

DAIRY REPORTER

Weekly Dairy News for Members of DFMC



6 July 2010

MG & WCB open strongly

A strong season in store, as the top players step up the milk pricing game.

Murray Goulburn and Warrnambool Cheese and Butter (WCB) have each made a bold entrance into the new season. MG opened its milk price at an estimate of \$4.75/kg milk solids and forecasts a full season average price of between \$5.30 to \$5.50/kg milk solids. In a letter to its suppliers last week, MG also announced its final milk price increase for the season by 8c/kg butterfat and 20c/kg protein, which it says brought its average farmgate price up to \$4.45/kg milk solids.

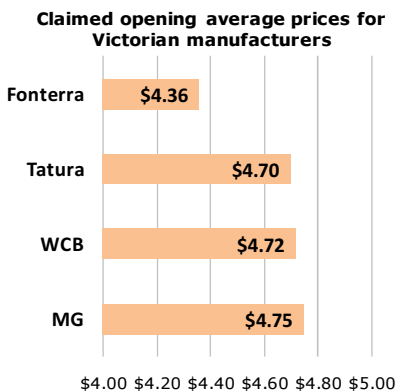
MG has unveiled its new milk pricing arrangements, a change in approach in response to various options offered by competitors and the increasing influence of domestic market. MG offers three payment systems – Traditional, Seasonal and Domestic – and has introduced a growth incentive of 20c/kg butterfat and 50c/kg protein.

MG's announcement was closely followed by WCB which declared its opening price at \$4.72/kg milk solids, up 25 per cent on the prior year. It also announced a final price increase for the 2009/10 year of 4c/kg of butterfat and 10c/kg of protein, which will take its average price to \$4.38/kg milk solids. For the year outlook, WCB expects stable commodity prices to prevail during the first quarter of the year, though remains sceptical about the rest of the year.

Bega opens

45c expected in NSW zones as new options are provided

Bega Cheese also released its prices in the past 2 weeks, with an expected average prices of 45cpl for its NSW suppliers, which includes 3cpl of value-add returns from the diversified dairy activities of the Bega business. Bega has also introduced options for its payment systems, with seasonal and traditional plans.



NatFoods consolidates fresh processing

NatFoods aims to cut costs in its fresh processing business.

National Foods has decided to close small two manufacturing plants - Cobden UHT milk site in Victoria by December and Wetherill Park yoghurt and fresh products site in NSW by March 2012 - which will result in 280 job losses. It will also upgrade its Morwell plant in Victoria and Baulkham Hills site in NSW. This decision follows NatFoods' review of its dairy operations following its acquisition of the Dairy Farmers' business in 2008. The change will further reduce NatFoods raw milk requirements in the NSW region.

WCB aims to calm nerves

WCB pacifies suppliers, as contents of a proposed contract spill into the market.

In a letter to its suppliers, WCB's CEO David Lord has tried to quell fears of its suppliers, clarifying that it would not enter into any new supplier contracts unless they met certain criteria. This follows the recent publication by The Weekly Times of the details of a proposed contract between WCB and herd finance specialist CowBank.

Headlines

- MG & WCB open above \$4.70/kgms
- NatFoods rationalises dairy plants
- Fonterra share trading wins vote
- Dairy UK does its own health-check
- Nestle ploughs money into Africa

Indicators	
Dairy export index	6pt increase with a sharp fall in \$A
World dairy prices	All prices steady
Australian cull cow prices in the US	Prices increase in \$A due to weaker \$US, reversing steady decline of 5 wks
Grain futures	Increases in US wheat and local grains futures

Metcash buys Franklins supermarkets

The struggling Franklins chain will disappear into Metcash-IGA.

The long-running struggle for the Franklins chain finally comes to an end, with Metcash about to absorb the troubled chain. Metcash Trading – Australia's largest independent grocery and liquor wholesaler – has announced that it will buy the supermarket chain of 85 supermarkets; comprising 77 corporate stores and supply to 8 franchised stores in a \$215 million offer to parent Pick n Pay to be paid by 30 September this year. This sale is pending approval from ACCC which has hardly been friendly towards Metcash in the past 3 years.

Metcash also intends to implement a store sale program after the sale is completed, selling stores to independent IGA retailers. Franklins has currently \$860m in sales which means this acquisition is expected to add more than \$500 million per annum of wholesale sales to Metcash's business and lift its first full year EBITDA by \$25m or its earnings after tax by 4%.

Vote a "defining moment" for Fonterra

Overwhelming support from farmers will allow share trading between Fonterra suppliers.

Approval by Fonterra's farmers to start share trading is a defining moment for the co-operative, says chairman Sir Henry van der Heyden. In last week's vote "Trading Among Farmers" was given 89.85 per cent support in a vote that had the strongest participation since Fonterra was formed in 2001.

The change to share trading among farmers, rather than with Fonterra, is aimed at removing redemption risk and providing permanent share capital. Fonterra chief executive Andrew Ferrier said permanent capital helped Fonterra make long-term business decisions that strengthen its competitive position in the world market. It is expected to take about 15 months for Fonterra to develop and implement the new trading system.

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Index of export returns

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.

Prices steady.

With spot prices resuming stability this week, the only drama was in currency movements, which helped partially reverse the slide in the index of spot returns. The index was boosted by 6 points to **147.35**, as the \$A closed the week considerably weaker at **US\$84.15c**.

Next week's Fonterra auction will provide an interesting pointer to the short-term direction of the milk powder market, which has been softening lately as buyers reflect displeasure with high prices.

EU dairy market recovering, says Commission.

In its latest dairy quarterly report, EU Commission has stated that EU dairy sector is continuing on the path of recovery, helped by strong dairy commodity prices and booming exports. The report showcases that the factors that underpinned the lowest ebb in prices of 2009 are now non-existent with raw milk prices stabilised at levels reached during the later part of last year.

Furthermore, June data shows that EU-27 raw milk prices, on a weighted average, are up 14 per cent on the same month a year ago. The EU report also highlights the boom in the butter and milk powder categories. While butter has exhibited the most growth at prices 50 per cent above the EU reference level and is demanding a current market price of €3,362/t, significantly more than the €2,740/t reported three months ago, milk powder prices have also enjoyed a healthy growth with WMP tabling average EU prices of €2,950/t, up 40 per cent on the intervention prices and SMP at €2,325/t, up 37 per cent on intervention prices.

Exporter tips cow demand to take off

Demand from expanding markets will remain strong...

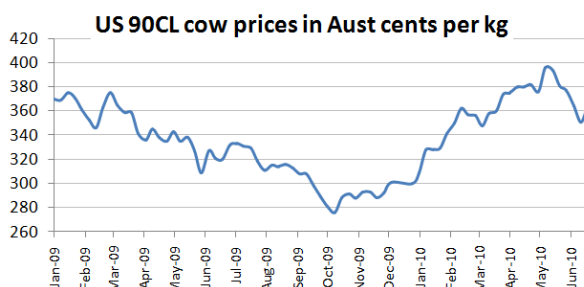
Australian exporter Austrex has predicted that although Australia will export more dairy heifers this year, it will still be unable to meet the worldwide increased cow demand, particularly from China and Russia. It further adds that in the past 12 months, Australian live exports have increased significantly compared to previous years, chiefly fuelled by low milk prices that have led farmers to sell their heifers.

A total of 60,000 heifers and cows are expected to be exported this year, up 3 per cent on 58,300 of the past two years at \$1,150 for unjoined heifers and \$1,400 for commercial pregnant heifers.

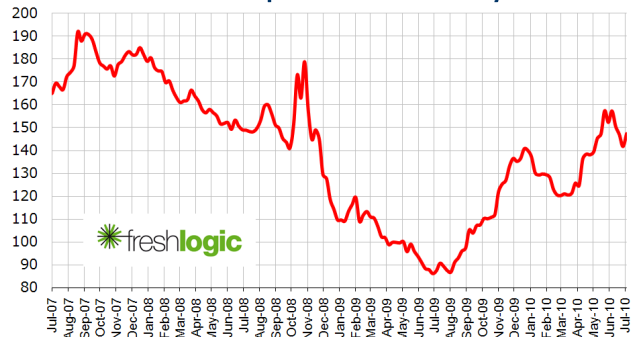
US wholesale prices stronger, not for SMP

Cheese and butter take a path different from SMP.

US wholesale prices for cheese and butter at the CME have improved for the third consecutive week, despite the shrinkage in cheese demand and large inventories overhanging the market. Not the same sentiments in the skim milk powder market however as the CA and USDA surveyed prices stepped have again lost ground as Fonterra put more stock onto the market.



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.

Dairy UK does its own health-check

White paper pinpoints the past, present & future of UK dairy industry.

Dairy UK has published a "white paper" which paints a positive outlook for the UK industry, despite a decline in the consumption of certain dairy products over the past few years. It also that consolidates UK dairy industry's standpoint on some policy issues, including health and nutrition claims, the outcomes of the EU's HLG Group on Dairy, and country of origin labelling, besides others.

The white paper discusses consumption trends and growth areas in the UK market; support for mandatory country of origin labelling; clarifying that recommendations of the EU's HLG should not hamper the positive development of the integrated supply arrangement in the UK; and urging further consolidation in the UK dairy industry and greater efforts to attain increased efficiency and drive innovation.

Kraft revamps strategy post-Cadbury

Kraft resets its priorities...

After its \$18.4 billion acquisition of Cadbury Plc earlier this year, Kraft Foods Co is revising its previously developed strategy that focuses on 10 "power" brands that can be expanded globally, 10 developing markets, and five categories that will receive the bulk of the company's advertising and marketing money. Dairy products and brands take less prominence in the larger group.

As a part of the revamp, Kraft has reshuffled its top 10 brands list but left Philadelphia cream cheese out of the list. These brands will account for more than 40 per cent of the \$12 billion in revenue Kraft gets from developing markets, like China and Mexico, which constitute about 26 per cent of Kraft's total business. Candy and gum, chocolate, coffee, biscuits, and powdered drinks make up the five focus categories that will receive 95 per cent of Kraft's advertising and promotional spending.

Nestle ploughs money into Africa



Nestlé strengthens ties with farmers to roll out massive expansion.

Nestlé has signed a partnership with the East African Dairy Development Board as part of a €113.5m investment in the region over the next three years. The partnership will involve helping participants in the industry from farm to factory to bring milk supply up to desired standards. Around 179 000 farmers are involved in this regional supply chain. Nestlé will build new factories in Angola, DR Congo and Mozambique, while expanding existing factories. It also intends to increase its distribution capacity in the region by opening 13 new distribution centres by 2012.

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Product summary

Round Balers.

New Holland offer a complete range of round balers in 5' x 4' & 6' x 4' models. All models feature the New Holland 2.3m *XtraSweep™* pickup with roller windguard for efficient crop feeding and endless belts for durability. Rotor feeder models are available with both twine & net wrap while the rotor cutter models are offered with net wrap only. Rotor Cutter models feature a hydraulic rotor reverser to assist with clearing plugs. The *Bale Command Plus* monitor ensures the operator is informed of baler functions. Talk to you local New Holland dealer for a brochure and quote on your round baler requirements.

Small Rectangular Balers.

New Holland are legendary for haymaking equipment. The current range of small rectangular balers continues the heritage for great balers. Over 700,000 small rectangular balers have been made since New Holland released the first automatic knotting system. The current range offers two models with the standard BC5060 & high capacity BC5070. Both with the *SuperSweep™* pickup and a bale chamber that ensures consistency and uniformity of bale shape & density. Talk to you local New Holland dealer for a brochure and quote on your baler requirements.

Large Rectangular Balers.

New Holland offer a wide of large rectangular balers. Models include bale sizes of 3' x 3' & 4' x 3', all up to 8' in length. With rotor cutter, packer cutter & standard packer models available, there is a baler to suit most requirements for large bales. The BB9000 range offers the operator effortless and reliable baling from a manufacturer who excels in haymaking equipment worldwide. Talk to you local New Holland dealer for a brochure and quote on your baler requirements.

DiscBine™ Disc Mower Conditioners.

The range of New Holland *DiscBine™* disc mower conditions feature the unique *MowMax™* cutters bars with *ShockPRO™* hubs. These hubs allow for quick and easy repair when an obstacle is hit in the field. Discbines are available in a wide range of sizes from the 8 disc models with a cutting width of 10'4" to 12 disc models cutting 15'7". 8 & 10 disc models are available with rubber chevron conditioning rollers or flail conditioners. All models are available with steel chevron conditioning rollers. There is a model to suit most applications so talk to you local New Holland dealer for a brochure and quote on your *DicsBine™* requirements.

HayBine™ Mower Conditioners.

New Holland offer the *HayBine™* sickle bar mower conditioners, ranging from the model 488 with a cutting width of 9'3" through to the H7150N and cutting widths from 14' to 18'. All offer the legendary rubber chevron conditioning rollers. The H7150N also can be fitted with steel chevron rollers or a high contact conditioning package suitable for lucerne. Talk to you local New Holland dealer for a brochure and quote on your *HayBine™* requirements.

Self Propeller Windrowers.

For the large scale operator New Holland offer a range of Self Propeller Windrowers (SPW) and associated fronts. The SPW range from 126hp to 226hp and can be purchased with *HayBine™* sickle bar front cutting fronts from 14' to 18', *DiscBine™* front from 12 discs cutting 15'5" to 14 discs cutting 18'. Additionally draper fronts can be installed cutting from 25' to 36'. If you are a large operator or contractor, call and talk to you local New Holland dealer for a brochure and quote on your requirements.

Forage Harvesters.

With a strong trend toward total mixed rations and feed pads, the benefit of precision chopped silage is now seen as a real advantage in feeding dairy cattle. For those who wish to chop their own silage, New Holland offer a range of precision cut forage harvesters for most applications. Both corn and windrow pickup fronts are available to ensure you start your silage program with the best cut material. Talk to you local New Holland dealer for a brochure and quote on your forage harvester requirements

Pull Type Bale Wagons.

For the farmer or contractor who uses small rectangular balers, New Holland offer the model 1037 pull type bale wagon. This automated bale wagon will pickup and stack up to 104 bales in a single load. Full hydraulic operation makes carting those small bales less arduous and quicker. Talk to you local New Holland dealer for a brochure and quote on your requirements.

RolaBar™ Rakes.

New Holland and *RolaBar™* rakes are legendary in the haymaking industry. Depending on the model, rakes delivering either left or right, ground or hydraulic driven and in widths of 8'6" and 9'6" are available. For wider raking, the model 216 Unitized rake offers a twin rake working width up to 27'. To discuss your hay rake requirements, call your local New Holland dealer.

RUSTLER Utility Vehicles.

The Rustler™ utility vehicle expands the New Holland product offering to include a capable, durable and practical vehicle that is both safe and easy to operate. The Rustler™ is available in 4WD, Two or Four passenger seating capacity, with the option of petrol or diesel engines. Quality construction and solid engineering means you can rely on Rustler utility vehicles for the long haul. The wide range CVT transmission eliminates the need for high/low gear and a top speed of 40kph. Packed with features that will appeal to the Agricultural, Lifestyle and Recreational customer base. A safe, practical and versatile replacement to the quad bike.

Zero Turn & Out Front Mowers.

New Holland's G5000 zero turn radius mower (ZTR) are commercial grade, petrol powered mowers, designed to handle high volume, high frequency grass cutting for Councils, lawn mowing contractors, profession landscapers and the large acreage property owner. These G5000 mowers offer the choice of two powerful and efficient air cooled engines and cutting decks from 54" to 66". New Holland's G Series out front mowers provide excellent power, manoeuvrability and operating ease for the commercial mowing contractor. The Tier 3 engine, available in two hp sizes, is located at the rear of the chassis, alleviating the need for weights and aiding balance. Sensitrak™ traction management system ensures 4wd is engaged only when slip is detected, for protection against scuffing and marking fine turf. An exceptionally comfortable Operators station allows the operator to work longer, thus productivity is not compromised

BOOMER T1000 Compact Tractors.

If your "little piece of heaven" comes with a long to - do list, a Boomer 1000 is for you. The Boomer 1020, 1025 and 1030 handle chores that ordinary lawn and garden tractors can't! You get two power take-off's (PTO) and linkage as standard equipment. The 2,200 RPM mid mount PTO powers the 60 inch mid mount, side discharge mower deck. The rear 540 RPM PTO and the 715Kg 3 point hitch capacity allows you use implements like slashers and rotary hoes. With separate steering and hydraulic pumps, there is plenty of hydraulic power to allow the fitment of a level lift loader to move materials such as gravel, and dirt, without compromising safety and productivity. The 1025 and 1030 models come with the Sensitrak™ option that allows four wheel drive automatically when extra traction is needed.



Product summary (continued)

BOOMER 8N EASYDRIVE Tractors.

Introducing the All- new, All Classic Boomer™^{8N} from New Holland. It has the timeless look of the original 8N, but with the no shift operation of the award winning Easy- Drive™ Continuously Variable Transmission, and the power of 50 horses, its remaking history. You can load mulch, mow the lawn, clear a pasture, or complete a myriad of outdoor tasks in comfort, ease and style only imagined by classic 8N owners. With additional features such as Anti Stall, Cruise Control and clutchless forward/reverse shuttle these units combine state of the art engineering with the looks of a classic in the industry.

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BOOMER T2000 Compact Tractors.

Boomer 2030 and 2035 tractors come in mechanical and hydrostatic transmission options, and can be specified with advanced features such as Supersteer™ front axle, that delivers industry leading turning capabilities. With 873 kg of rear linkage capacity as standard, and flow rates of 27 L.P.M, these tractors have sufficient power and lift for the most demanding attachments. Mid mount PTO is standard equipment on the Hydrostatic models. The 3 cylinder Tier 3 engine delivers a smooth and quiet package with high torque levels at low engine speeds.

BOOMER T3000 Compact Tractors.

The Boomer 3000 series offers 3 Transmission choices, the Easydrive™ Constantly Variable Transmission(CVT), Mechanical Synchro Shuttle or Hydrostatic Transmission. With a choice of two front axles, Standard 4WD or Supersteer™, for areas where turning circle is critical the Boomer 3000 series delivers! The 4 cylinder naturally aspirated engines are Tier 3 compliant. Exceptionally rugged and economical to run. The optional Super suite™ Cab, features a unique hi visibility roof window, slim line cab pillars, flat floor and curved glass. This ensures excellent noise suppression further boosting operator comfort.

BOOMER T4000 Compact Tractors.

With an ultimate combination of brawn and agility, the 55 horsepower Boomer 4055 and the 60 Horsepower Boomer 4060 are the perfect choice for jobs that require big power in tight spaces. Their huge engine and hydraulic capacity means they can grade, dig, haul and lift; do more in less time. The 12 x 12 Electro - Hydraulic Shuttle Shift (EHSS) transmission allows you to shuttle between forward and reverse without clutching, for easier loader and blade work, or when mowing. The optional Super suite™ Cab, features a unique hi visibility roof window, slim line cab pillars, flat floor and curved glass. This ensures excellent noise suppression further boosting operator comfort. With 45.5 LPM pump capacity, on top of a 20.8 LPM from the separate steering pump, productivity when loading and turning is not compromised.

T1500 Compact Tractors.

T1500 series tractors from New Holland give you big - tractor reliability wrapped in a compact, manoeuvrable package. They're loaded with features that keeps you comfortable while saving time and money. Available in 30, 35 and 45 Horsepower, with the option of Mechanical or 3 speed Hydrostatic transmission. Operator layout is straight forward and un-cluttered, allowing easy entry and exit to the operator's station. Fitted with separate steering and hydraulic pumps, the optional level lift loader or optional rear hydraulic flow is not compromised in performance when turning. Mid mount PTO is standard on the Hydrostatic transmission, for easy fitment of a mid mount mower deck. The Boomer 1500 series comes with a choice of turf or Agricultural tyres, and Industrial tyres on the 45 HP model.

T7000 AUTO COMMAND Tractors.

Auto Command is all about ease of operation. No complex transmission menus. Simplified function options. Easy access to advanced and easily understood features. Auto Command matches ease of operation with exceptional efficiency. By making it easier than ever before to optimise performance and productivity, a New Holland T7000 Auto Command tractor repays your investment faster.

Throughout the working life of the tractor, you benefit from your foresight to invest in the best. Designed and built by New Holland, T7000 Auto Command benefits from a new generation of CVT transmission. With four direct drive points, offering 100% mechanical efficiency, plus advanced double clutch control, you get the smoothest and most productive CVT available on the market today. Discuss your working application with your local New Holland dealer to see how a T7000 Auto Command will meet your requirements.

T7000 POWER COMMAND Tractors.

Professional arable and contract operations demand genuine tractor versatility. New Holland T7000 tractors are hard working tractors built to tackle a wide range of jobs with no compromise in performance and productivity.

Active Power Command™ transmissions offer seamless shifting in all forward ratios via a simple push button control. Active Power Command™ adds automated features to enable the operator to get the very best in productivity and economy. Choose between 18x6 40kph or direct drive 19x6 50 kph for optimised transport economy.

New Holland T7000 tractors are hard working tractors built to tackle a wide range of jobs, your local New Holland dealer can advise you on a T7000 tractor that best fits your requirements.

T8000 POWERSHIFT Tractors.

All Models of the T8000 Series meet high standards and continue the tradition of sizing the product for the HP and application demands of the market segment in which they work. With the T8000 New Holland continues to give their customers the most efficient drive line in the market with the Cantilever mounted engine and several front axle choices such as the unique and versatile Super-Steer front axle. All models are approved for B100 biodiesel fuel for those areas that are promoting the alternative fuel markets. Talk to you local New Holland dealer for a brochure and quote on your high horsepower tractor requirements.