



For internal use

## GDNews - Introduction

GDF Newsletter: Year 6, nr. 6, June 14. 2011

Dear members and friends of GDF,

Hereby we present you our 6<sup>th</sup> issue of GDNews this year with information from the dairy industry.

In Europe many countries suffer from the dry months that have already past. June was said to be possibly a wet month earlier, but at this time both temperatures stay pretty high and a good shower is not in sight. On the clay grounds in the Netherlands there is still water left under the surface, especially the sand soil is very dry. Milk prices in Europe stay at a stable, good level.

A new (June version 2011) from the FAO on Food can be downloaded by using the link on the page 6.

Dairy Margins: a subject given much attention. Why is this? What exactly entitles this margin and how to work with this number on your farm? Read more on dairy margins and price volatility on page 5.

The Rabobank has given their latest Agribusiness review on New Zealand and Australia including weather influences, market developments, prices, trading developments and more (page 9).

Our Business Partner Artex Barnsolutions has recently visited several countries for their Dealer Training Days. Also have a look at the Artex Barnsolutions innovation: "BioRail". More information can be found on [www.artexbarnsolutions.com](http://www.artexbarnsolutions.com). Ad on page 3.

A student from the Dronen University of Applied Sciences in The Netherlands has done his internship at the farm of Terry Hehir in Victoria – Australia. He describes his experiences on page 4.

Enjoy reading this GDNews. Your input for the next GDNews is welcome before July 7.

Kindest regards from

Bram Prins, President  
Elise Keurentjes, Manager

### Business Partners GDF





*Table of contents*

<b>GDF congress Argentina 2012</b>	<b>3</b>
<b>GDF Business Partners</b>	<b>3</b>
Dealer Training Days	3
New product: BioRail	3
<b>GDR- Global Dairy Research</b>	<b>4</b>
Global Dairy Outlook and Climate Change	4
<b>Report on internship at GDF farm</b>	<b>4</b>
<b>Farm gate</b>	<b>5</b>
Why all the buzz about dairy margins?	5
<b>Dairy industry</b>	<b>6</b>
Food Outlook Report – June 2011	6
Dairy Market at a Glance Report	6
World interest vision	6
Day 3 of the 5th Global Dairy Congress	7
EU Milkprices	7
Milkprices FrieslandCampina	8
Oceania Global Market Overview	8
Latest Rabobank Agribusiness Review for Australia and New Zealand.	9
Dairy situation and outlook	9
Brazil yields El Dorado of milk	10
Israeli cows outperform their foreign counterparts	11
Israeli dairy cows are cream of the crop	12
Europe interest vision	12
Western Europe Market Overview	12
Irish dairy study reveals low investment in innovation	13
UK: Farm-gate milk price needs to move upwards	13
Eastern Europe Market Overview	14
<b>Markets and consumer developments</b>	<b>14</b>
We're working to protect dairy's place in schools	14



## ***GDF congress Argentina 2012***

The concept program for the 2012 GDF Congress may be found on [www.globaldairyfarmers.com](http://www.globaldairyfarmers.com). Furthermore, if you haven't yet told us about your intention on joining or not, please send an e-mail regarding this to [elise@prinsconsult.nl](mailto:elise@prinsconsult.nl).

Your suggestions for the program are still very welcome.

## ***GDF Business Partners***

### **Artex Barnsolutions:**

#### ***Dealer Training Days***

On April 18-21 the Artex head office was buzzing with visitors. We held the first Dealer Training Days on location at the Bakerview Eco

Dairy in Abbotsford, British Columbia, Canada where our head office is located. There were seven dealers from three different countries here for an intense few days of training on the Artex Barn Solutions lineup. Men travelled from Oregon, Washington, California, Pennsylvania, Ontario Canada, and the Netherlands! Each flew or drove in to learn more about the Artex products along with some newer products like ventilation, the dealer website, and the Avatar manure digestion

system. Time was devoted to rubber flooring as well. The men spent time watching and participating in presentations on the Artex products and specific features. Many great discussions happened and new relationships were formed. Tuesday was a day full of learning at the Bakerview Eco Dairy. Wednesday was more of a hands-on tour day out to different farms in Chilliwack, BC to see the Artex products at work on local farms. We finished the days off with a wrap-up BBQ on a cold spring night at the office.



#### ***New product: BioRail***

Artex unveiled a new product added to the "Cow Comfort" line during the Dealer Training Days. This new stall system is ideal for mounting Artex free stalls in situations where there is no concrete base available, like in deep sand bedding or where greater flexibility is desired for stall adjustment – all while maintaining the Comfort Zone™ advantage.

This new stall design is suspended on double rails giving it sturdiness. The system provides unobstructed lunging space compared to lower mounted rail systems while maintaining the benefits of the Comfort Zone™.

Why the suspended design:

- Saves on labor and concrete during construction





- Ideal for deep-bedded stalls such as sand/compost
- No mounts in floor or concrete
- No mounts in the bedding
- Allows for adjustments in spacing width

This Bio=Rail system can be installed on wood or steel posts, head to head or single row, and use different size loops.

Contact your territory manager to find out more.



Source: Artex Barnsolutions

## ***GDR- Global Dairy Research***

### ***Global Dairy Outlook and Climate Change***

Authors: Beldman, A., Daatselaar C..

You may have all received the report on the Global Dairy Outlook and Climate Change, written by Global Dairy Research taking into account the outcomes of the GDF Congress 2010 in Europe. On our website, the link for a download can be found.

## ***Report on internship at GDF farm***

Wouter Schreurs did an internship at a GDF member farm: the farm of Terry and Pauline Hehir – Victoria Australia. He tells his story on this internship.

My name is Wouter Schreurs, I'm 21 years old and live in Winterswijk (NL). I live on dairy farm with 180 cows. This year is my final year at the Dronen University of Applied Sciences in The Netherlands. My specialization is Agricultural Entrepreneurship.

In this final year I join the minor International Agribusiness Management. This minor aims to train us to (junior) managers who may lead an agricultural company (department and/or location) on operational and tactical management level, including the management of the staff. One of the main reasons I chose this minor is the condition to do a traineeship on a large scale dairy farm in- and outside Europe. This is a different way of farming compared to the Netherlands, and therefore this gives me the opportunity to gain more knowledge on farming. Also my wish for personal development was one of the key drivers. In the International Agribusiness Management minor I did two traineeships, one in Europe (Portugal (September-October 2010) and one outside Europe. My second traineeship was at a farm of a GDF entrepreneur in Australia





(March 2011-June 2011). The reason I chose for Australia is because of the completely different way of farming compared to the Netherlands. The cows are outside all the time (mostly on pasture) and the management of grass is an important part of the dairy farm. A new experience to me was to farm on an organic farm, the one of Terry and Pauline Hehir. Terry gave me a lot of new insights in farming. Organic is different, but I enjoyed sharing visions with Terry a lot!

These two traineeships gave me insight in how you can manage a large farm, how to work with your staff and what

dairy farming on large scale farms looks like. All this knowledge and the cultural and personal experiences were very special and useful to our dairy at home!

Finally I enjoyed being part of the International Agribusiness Management class of 2010-2011! It was a great experience!



## *Farm gate*

### *Why all the buzz about dairy margins?*

Here's dairy net margin defined: the result of all dairy revenue minus all dairy expenses . . . not solely the difference between milk price and feed cost.

Over the past several months, you probably have received a steady diet of presentations, magazine articles, and discussions focusing on dairy margins. As an owner or manager, you have been encouraged to "Know" your margins, "Model" your margins, "Own" your margins, "View" your margins, and "Manage" your margins forward in time. This attention to dairy margins is the product of the financially devastating impact of the combined milk and feed price volatility of the past three years. Those who took a fixed price position in milk or feed without doing both clearly felt the financial pain associated with greater margin and price volatility. Managing milk price forward with a milk processor's cash contracts or futures and options, in itself, cannot guarantee an expected profit outcome.

When you fully appreciate your role as a commodity processor (processing a number of commodities [feed] into another commodity [milk]), you must recognize the financial management practices that are required for your success. Ethanol producers, cattle feedlots, hog finishers, and soybean processors have had to become commodity-margin focused in the current volatile price environment to avoid financial hardship. The commodity processors who have applied structured commodity-margin risk management have realized more sustainable earnings during extreme margin volatility periods. These businesses have employed models that project revenue and expenses forward eight to 18 months and roll all of their marketing and risk management positions into the model to generate a net margin view forward. Such a model is complete when all commodities and market positions involved are "marked to the market" every day with current live market prices. This dynamic view of the commodity processor's margin enables them to "know it," "own it," and "manage it." As a dairy owner or manager, you also should apply this financial approach to producing milk. All dairy managers/commodity processors have been offered various tools for managing the margin of their processing enterprise. What follows is not an exhaustive list, but it does represent margin-management methods currently being employed by financially focused dairy managers. Gross livestock margin — dairy insurance: This government-subsidized, gross margin insurance program, which may not be available again until October, enables producers to protect a minimum gross margin level for a specified deductible and forward period of



time. The tool is not very flexible since it can't be adjusted after purchase and may not be well suited for capturing opportunity in high-margin environments. It can be useful for protection against dramatic declines in margin and should be thought of as a tool rather than an all-encompassing margin management approach. Gross income over feed cost: This strategy, which involves a broker, enables a dairy to view forward gross income over feed values generated by exchange traded milk, corn, and soy meal futures contract prices. You can compare current gross margins offered to the historical opportunities of the past to determine the current level of opportunity in the market. This approach is limited since it doesn't typically tightly match anyone's actual operation. Industry gross margins don't reflect the significant variation from dairy to dairy in basis, operating costs, operating efficiency, existing contracts, and homegrown feed versus market pricing.

Structured dairy net margin program: Under this approach, an individual dairy works with a broker to employ customized software to model all dairy revenue and expenses forward to derive a dairy's net margin for up to two years forward. You then take advantage of all available cash, futures, options, and insurance tools to capture opportunity and minimize risk. All commodities are valued, and all physical futures and options positions are marked to the market daily.

This comprehensive program can provide greater transparency to net margin opportunities through daily profit and loss and risk reports that take into account all operational, financial, and position details. This net margin-management approach is superior to the above simpler options because of its completeness and specific detail to the individual dairy's financials, operations, and positions. The chart shows an example of the current net margin through February 2013 for a Midwest dairy that is nearly 100 percent self-sufficient for all forage and grain needs. The dairy has calculated its input costs to grow the 2011 crops that will be fed in the fall of 2011 through summer of 2012. It can look at futures prices for milk in terms of known costs for rent, fertilizer, seed, fuel, chemicals, and other anticipated variable and fixed costs. Margin management will continue to be the "buzz" word in dairy management going forward as dairy earnings' volatility persists, and you are challenged or even required by lenders to know your margins. Progressive dairymen must embrace dairy-margin management as they continue to work toward combining a financial focus with their production emphasis.

Source: Hoard's Dairyman

## *Dairy industry*

### *Food Outlook Report – June 2011*

Please find the June 2011 issue of the Food Outlook report on:

<http://www.fao.org/giews/english/fo/index.htm>.

### *Dairy Market at a Glance Report*

[Report Dairy Market at a glance](#) CLAL Italy

### *World interest vision*

In America there is no interest raise upcoming. The position of the central bank in America does get more cramped. The economical growth is slowing down, but the threat for inflation stays high. In more central banks more people want to end the long period with low interest rates. The biggest fear is that the inflation will not be controllable in the future. It is the question whether this will lead to more and faster interest rate increases. Increasing the interest also slows down the economical growth and that growth is still very fragile in many places in the world. Finally the expectation is that the fear for the inflation will win in many places and the interest increases.

Source: DCA

### Day 3 of the 5th Global Dairy Congress

The second day of the conference and final day of the Congress began with a session entitled, 'Communicating dairy values'. The session opened with Luc Morelon, director of Lait & Milk and former communications director of Groupe Lactalis, who gave a presentation called 'A global approach to communicating dairy values'.

Merete Myrup Christensen, head of nutrition for Arla Foods a.m.b.a, Denmark, followed with a presentation called 'Repositioning dairy in the global health debate'.

The session closed with Winnie Pauli, director of diet and health for Danish Agriculture & Food Council, considering 'A collective approach to dairy marketing'.

The second session was entitled 'Latest in product development' and opened with Geoff Platt, editor of FoodBev Media's *Dairy Innovation* magazine, who gave an entertaining and informative presentation called 'Dairy innovation: past, present and future?'.

Richard Walton, manager – research & development for Japan's Meiji Company Ltd, then discussed 'Dairy innovation that works'. Ad Juriaanse, CEO of NIZO Food Research, Netherlands, then considered 'Global opportunities for innovation'. The session closed with a look at 'Cheese: reinvigoration through innovation' by Tom Ellis, insight & strategy director at UK-based brand strategy specialist 1HQ.

The conference closed with some 'Market insight workshops', including a panel session on 'Shifting trade patterns', considering the impact of price volatility on commodity markets. The panel featured:

- Kevin Bellamy, dairy consulting director at Zenith International Ltd
- Marc Beck, senior vice president – market development for US Dairy Export Council
- Mark Voorbergen, dairy industry specialist at Rabobank.

The final plant tour of the Congress saw delegates visiting Unimilk. One of Russia's largest and most modern dairy sites, Unimilk's Petmol is the oldest established dairy processor in St Petersburg. The modern plant produces a wide range of dairy products, including drinking and spoonable yogurt, smoothies and curd desserts, pasteurised and UHT milk, cream, sour cream and kefir.

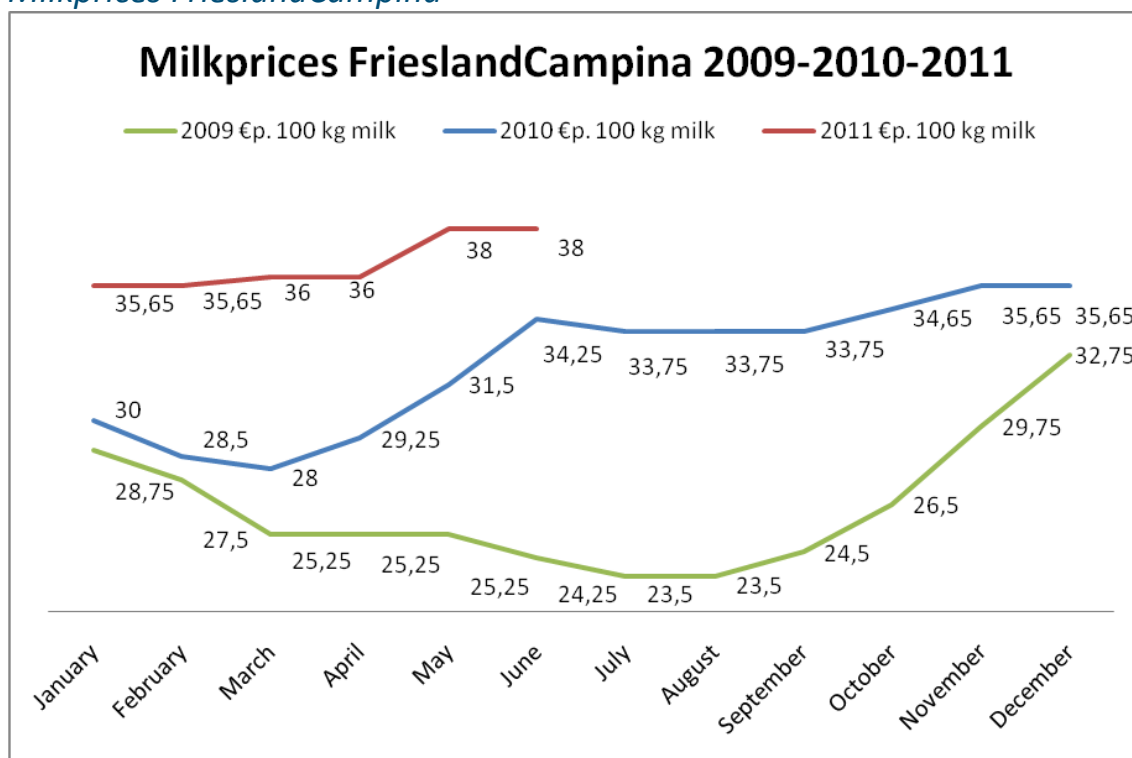
Source: FoodBev

### EU Milkprices



Source: Milkprices.nl

### Milkprices FrieslandCampina



Source: FrieslandCampina

### Oceania Global Market Overview

Milk production continues to trend towards end of season levels. In NEW ZEALAND, milk output is slightly above a year ago with total season levels still expected to be 2-3% higher than the prior year. Farm level conditions remain favorable. Temperatures are currently mild and moisture has been adequate for pastures and crops with lower levels of irrigation water needed. Australian milk production trends are declining seasonally with estimates holding that output is a strong 0.8% higher than during the previous milk year. A current cold snap is expected to shut down more milk. Pastures are in good shape to end the season. The outlook is good for future water allocations. Feed for stock is available. Dairy product prices are mixed. Oceania butterfat markets are steady to firm. Demand is fair to good. Skim milk powder prices are steady to higher with the market trend good for current needs and prior contracts. Pricing for the gDT was sharply higher on limited volumes with some trading from buyers looking for tighter specs. Drying schedules are trending lower, yet stocks are available to fill orders. Oceania whole milk powder markets and prices are unsettled and lower. Trading volumes have been on the light side seasonally. Manufacturing milk is staying in WMP production. Oceania cheese markets and prices are steady to lower. Cheese output is trending lower to reflect the seasonal end to the milk year. Buying interest is fair to good and new deals are occurring. At the June 1 g/DT auction, average prices were mostly higher, with the exception of whole milk powder being lower. The average prices covering all contracting periods and the percentage change from the previous event average are: anhydrous milk fat, \$5,669 per MT, +6.2%; skim milk powder \$4,372, +12.9%; whole milk powder, \$3,780, -3.0%; milk protein concentrate, \$6,430, +4.8%; and rennet casein, \$10,252, +4.9%.

Source: USDA



### *Latest Rabobank Agribusiness Review for Australia and New Zealand.*

Prepared by our Food & Agribusiness Research and Advisory division (FAR), the report provides monthly commentary on Australian and New Zealand agricultural conditions.

#### Key highlights:

- Australia had a cool, dry month in May, and the seasonal outlook for wet conditions in Queensland and dry conditions in the southwest of Western Australia remains. Other regions are expected to experience average conditions, with a chance of warmer-than-average conditions across the south of the continent. May was the warmest on record in New Zealand, with some regions experiencing wet and others dry conditions. The seasonal outlook is generally for warm conditions with average soil moisture levels.
- A looming fiscal crisis in Europe, possible slowing of activity in the US and wavering Asian growth provide an air of uncertainty around the global economic outlook. Mixed messages also prevail in Australia, with a sharp drop in Q1 GDP matched by firm investment and sales data. The rural sector provides a bright note to New Zealand's outlook, and business confidence appears to be improving slowly, although the outlook is still flat.
- The AUD remains strong against the USD and has been trading around USD1.07 in recent days. The NZD also remains strong and is trading above USD0.80.
- Global grains markets remain weather-dominated and tight stock positions mean price volatility is set to continue. The lifting of the Russian grain export ban did little to influence market sentiment. Conditions in Australian winter cropping regions have improved in Western Australia, with much-needed rain falling in recent weeks, and remain favourable across south-eastern Australia.
- Beef prices in Australia and New Zealand have continued to ease from recent highs, with the strength of local currencies becoming a headwind for exporters. Levels do though remain well above last year levels. Lamb prices have continued to ease in Australia, with heavy lambs destined for export markets experiencing the greatest pressure. Lamb prices in New Zealand, however, have continued to strengthen.
- Global dairy markets appear to have stabilised over the past few months, with most prices set well above last year levels but below the 2007/08 peaks. Production has continued at strong levels in Australia and New Zealand, with strong import demand still absorbing production. The price outlooks for the coming season in Australia and New Zealand are both favourable.
- Oil prices have eased back towards the USD110/barrel mark over the past month.

To view the full report, please follow this link: [Australia and New Zealand Agribusiness Review](#)

Source: Rabobank

### *Dairy situation and outlook*

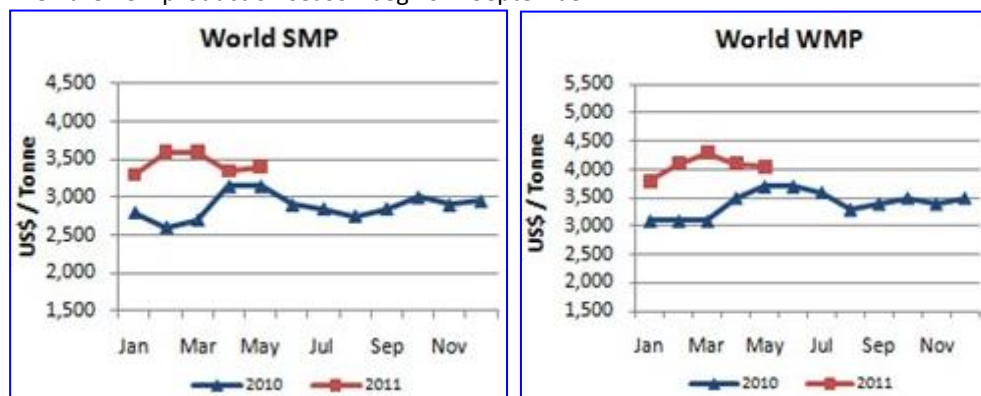
**World butter prices remain at a near record high and have not changed much since January. After rising in the first three months of 2011, WMP prices have fallen back in April and May. SMP prices are fluctuating, having fallen in April they bounced back a little in May as markets in the US and EU tightened. Cheddar prices have hardly moved in 2011.**

The Fonterra auctions of May 3 and May 17, for supplies from July to January, produced a further drop in AMF prices, down 17% since early March, although butter spot prices have hardly moved. WMP and SMP auction prices have fluctuated without changing much. Overall SMP prices are marginally higher while WMP prices are a little lower than they were at the auction on April 19.

Butterfat supplies have been restricted by low availability in Oceania and the EU as milk supplies have been used to supply increasing WMP and cheese demand. This has produced high market prices for butter that have lowered demand and enabled the market to be in balance. EU butter remains expensive compared to other sources. US butter exports are increasing but they still remain small compared to the EU and New Zealand.

Despite continuing increases in US milk supplies, product availability remains restricted particularly for SMP, because US cheese production has continued to increase. As a result the EU is currently the major supplier of spot SMP supplies to world markets, with New Zealand supplies allocated to existing contracts. EU SMP export prices stabilised in May as the €/£ rate fell, having risen by 12% since January.

The WMP market is heavily dependent on the Chinese market, which imported 126,000t of WMP and 40,000t of SMP in the first quarter of 2011. The IMF is warning of an 'abrupt slowdown' in China, although economic growth is still expected to be around 10% this year. Fonterra auction demand began to revive when prices dipped below the \$4,000/t price point, but current world market prices are continuing to edge downwards. The impact of the drought in New Zealand has not been as pronounced as was once thought, and supplies for the 2010-11 season are now expected to be around 1-2% higher with a good end to the milk production season. Australian supplies are also up by around 1% for the 2010-11 season. There is little product available for spot sale and stocks are expected to be minimal when the new production season begins in September.



Source: DairyCo

### *Brazil yields El Dorado of milk*

Nature on nitrous - that's how economist and new South American dairy investor Gareth Morgan describes the 15,000ha Leite Verde operation in Brazil. He told the Large Herds Conference in Ashburton of grass growth of 50 tonnes of dry matter (DM)/ha/year, stocking rates of 10 cows/ha and milk production primarily from grass of 3300kg milksolids (MS)/ha. Leite Verde, literally translated means green milk, but is a reference to the operation's focus on milk production from pasture, based on a tropical grass Tifton85. Its large root structure is capable of soaking up "huge amounts of nitrogen [N]," investor and Waikato farmer David Wallace said. He and son Simon, who is now based in Brazil, have pioneered the operation over the past five years while Craig Bell, formerly with Fonterra in South America, is also an investor. The pastures have been sown under four centre pivots, each making up their own dairy unit. Three are complete and producing with the fourth still under development. Each pivot covers 56ha and carries 600 cows milked through 36- and 40-side herringbone dairies. Supplements are 2.5kg/cow/day of maize kibble to balance protein and energy requirements. Pasture grows at the same rate year-round, so there's no need to make silage. Calving can be in spring or autumn, providing a continuous milk supply.

### **Billion litre deficit**

The farms are in Bahia province, which has 14 million people and a billion litre/year milk deficit. Milk was supplied by Leite Verde's tankers to Fonterra's joint venture with Nestle, Dairy Partners of America (DPA), which doesn't require supplying farmers to buy shares. The factory gate milk price received averaged US\$6.10/kg MS in 2007, and US\$6.09/kg MS last year. For the first three months of this year it has averaged US\$4.35/kg MS. Factory gate milk price averaged US\$6.10/kg MS in 2007, and US\$6.09/kg MS in 2008. For the first three months of this year, the price has averaged US\$4.35/kg MS. Leite Verde has several investors including the Wallace Family from Waikato. Simon Wallace, who is now based in Brazil, has pioneered the operation over the past five years along with Paul Schuler, Nicole Clare, Greg Lindsay, and Craig Bell, who formerly worked in South America for Fonterra. Brazilian investor Professor Adilson Aguiar is a key member of the team as farm consultant, bringing a wealth of local experience. The focus has been on growing local talent, sourced from the surrounding regions and agricultural colleges, through a graduate-type programme. Students start with work experience and then progress into full-time positions on one of the autonomous dairy units.



### **Own plant**

Bell has been heavily involved in setting up the business, which will soon include its own milk processing plant. At present, Leite Verde tankers take milk 500km to the nearest DPA plant. Leite Verde's own plant will soon be producing UHT or long-life milk at 5000 litre/hour, and extra units can be added. Each unit can process milk from around seven to nine farms of 600 cows. The plant will produce liquid milk for consumers and will initially supply the west of Bahia state, Brasilia and Salvador. It will set its milk price based on the monthly published price in Goias state, with premiums and penalties based on quality and volume. The milk processing plant and farms run as individual business units and the company wants farmers and lease partners to join it in expanding the enterprise. Farm partners would buy land and improvements from the company and operate the milking platform but lease cows from Leite Verde, which would raise all replacements.

### **Cows leased**

Not having to own cows would allow partners to put more money in to land. For a farm partner leasing cows from Leite Verde at average trading conditions for the past four years, models showing an earnings yield of around 15 percent at conservative land prices of NZ\$3850/ha and without cropping on excess land, Morgan said. The Wallaces have been building up cow numbers using genetic material from New Zealand. They originally sourced the first couple of thousand cows from a large number of farms in Brazil, but genetic quality was low, so for the past four years they've operated a closed herd policy, and worked on improving the genetic base by using all artificial breeding. The group has been producing embryos in Wallace family cows in the Waikato for about 18 months, working with the Brazilian government on their import protocols. Around 1000 will be implanted into receptor cows at Leite Verde. Under government rules, 20 percent of any land must be left out of dairying to protect the environment but Leite Verde has adopted a policy of leaving half as reserves.

"It means we've got islands of dairy farms in a sea of wilderness," Morgan said. The land price for undeveloped land is around NZ\$2300/ha, but land already cropped can cost up to about \$4600/ha.

### **\$1.8m unit**

The cost of developing the milking platform area, including the dairy, a well and centre-pivot, is about \$1.8 million/56ha farm running 600 cows. Further expansion could come from large croppers or landowners nearby, developing dairy platforms which Leite Verde could lease. As there are no dairy support services to speak of, the company had to build a bilingual primary school. Around 15 adult staff are voluntarily furthering their education.

Putting up power lines, building staff houses and establishing electrical/mechanical services has also led to community-building. Good basic pastoral farming principles have been applied but the company has been prepared to modify these to the environment.

Source: Dairy Exporter

### ***Israeli cows outperform their foreign counterparts***

CBS data shows average of 10,208 kilos (around 10,000 liters) of dairy produced in 2009 outperforming cows in the US, Japan, EU and Australia.

Israeli dairy cows produce more milk than their counterparts in other countries, data released by the Central Bureau of Statistics on Monday show.

The study was published ahead of Wednesday's Shavuot holiday, in which Jews traditionally eat dairy foods.

Local cows produced an average of 10,208 kilograms (around 10,000 liters) of dairy in 2009, the data showed, outperforming cows in the US (9,331 kg. per cow), Japan (7,497), the European Union (6,139) and Australia (5,601).

A total of 1,304 million liters of milk was produced by Israeli cows in 2010, a slight increase on the previous year.

On the consumption side, dairy and honey purchases accounted for 2.2 percent of average Israeli household expenses in 2009. Each month Israeli households spent NIS 52 on milk, NIS 35 on cheese and dairy delicacies such as yogurt, NIS 37 on yellow cheese, NIS 53 on white cheese and NIS 6 on honey.



Notably, the price of milk actually dropped by 0.9% in 2010, the bureau said, even though the consumer price index rose by 2.7% in the same 12-month period.

Dairy consumption was expected to rise in the days leading up to Shavuot, the Israel Dairy Board said, predicting a 25% increase in the purchase of dairy products with an emphasis on white cheese spreads. The board, which regulates the dairy industry in Israel, said white cheese spreads were currently the most popular type of cheese in the country, with local consumers buying 52,000 tons of the product per year. Fruit and cream yogurts have also been growing in popularity, it said.

Source: XCheque

### *Israeli dairy cows are cream of the crop*

June 7, 2011

JERUSALEM (JTA) -- Israeli dairy cows produce more milk than dairy cows in the United States and Europe. The Israeli dairy cows produced an average of nearly 2,642 gallons of milk a year in 2009, according to data released by the Central Bureau of Statistics on Monday. Some 344,480 gallons of milk were produced by Israeli cows in 2010. By comparison, dairy cows in the United States produce 2,465 gallons of milk per year and European Union cows 1,622 gallons per year, according to The Jerusalem Post. There is an estimated 25 percent increase in the purchase of dairy products by Israelis in the days leading up to Shavuot, when Jews traditionally eat dairy holiday meals. A cow from Kibbutz Karmia near Gaza was named the best milk producer for the second year in a row, giving more than 20,000 liters of milk, or about 5,283 gallons, in one year. There are some 125,000 dairy cows in Israel, and the average Israeli consumes about 45 gallons of dairy products a year.

Source: XCheque

### *Europe interest vision*

There is a high inflation rate and we will not just let it happen when the inflation rate shows its influences in the wage contracts a economist from the ECB said last may. He added that the economical developments in other EU member states will not slow this down. In ECB words, this is a very clear wink that there is a interest rate rise to come.

In addition to this the director of the ECB said that there is a strong focus to control the inflation. In the past this also lead to an interest rise. We expect this to happen again. Despite of the still very bad economical situation of some of the EU member states. A visible trend at this moment is the ECB taking a leading role in increasing the interest rates.

Source: DCA

### *Western Europe Market Overview*

Milk production across much of Western Europe continues to be impacted by recent weather conditions. While some countries and areas have seen some moisture over the past few weeks, the lingering impact of the drought conditions lingers for others. The surplus levels over a year ago narrowed in many countries in May. In France, May output was at 2% over a year ago. News reports are also indicating the drought will be impacting the wheat crop and the amount of grains that are expected to be exported. Hot weather in Germany is parsing milk with levels trending lower and total volumes below a year ago currently. In general, dairy product prices are steady to firm. Production levels are seasonally high and reflect the milk production patterns. European butter price trends are higher and reflect firm market conditions. Export interest is limited. Local cream demand has improved as more cream-based seasonal items are produced. Ice cream output is higher. Whey prices are higher and the market tone is firming. Export activity is active for existing business, but sometimes slower for new orders. Whey stocks are available to move to local and export accounts. Skim milk powder prices are higher with a fair to good export interest that is rather price sensitive under current market conditions. Whole milk powder prices are steady to slightly higher. WMP drying is trending lower with best returns for butter/SMP. Export interest is slower with some international buyers covered for nearby needs.

Source: USDA

### *Irish dairy study reveals low investment in innovation*

**Dairy processing co-ops in Ireland invest less in new product development than their counterparts in other countries, according to a KPMG study.**

The conclusion is drawn from an industry analysis conducted on behalf of ICOS - the Irish co-operative body. Looking at ways local dairy co-ops can improve their competitiveness, KPMG found that spending on R&D was an area of weakness. "The analysis shows that investment in new product innovation is low when compared with our international peer companies," said ICOS. But through focused innovation and marketing the study said this picture can change.

Jens Bleiel, CEO of Food for Health Ireland (FHI), which brings together Irish dairy processors with government and academia to mine milk for new ingredients, agreed with the report findings.

Bleiel told DairyReporter.com: "I think the report is a fair reflection on the Irish dairy industry. I also believe that the comment on the lack of product investment is right – which again was exactly the reason to create Food for Health Ireland." As the Irish dairy industry prepares to work towards government targets to double national milk output by 2020, Bleiel said investment in the software of science and innovation will be needed alongside the hardware of milk production. He suggested that his organisation could be a model for future innovation programmes. "FHI is starting to generate very promising results and could indeed be a model for future initiatives when adding science and innovation to a commodity product."

#### **Seasonality barrier**

Looking beyond R&D, Other aspects of the KPMG study of the Irish dairy industry were more complimentary. The analysis concluded that both the return to Irish milk farmers and milk processing costs "compare favourably" with international peers.

But concerns were expressed about the seasonality of the largely grass-based Irish dairy industry. Processors struggle to match the return per litre of international competitors as milk supply at peak season is channeled into long life commodity products.

Source: Dairy Reporter

### *UK: Farm-gate milk price needs to move upwards*



Members of NFU Cymru's Milk Board have expressed their dismay and frustration at the lack of any upward movement in the farm-gate milk price despite commodity prices rising significantly.

NFU Cymru Milk Board Chairman Maurice Jones said, "It is hugely disappointing that milk buyers and processors have not responded to market opportunities. Commodity markets for cream, butter and powder have all risen yet the farm-gate milk price here in the UK has not moved. It remains well below the average cost of production and is not returning sufficient to allow for reinvestment on our dairy farms. It just doesn't make any sense that, when these commodity markets are moving upwards, our milk price stays unchanged."

Source: Farming –UK



### *Eastern Europe Market Overview*

Eastern European milk production levels are trending seasonally higher. Drought conditions are also occurring in several countries with only a limited impact being noted on milk output. Processing plants are running well and readily handling the milk supplies to make expected levels of products. Finished dairy product stocks are available for most product categories. Demand for finished dairy products remains good and clearances to customers, both in and out of the region, are regular.

Source: USDA

## *Markets and consumer developments*

### *We're working to protect dairy's place in schools*

CHILDHOOD nutrition is — and always has been — the primary strength of dairy sales and a key priority for dairy producers since the formation of the National Dairy Council (NDC), the nutrition research and education arm of the dairy checkoff, in 1915. This commitment is part of an overall effort to help build dairy's "healthy halo" as a foundation for the protection and growth of dairy sales. To that end, we must recapture, retain, and grow dairy's popularity among children in order to have them as lifelong dairy consumers. And, the best place to reach them is through our nation's schools. Meanwhile, childhood obesity has become the nation's number one health challenge. Since the majority of students' daily calories are consumed at school, this environment provides an ideal setting for developing healthy, lifelong habits.

#### **We face challenges**

But, while dairy products have long been a staple in school-based diets, we should not assume that dairy always will have a prominent place in the school cafeteria. The school meal environment is rapidly changing and is subject to growing scrutiny concerning levels of fat, sugar, and total calories. In order to protect dairy's place in schools, we need to associate dairy with better quality diets. This means not only building on dairy's nutritional value but its overall value to local schools. These factors were driving forces behind the creation of the Fuel Up to Play 60 (FUTP 60) program. FUTP 60 is now in more than 71,000 public and private schools. Fuel Up to Play 60 is an in-school nutrition and physical activity program launched in 2007 by NDC and the National Football League (NFL), with additional partnership support from the USDA. FUTP 60 encourages youth to consume nutrient-rich foods (including low-fat and fat-free dairy, fruits and vegetables, and whole grains) and achieve at least 60 minutes of physical activity every day.

For dairy producers, Fuel Up to Play 60 aims to:

**First, help protect and grow dairy sales** while kids are in school and into adulthood. Kids are the key to helping us move Americans to consume three servings of dairy a day. This would raise annual dairy consumption by billions of pounds!

Opportunities include:

- Expanding the New Look of School Milk program (already available in nearly 11,000 schools nationwide) which improves the availability of white and flavored milk in plastic bottles.
- Working with industry partners to develop a "healthier" school pizza that includes tasty, kid-approved, lower-fat, lowersodium cheese.
- Developing new milk flavors in schools that meet guidelines.
- Adding to the number of schools that adopt dairy-friendly breakfast alternatives.
- Exploring new dairy consumption opportunities at lunch and snack times.

**Second, protect dairy's freedom to operate in schools** in order to protect what we have.

**Third, build lifelong dairy values** among the next generations of consumers to help ensure ongoing loyalty toward your dairy products. To put more nonfarmer dollars and people into Fuel Up to Play 60, the newly formed Gen YOUTH Foundation (see sidebar) will employ the resources of partner organizations and help positively position dairy in schools.



To make an impact in schools and beyond, we must engage kids in an exciting way. FUTP 60 offers kidfriendly tools and resources, in-school promotional materials, a website, and student challenges. Even more, the program boasts the “star power” of the NFL with players from all 32 NFL teams helping lead physical fitness activities and healthy eating, including dairy, at local school events. FUTP 60 rewards and truly engages kids who decide which programs best meet their school’s nutrition and fitness goals. This enables students to become energized, active participants who are committed to making healthy choices and who encourage their peers and families to follow suit. I, along with dairy producers across the country, have seen FUTP 60 in person and know it works to get kids excited about nutrition—including dairy—and fitness. Leading health and nutrition organizations support FUTP 60, including Action for Healthy Kids, American Academy of Family Physicians, American Academy of Pediatrics, American Dietetic Association, National Hispanic Medical Association, National Medical Association, and School Nutrition Association. Visit [www.fueluptoplay60.com](http://www.fueluptoplay60.com).

Source: Hoards Dairyman.