterra already processes two-thirds of the milk produced in Tasmania. As a result of this investment we will be able to accept more milk from next season and Tasmanian dairy farmers can have confidence in the future of their industry," said Bruce Donnison, Managing Director Ingredients Australia.

- Fonterra's \$11.5 million capital investment in the Tasmanian industry will involve several elements:
- Increasing processing capacity at Wynyard to supply Tasmanian cheese to customers on
- mainland Australia and in overseas markets such as Japan.
- Purchasing new processing equipment at Wynyard to improve the quality of cheese produced at the site.
- Upgrading a drier at Spreyton to handle increased whey volumes.

- Commissioning a gas-based cogeneration plant at the Wynyard site to improve reliability of energy supply.
- Expanding facilities for milk collection trucks at the Wynyard site to support increased milk volumes.

After the capital program is complete, Fonterra will be able to collect an additional 200,000 litres of raw milk every day and the company's production will increase by 4000 tonnes of dairy products per annum.

"This investment will unlock processing bottlenecks at Fonterra's sites in the short-term, while creating a foundation for a significant increase in processing capacity for Tasmania in the longer-term," said Mr Donnison

"Today's announcement represents a mix of new initiatives and some previously announced projects that were put on hold in 2009 due to the global financial crisis," said Mr Donnison

FULL RELEASE

Oceania Dairy confident on new processing facility

Agra Informa Limited 21 January 2010

Start-up dairy company – Oceania Dairy Group is confident that it will raise the capital required to set up a dairy processing facility near Waimate, Canterbury in the South Island of New Zealand, reports Agra Informa Limited.

Oceania Dairy Group director Tim Howe said the response of farmers and investors had been strong since the company released the terms of its NZ\$74.75 million capital raising in December last year.

“We are confident that we are going to fill the capital raising

because we know there is enough demand from financial investors to make it happen. There has been a very strong support from farmers who are considering the company as a supply option,” he said.

The company’s offer includes “13 million shares to Waimate district farmers and 10 million shares to financial investors” and closes on March 15, reports Agra Informa Limited.

[FULL STORY](#)

Arla enters new infant formula research

Arla Foods Release 20 January 2010

The Danish Council for Strategic Research has granted DKK20 million to University scientists for a project aimed at developing ways to produce an ingredient naturally present in human breast milk, namely “oligosaccharides”. These complex sugars are present in breast milk at relatively high concentrations and help protect the infant from infections and diarrhoea. Danisco and Arla Foods are industrial partners in the project and will contribute to the research programme.

“This research aims to develop an enzymatic process to produce some of the key oligosaccharides naturally present in human breast milk. It’s a major challenge technically, but it is also a significant opportunity,” said Dr. Andrew Morgan, Chief Scientific Officer at Danisco.

“Research in oligosaccharides from human milk is key to understanding the development of the immune system in newborn infants. Therefore the possibility to develop and manufacture such substances can lead to new and higher standards for commercial infant formula,” said M. Sc. Preben Bødstrup Rasmussen, R&D Manager for Child Nutrition at Arla

Foods.

Jørn Dalgaard Mikkelsen, Professor at Technical University of Denmark (DTU), heads up the research and coordinates efforts between DTU, Danisco, Arla Foods, the University of Southern Denmark, University of Copenhagen (KU Life) and University of Reading.

Explaining the technological principles behind the findings, Jørn Dalgaard Mikkelsen said:

“Some of the substances in breast milk are oligosaccharides which are believed to be prebiotic, i.e. they ‘nourish’ the beneficial bacteria in the intestinal system and prevent harmful bacteria from establishing themselves. There are thousands of oligosaccharide structures present in human breast milk and we need to determine which are the most effective. We plan to develop a way to produce these oligosaccharides using an enzymatic process that will convert certain kinds of food materials into the desired products.”

[FULL RELEASE](#)

Australian milk production update

Dairy Australia Report updated 21 January 2009

Dairy Australia Milk Production 09/10 (thousand litres)

		NSW	VIC	QLD	SA	WA	TAS	AUS
Month	November-08	98,112	695,581	44,610	60,623	32,904	90,569	1,022,399
	November-09	99,252	626,034	46,579	58,353	33,782	88,547	952,546
	% change	1.2%	-10.0%	4.4%	-3.7%	2.7%	-2.2%	-6.8%
Region Share	November-08	9.6%	68.0%	4.4%	5.9%	3.2%	8.9%	100.0%
	November-09	10.4%	65.7%	4.9%	6.1%	3.5%	9.3%	100.0%
YTD	2008/2009	471,283	3,028,798	220,248	275,537	154,319	312,754	4,462,939
	2009/2010	484,588	2,788,776	234,205	267,296	152,973	294,567	4,222,404
	% change	2.8%	-7.9%	6.3%	-3.0%	-0.9%	-5.8%	-5.4%
Region Share	2008/2009	10.6%	67.9%	4.9%	6.2%	3.5%	7.0%	100.0%
	2009/2010	11.5%	66.0%	5.5%	6.3%	3.6%	7.0%	100.0%
Total	2008/2009	1,064,607	6,134,840	511,924	627,942	340,492	708,368	9,388,174
	Region Share	11.3%	65.3%	5.5%	6.7%	3.6%	7.5%	100.0%

[MORE INFORMATION](#)

Nestlé launches high-dose drink for the elderly

AP-Foodtechnology.com/Shane Starling 19 January 2010

Nestlé has launched a new drink into the Swiss market, specifically targeted at providing key nutrients to the elderly, reports AP-Foodtechnology.com.

The product called Resource SeniorActiv contains vitamin D, calcium, protein, prebiotics for digestive health, omega-3s and folate for cognitive health as well as selenium and zinc to reduce inflammation.

“Fifty percent of older adults eat less protein than is recommended, more than 55% do not meet calcium requirements, 90% are Vitamin D deficient, and 30% have inadequate zinc, selenium and Vitamin B12 (folate) intake,” Nestlé said.

The new product is being sold at pharmacies, chiefly via

medical professional recommendation.

“We are targeting those who have been screened and diagnosed with malnutrition but the product is freely available in chemists – it does require a prescription. But it won’t be available in grocery/supermarket channels,” said Nestlé Nutrition spokesperson Marie-Francoise Rutimeyer.

Launches into Austria, Belgium, Finland, Sweden, Italy, and the Netherlands are to follow throughout the year with later launches into Asia and North America also planned, reports AP-Foodtechnology.com.

[FULL STORY](#)

Organic milk sales buck the trend

Agra Informa Limited 20 January 2010

According to organic milk co-operative OMSCo, while sales in many organic food sectors are slipping in the UK, organic milk is bucking the trend, showing a growth rate of 6% and recording an all-time 52-week sales record in December last year, reports Agra Informa Limited.

OMSCo head of sales Richard Hampton said consumers are becoming more and more convinced by research showing organic milk has a naturally higher Omega 3 content.

“The premium has also come down,” he said.

“It is now around 15% at retail, which works out as only £1 a week extra for the average family of four. If you’re thinking of cutting back on your spending, this is unlikely to be an area you will choose.”

Another positive sign for the organic industry is that the decline in the UK organic yoghurt and desserts markets now appears to be slowing.

Andrew Curzon, marketing manager of Rachel’s, said: “The latest four week data indicates the decline is slowing with only a 3.6% drop verses the same period last year”.

“This supports Nielsen’s latest survey into consumer

confidence [18 September - 16 October 2009] which suggests that the recession has bottomed out in consumers’ eyes and consumers are beginning to embrace the idea of recovery.”

However he also noted that being branded as “organic” now just isn’t enough on its own, reports Agra Informa Limited.

“However, these sales figures do not tell the full picture. The organic market is split between brands that remain in growth and brands that are seeing significant decline,” he said.

“This is being caused by a consumer perception that just being organic is no longer enough. Shoppers however continue to buy quality organic products and Rachel’s is the leader in this trend.”

“Rachel’s focus on providing the best quality yoghurt on the market made with the finest ingredients has paid dividends and sales are delivering stable growth. Brand value stands at £28.2 million, +2.7%, making it one of few brands in growth in the category,” Curzon concluded.

[FULL STORY](#)

Latest Australian cheese sales figures

Dairy Australia Release updated 15 January 2009

Dairy Australia (tonnes)

	Cheddar			Processed			Fresh		
	08/09	09/10	Var%	08/09	09/10	Var%	08/09	09/10	Var%
November	6,664	7,092	6.4%	2,734	2,718	-0.6%	1,131	1,044	-7.7%
YTD	34,981	35,746	2.2%	14,516	14,434	-0.6%	5,744	5,815	1.2%

	Hard			Mould			Semi Hard/Semi Hard Eye		
	08/09	09/10	Var%	08/09	09/10	Var%	08/09	09/10	Var%
November	488	553	13.3%	49	77	56.5%	250	317	26.8%
YTD	2,737	2,741	0.1%	246	359	46.0%	1,427	1,568	9.9%

	Stretched Curd			Cheese Total		
	08/09	09/10	Var%	08/09	09/10	Var%
November	2,717	2,930	7.8%	14,034	14,731	5.0%
YTD	13,697	13,996	2.2%	73,348	74,660	1.8%

Please note industrial sales are not included in these figures

[MORE INFORMATION](#)

EU approves €35.8 million for dairy promotion scheme

European Commission Release 19 January 2010

The European Commission has approved 13 programmes in 11 Member States to promote milk and milk products in the European Union. The total budget of the programmes, running for a period of three years, is €35.8 million of which the EU contributes €17.9 million.

This was one of a set of measures proposed by the Commission in July 2009 to address the difficult market situation faced by the dairy sector. The Commission committed itself to adopt an additional round of dairy product promotion programmes on the internal market.

"I'm pleased to see that the dairy market situation has improved since last summer, which is to a large extent thanks to the measures we introduced," said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development.

"I hope that these extra promotional schemes will underpin this improvement. But I also think it's important to do all we can to promote dairy products in general, because they form an important part of a balanced, healthy diet."

[FULL RELEASE](#)

CONSUMER

Consumers reject flavour and texture of low-fat cheese

Foodnavigator-usa.com/Stephen Daniells 20 January 2010

According to a new study published in the Journal of Sensory Studies, consumers will not accept lower-fat Cheddar or mozzarella cheeses if their flavour and texture is different from the full-fat version, reports Foodnavigator-usa.com.

This is the case "even if those differences are small" the scientists from North Carolina State University report.

"[The] results confirm that most consumers are not willing to sacrifice flavour or texture for fat reduction in cheeses," wrote Jessica Childs and Maryanne Drake from NCSU's Southeast Dairy Foods Research Centre.

"For a true low-fat version of Cheddar cheese to have widespread consumer appeal, significant changes in flavour

and texture are required."

"If manufacturers are able to provide this product, consumers will be able to purchase and consume a lower fat cheese that they enjoy and feel good about eating," they added.

With global obesity rates increasing, the market for lower-fat cheeses is increasing. Manufacturers have tried several approaches to overcome the issues such cheeses can have with flavour and texture, such as the use of alternative or selective starter cultures, the use of adjunct cultures, and the use of fat replacers, reports Foodnavigator-usa.com.

[FULL STORY](#)

FSA survey finds consumer support for 1% fat milk

UK FSA Release 18 January 2010

People who regularly use semi-skimmed milk would be happy to switch to drinking 1% fat milk, according to research published by the UK Food Standards Agency ("FSA").

Dr Clair Baynton, Head of Nutrition at the FSA, said: "In the 1970s full-fat milk was very much the norm, but since then we have seen a decisive shift to semi-skimmed, which now outsells full-fat by quite a margin."

"Our research shows that people are prepared to consider switching to 1% fat milk and those who regularly use semi-skimmed like the taste as much. We tend to use milk on a daily basis so this small step will make a big contribution to reducing our saturated fat."

"1% fat milk still gives us the important nutritional benefits of milk, including calcium, protein, minerals and vitamins, but with half the fat of semi. Something that simple but beneficial has got to be worth trying!" she added.

Whole milk is, on average, 3.5% fat, while semi-skimmed is about 1.7% and skimmed is 0.1% fat. 1% fat milk is suitable for adults and children from five years of age. The UK-wide survey

of consumer attitudes to 1% fat milk found that three-quarters of consumers liked the taste just as much as semi-skimmed. The research involved an at-home trial period (about five days) with households substituting semi-skimmed for 1% fat milk.

It found that while 56% were able to taste a difference, 94% or more found it to be an acceptable alternative across a range of uses, including in hot drinks, on cereal, as a drink on its own, in milkshakes and in cooking. And 85% of those who gave it to their children said they did not notice the switch when given the lower-fat milk.

In any one day, many people will have milk with their cereal, in their tea and coffee, in home-made sauces and puddings and so on. This could easily amount to about half a pint (around 300ml) a day or over two litres a week. If someone was using whole milk, this would mean about 80g of total fat a week, while using semi-skimmed would reduce this to 40g. Switching to 1% would halve the total fat again, to just 20g.

[FULL RELEASE](#)

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