

DAIRY REPORTER

Weekly Dairy News for Members of DFMC



Index steadies despite spot price falls

Freshlogic tracks an index of the \$A value of spot returns from dairy exports as an indicator of the potential impact on southern milk prices.

There was a further softening of export spot prices according to NZ quotes for all but butter with falls again in the range of US\$50-100/tonne. But the softening in prices was offset to some extent by a weakness in the Australian currency. The \$A finished down half a cent at **US88.34c**, keeping the index flat at **129.3**.

IMF sees a healthier world

The International Monetary Fund said the global economy is set to rebound sharply this year, with 3.9% growth. Growth in what the IMF categorizes as "advanced countries" is expected to average only 2.1% this year and 2.4% in 2011, adjusted for inflation. "This growth will barely be enough to reduce the output gap and unemployment will remain high," said chief IMF economist Olivier Blanchard. IMF expects the U.S. economy to grow 2.7% this year and then fall back to 2.4% growth next year, as government stimulus is reduced.

IMF estimates that China's growth rate will be 10% this year and nearly as fast in 2011, while India's growth rate will be close to 8% both years. In both nations, as well as Brazil and Indonesia, the IMF said, domestic demand is expanding rapidly, making it easier for them to switch off government stimulus.

The IMF forecast is far more bullish overall than it was just three months ago. It raised the estimate of global growth by 0.8 percentage points, to 3.9% for 2010, and predicts 2011 global growth will reach 4.3%. While that is still shy of the nearly 5% global growth rates from 2004 to 2007, it is a substantial improvement over 2008's contraction of 0.8%—the first decline in global output since the end of World War II.

High-profile welfare raid in the US

A highly-publicised raid on a large dairy farm in New York state has brought animal welfare issues in the dairy industry into US living rooms

A group called *Mercy for Animals* has released film footage showing the ill-treatment of cows and calves at *Willet Dairy* in Genoa, New York. *Mercy for Animals* is a Chicago-based animal rights organisation that advocates a vegan diet. The organisation said one of its members, who filmed the video, worked undercover at *Willet Dairy*, the largest farm in Cayuga County, New York, with 7 000 cows.

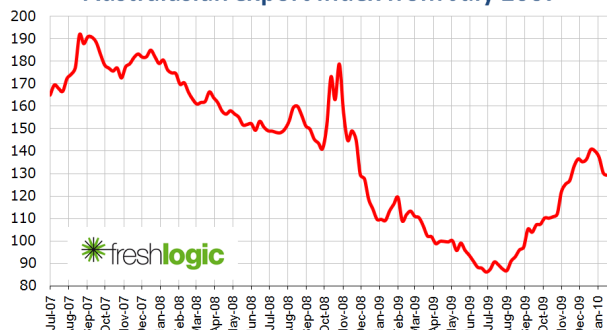
The video, posted on YouTube, shows workers punching and kicking cows to get them to move and dragging newborn calves from their mothers by one leg, and a farm worker lopping off a calf's tail and burning off its budding horns. After seeing it, a Manhattan Democrat politician proposed a tail-docking ban similar to one enacted last year in California.

More melamine offenders

3 more firms kept selling contaminated products to families

Three more Chinese dairy firms have been found to be selling products tainted by melamine-laced milk, among them a 'popsicle' aimed at children. In the latest scare, products were removed from shelves in the southwestern province of Guizhou. The companies named are: Zibo Lusaier Dairy Company in eastern China's Shandong province; Tieling Wuzhou Food Company in northeastern Liaoning province; and the Laoting Kaida Refrigeration Plant in northern Hebei province.

Australasian export index from July 2007



Take note: The index is an indicator of spot trends in gross export returns to the industry based on quoted Australasian export prices, movements in currency and the total milk usage in exports by the Australian industry. It was set at 100 on 1 January 2004.

Fonterra raises NZ\$270m from members

The equity capital raising from Fonterra suppliers will go some of the way to helping the company's balance sheet, but it could have been better timed

A third of Fonterra's farmers have answered the call to invest more in their co-operative, opting to buy \$270.7 million in extra shares. South Island farmers bought most of the \$271 million Fonterra dry share issue last week. South Island farmers collectively purchased a total of 30 million of the \$4.52 shares, to a total value of \$135.6 million. Central South Island was the biggest purchasing region, buying up 17 million shares.

Meanwhile farmers want a better understanding of how the capital raising would be allocated now that Fonterra has improved its debt-to-equity ratio. A Federated Farmers spokesman says farmers want the co-operative to maximise profits with prudent use of its capital base.

In a share application period that ended last week, farmer shareholders were given the opportunity to adjust their shareholding to anywhere between 100 and 120 per cent of their current or expected production at a price of \$4.52 a share. Federated Farmers dairy section president Lachlan McKenzie estimated half Fonterra's shareholders were in no financial state to invest, and those in Northland and the Central North Island were battling drought, with many unable to take up the offer.

Large NZ farm project stopped

The proposed south island development has been stopped by NZ's Environment Minister

The NZ Government bowed to public pressure and "called in" resource consent applications for large-scale free-stall dairy farms planned for the Mackenzie Basin farms, which means they will bypass the usual regional council hearing process and be referred to a board of inquiry. The board will be chaired by an Environment Court Judge who will steer a review that will take the best part of a year. The companies plan to house nearly 18,000 cows in sheds fulltime for eight months a year – an approach that has little successful precedent in NZ and faces the steep challenge of making money with NZ milk pay rates over the much higher fixed costs those projects create.

New Zealand's environment minister Nick Smith said he was halting the plan because it was "nationally significant," there was a high level of public interest and the government wanted to preserve the "fragile and iconic nature" of the environment in the Mackenzie Basin, in the south of the Canterbury province.

Proudly sponsored by

