

DAIRY REPORTER

Weekly Dairy News for Members of DFMC



9 March 2010

Decline in southern output deepens

Murray Goulburn has bought some shares in the market and will take its argument to the WCB shareholders

Australian milk production in January 2010 followed the same trends as for much of the current production season – southern regions significantly down and the northern and western regions supplying fresh markets staying well up. The decline in each of the three regions of Victoria was double-digit, pulling the state down for the year to date by 9.3%.

MG buys more shares, goes after hearts and minds

Australia gets a useful clearance that bolsters reputation

Murray Goulburn is reported to have continued to buy shares in Warrnambool Cheese and Butter in the past week at a price at \$4.50 after picking up 5% in the prior week. At the start of the week, the Fin Review reported it had lifted its stake to between 6 and 7%, and that it was meeting with major shareholders to garner support for its bid.

WCB's Chair Frank Davis said the decision of his board to reject MG's offer of \$4.35 a share was backed by the fact that MG was now standing in the market buying shares at a price higher than that offer.



EBL free status

Australia gets a useful clearance that bolsters reputation

The Australian government has announced that every dairy herd in the nation has been found to meet the national criteria for Provisional Freedom from the infectious viral disease Enzootic Bovine Leukosis (EBL). Chairman of the Australia Dairy Industry Council and the National Program Advisory Group for EBL Eradication, Wes Judd, said the successful program reinforces Australia's high animal health status.

Ashgrove wants Tas Gov't to help it grow

The boutique cheese company has been good at putting its products into the market, and pitching its cause to governments to help it compete with bigger brand owners, such as NatFoods and Fonterra

Ashgrove Cheese of northern Tasmania is planning to treble the size of its factory and its staff over the next three years, according to a report last week. The milk and cheese producer, based in Elizabeth Town, is budgeting \$10 million for its expansion, and is looking for the Tasmanian government funding assistance. Managing director Jane Bennett said the hard cheese and fresh milk business have both grown strongly, despite troubled economic times.

Burke talks of review of levy use

The Federal Ag Minister uses his ABARE slot to define a little more of what he wants from the review of RDCs including Dairy Australia

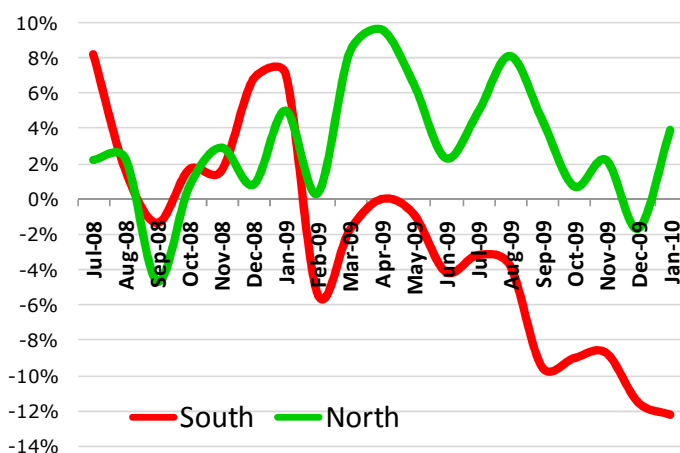
Federal Agriculture Minister Tony Burke has used his address to the ABARE Outlook conference to restate the areas he wants the Productivity Commission to look at in respect of the effectiveness and efficiency of R&D investments made with the use of Government money, which will include the monies which match the levies on dairy farmers. Burke said there hadn't been enough R&D work done along the whole value chain, and that the emphasis on focusing on the farm was generally supported by the conflicts of interest in how R&D Corporation boards had been stacked. He didn't single out any sectors but said some had done well, others poorly.

Headlines

- Production gets worse in south
- ABARE's outlook
- Spot prices improve
- Fonterra auction results
- Kiwi cows bolster Vietnam project

Indicators	
Dairy export index	Up about half a point this week
World dairy prices	Increases for powders, butter
Grain futures	US and local futures prices steady

Total southern state and northern state milk production in 2008 and 2009 compared with prior year



GE grasses are 3 years away

The joint venture aiming to commercialise GE pastures can see the road to the market

The chief executive of the Australia's Molecular Plant Breeding Cooperative Research Centre (MPBCRC), Glenn Tong, has said that a genetically-engineered "super-grass" will be commercially launched by 2013, offering the potential of increasing milk production by up to 20 per cent. Tong said the technology increases the energy in the grass, with the fodder also more digestible than existing ryegrass. Researchers are also working with PGG Wrightson (through a partnership called Gramina) on a grass that will reduce the amount of methane given off by cows.

GE clover and ryegrass are being promoted as "cisgenic" - engineered without using genes from other species - which the biotechnology sector hopes may make the milk from animals grazed on them more acceptable in some markets.

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Index better as prices rise

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 were improvements in spot prices for milk powders this week as the GDT auction pointed to some stability in short-term prices for WMP and SMP commodities. It was the first rise for a few months in both cases.

But the party was then subdued by the ongoing firmness in the \$A, which this week was stronger at **US90.34c**, but the index was able to put a little upward tick on the chart by posting a gain to **121.5**.

Auction points to a big of stability but caution into future

Fonterra said that prices of its short-term whole milk powder contract rose by 2.9% to US\$3,291 a tonne at its latest monthly GDT internet auction. The increase took the spot contract above the price for the longest-term lot offered, for delivery in September-to-November, which actually slid by 2.5% to \$3,204 a tonne. Average prices rose 0.8% or \$25/t from their February level. Paul Grave, the auction manager, said that the market held "an element of uncertainty as to how supply and demand factors will influence prices over the coming months". "Buyers are focused on ensuring their short-to-medium term supply requirements have been secured," he said.

The auction showed a slowdown in the drop in anhydrous milk fat (AMF), with the average price falling 5.4% to \$3 959/t. February saw a 7.9% drop in prices. The auction also for the first time sold skim milk powder, which sold at an average price of \$2,927 a tonne, a discount of 10.8% to the price whole milk powder achieved.

Amazing study into transport risks

Fonterra tested for the cause of a funny taste in products and found very interesting things

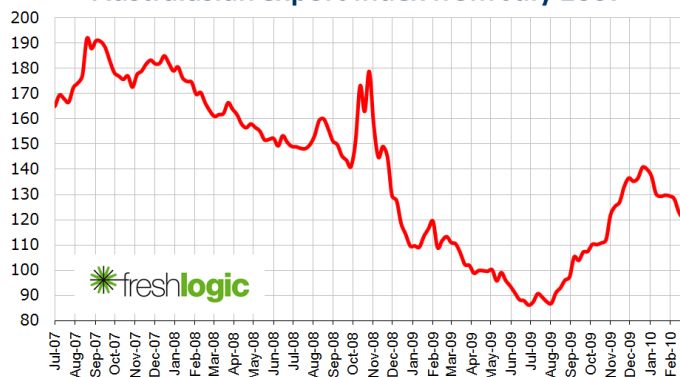
Fonterra research has found that a musty flavour detected in dairy beverages containing calcium caseinate is probably due to tainting by TBP and TBA, which likely to be caused by contamination from the use of plastic sheeting in transport. Samples of finished beverages and calcium caseinate affected by the musty smell were collected off-shore and returned to New Zealand for analysis. Researchers said the likely origin of the TBP and TBA taint was timber shipping container floors and slipsheets constructed from recycled plastics. Fonterra has since changed its practices, and now ships using slipsheets made from virgin plastic resins free from BFRs (the suspected cause of TBP contamination in slipsheets made from recycled plastic).

Big Vietnamese project based in Kiwi cows

NZ cows and Israeli knowhow forming the cornerstone of a major farm project in Vietnam

A US\$350 million Vietnamese project run by the TH Milk Joint Stock Company in the central province of Nghe An, which aims to develop an dairy industry based on Israeli technology and management systems, has taken delivery of 16,000 NZ-origin dairy cows. The project is expected to meet 30% of domestic Vietnamese consumption, will develop 45,000 cows, of which 20,000 will be milking cows, and build a milk processing factory with a daily capacity to reach 500 tonnes by 2012.

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.

Large farm runs into flak in UK

The planned largest farm in the UK, maybe Western Europe, runs into the usual critics

A large intensive dairy farm housing more than 8,000 cows will be built in England to create Britain's largest ever dairy herd. The £40million farm will be built near Nocton, Lincolnshire, later this year. It will have eight barns for 8,100 cattle and two 24-hour milking parlours. The application also includes plans for an anaerobic digester which will produce 2MW of power from the farm waste - enough to power the dairy and more than 2 000 homes. Robert Howard, a farmer behind the Nocton Dairies project, said the farm will be the largest in Western Europe and help the dairy industry compete against imports.

The plan has had plenty of attention in the UK media, which has provided a convenient channel for a procession of green, animal rights and health activists who have taken the opportunity to attack the proposed methods, in preference for "traditional farming methods" which are steadily going broke across the UK industry.

Soil Association (the organic sector's advocate) director, Patrick Holden, said the cows would be crowded together in an "exploitative factory" environment. "This is the relentless industrialisation and centralisation of our food and farming systems driven by short-term profit," he added.



UK levies fund check-up on milk buyers

A UK R&D body runs the ruler over UK dairy companies

DairyCo, a farmer funded R&D body in the UK market, has released a report detailing the financial performance and business strategy of the leading dairy processors in the UK. DairyCo, a milk producer organisation, commissioned Bidwells Agribusiness to conduct the study independently in order to help farmers decide which milk buyer is likely to provide the best price and security of demand. The report aims to assess the financial health and business direction of these companies on behalf of farmers.

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