



PRINT THE GLOBAL DAIRY eBRIEF

## FEATURED

### GRAS colostrum work proceeds; FDA has 'no questions' on MPC, MPI

FDA responded with "no questions" to a notification submitted by law firm Keller and Heckman (on behalf of ADPI and USDEC, pursuing work originally begun at the Innovation Center for U.S. Dairy) to establish GRAS status for MPC and MPI (see *Global Dairy eBrief*, 2/20/14). The notification provided scientific support that MPC and MPI are GRAS for functional or nutritional use in products intended for adults and children 1 year and older.

"No questions" essentially means the agency at this time finds no objections to the case made in the notification. ADPI and USDEC had previously submitted and then temporarily withdrew a GRAS notification for MPC and MPI after FDA responded with multiple questions seeking more information. The latest notification, presented in February 2014 and followed up with additional evidence tendered throughout the year, resolved all outstanding issues.

GRAS status is a cornerstone of the U.S. food industry—a rigorous and proven system that lays the groundwork for innovation while ensuring the safety of the U.S. food supply. To be declared GRAS, any food ingredient needs to present scientific evidence that it poses a reasonable certainty of causing no harm. The GRAS designation provides food manufacturers a greater level of comfort in using ingredients and confidence in the safety of their products.

MPC and MPI are not the only ingredients where USDEC sees potential in and is supporting GRAS efforts. A group of U.S. manufacturers is currently working with USDEC on a notification in support of GRAS status for bovine colostrum.

Colostrum consumption dates back over several hundred years in Europe, Africa and the Indian sub-continent. Since the 1950s, scientists have been studying its characteristics and benefits. That research and the ingredient's rich history contributed to the development of colostrum processing in United States from the early 1980s.

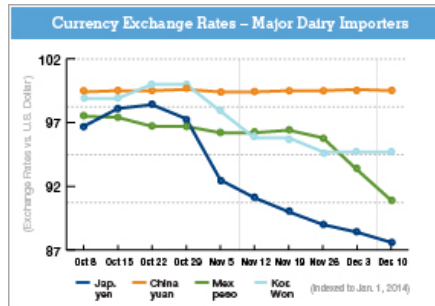
The industry is now well established with several companies engaged in manufacturing. Demand is strong domestically and in Asia, and while not technically a dairy product (the U.S. definition of milk excludes colostrum), it is a valuable product stream that is recovered at the farm level by dairy farmers.

Drawing on the research and insights gained over the past 60 years, the group has conducted the rigorous evaluation integral to the GRAS process and plans to submit a notification to FDA in 2015 covering a range of applications and markets.

The completion of a GRAS assessment will provide further recognition of colostrum as a safe, valuable ingredient that has applications in food and supplements. The MPC GRAS notification will be posted on FDA's website, or members can receive a copy by contacting Véronique Lagrange at [vlagrange@usdec.org](mailto:vlagrange@usdec.org) or 703-528-3049. (USDEC staff; ADPI)

## CURRENCY AND PRICES

Click charts to view larger images in your web browser



A rising index means that an importer's currency is strengthening against the U.S. dollar. A falling index means that an importer's currency is weakening against the dollar. When an importer's currency is strengthening against the U.S. dollar (weak US\$), the importer's purchasing power increases; when an importer's currency is weakening against the U.S. dollar (strong US\$), the importer's purchasing power decreases. Source: Oanda.com

	Nov 11	Nov 26	Dec 10
<b>Cheese</b>	3700-4100	3700-4100	(-200) 3500-3900 (-200)
<b>SMP</b>	2200-2500	(-25) 2175-2450 (-50)	(-25) 2150-2450
<b>Whey</b>	1025-1250	(-25) 1000-1250	1000-1200 (-50)
<b>Butter</b>	2600-4000	(-50) 3550-3950 (-50)	(-150) 3400-3800 (-150)
<b>WMP</b>	2775-3200	(-75) 2700-3100 (-100)	(-100) 2600-3000 (-100)

Overall EU milk production is just past its seasonal trough and is starting its six-month climb to the spring peak. EU-28 milk deliveries were up 4.7 percent in September and an estimated 3-4 percent in October compared with a year ago. SMP powder prices are inching closer to intervention levels. Intervention for SMP is €1,650/ton (\$2,067 at today's exchange rate, or 95¢/lb.). Intervention for butter is €2,216/ton (\$2,730 at today's exchange rate, or \$1.24/lb.). EU prices for WMP and buttermilk remain above offerings from Oceania, restricting export opportunities. Traders continue to negotiate H1-2015 sales but it remains a buyers' market, especially as stocks continue to grow. Farmland in UK prices in Europe are down about 10-15 percent from the February peak but are still above prices paid prior to July 2013. Milk rates are expected to follow. The euro continues to drop, falling to a four-year low last week. The currency has fallen 10 percent in the last five months.

Note: Numbers in parentheses are changes from previous period. Source: USDA and commercial contacts

### October dairy exports slide 16 percent

October U.S. dairy export value declined 16 percent to \$515.7 million compared to the same month the previous year, according to USDA trade data released late last week. Year-to-date sales of \$6.132 billion were still 11 percent greater than the first 10 months of 2013.

Exporters shipped 154,419 tons of milk powders, cheese, butterfat, whey and lactose in October, down 8 percent from a year ago but up 9 percent from September (on a daily-average basis). Most individual product categories recorded declines.

Whey products, driven by high double-digit gains in WPC and WPI, were a bright spot, with volume (43,886 tons) up 9 percent from the previous year and 24 percent from September 2014. October SMP volume declined 25 percent to 38,709 tons vs. October 2013, WMP (3,123 tons) and cheese (26,287 tons) slipped 3 percent each, and butterfat exports plunged 81 percent to 1,991 tons.

For a full analysis of October trade data, go to the USDEC website at [www.usdec.org](http://www.usdec.org).

### Supply chain report focuses on improved competitiveness in logistics

The U.S. dairy export supply chain (ESC) has a spotty record when stacked up against major competitors, and it has cost the industry in terms of reputation, efficiency and, consequently, sales and profitability. According to a new USDEC research study, *Export Supply Chain and Logistics Management*, that doesn't have to be the case.

The 189-page report explores U.S. dairy ESC performance, problem areas and global best-practices and offers a series of recommendations aimed at bettering U.S. supply chain operations. Research studies cited in the report show that supply chain leaders enjoy average EBIT (earnings before interest and taxes) margins more than twice as high as supply chain "laggards." Companies that acknowledge the supply chain as a strategic asset can achieve significantly higher performance, the report notes.

"Such efforts should not be considered optional: U.S. suppliers' reputations and customer relationships are at stake," says Ross Christieson, USDEC senior vice president, market research and analysis. "Companies with lax supply chain management who frequently experience delays, damaged product and extended delivery times can negate investments in manufacturing and marketing that were made specifically to meet the needs of global buyers."

The report is free to USDEC members. To obtain a copy, please contact Rebecca Vidal at [rvidal@usdec.org](mailto:rvidal@usdec.org).

### Nearly 100 sign up for Dec. 17 dairy crisis webinar

Nearly 100 dairy industry executives have registered for a Dec. 17 webinar to review U.S. preparedness for a potential food safety crisis in China. USDEC, along with the Dairy Communications Management Team (DCMT), is hosting the one-hour interactive event to examine the importance of global crisis readiness, the power of Chinese media to spread information and misinformation about U.S. dairy, the preparations USDEC and the DCMT are making to respond swiftly in China and elsewhere around the world, and how U.S. suppliers can help. To register, click [here](#). For more information, contact USDEC's Clemente Santiago at [csantiago@usdec.org](mailto:csantiago@usdec.org) or 703-528-3049 or DMI's Jolene Griffin at [jolene.griffin@rosedmi.com](mailto:jolene.griffin@rosedmi.com) or 847-627-3320.

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## MARKET CONDITIONS

### Fonterra cuts forecast payout 11 percent; Westland claims output dropping

Fonterra Co-operative Group lowered its forecast payout for 2014/2015 by NZ\$0.60 to NZ\$4.70/kgMS (about equivalent to US\$11.01/cwt.) and left the dividend unchanged for now at NZ\$0.25-0.35 per share. "Right now we are seeing a number of factors that are delaying a sustained return to higher global prices," Chairman John Wilson said, citing falling oil prices, geopolitical uncertainty surrounding Russia and Ukraine and "subdued" demand from China.

Fonterra delayed from March 2015 to July 2015 the date at which it expects WMP prices to rebound to US\$3,500/ton.

The forecast payout would be the lowest since 2006/2007 and equates to more than an NZ\$6 billion drop in revenue for the New Zealand dairy sector compared to 2013/2014. DairyNZ warned that around one-quarter of New Zealand dairy farmers would face difficulty meeting their interest payments, rent and farm working expenses at an NZ\$4.70/kgMS payout without incurring more debt. Rabobank noted that most farmers entered the current downturn in strong shape, but agreed that many would need additional financing as incomes dwindled into 2015.

New Zealand's Westland Milk Products, which lowered its forecast payout to NZ\$5.00-5.40 last month, said it is starting to get a supply response. After record production in October, the company is now seeing daily milk collection averages beginning to drop below the previous season. Fonterra made no comment on members' current production trends. (*Company reports; DairyNZ; Rabobank; Agrimoney.com, 12/10/14; Dairy Trader, 12/10/14; BusinessDesk, 12/10/14; Reuters, 12/9/14*)

### China FTA generates more talk of Australian dairy investment

Talk of new investment in the Australian dairy sector has been steady since Australia and China announced they had completed an FTA in mid November (*see Global Dairy eBrief, 11/20/14*). The latest rumblings include an idea floated by KPMG to build an A\$1.1 billion (about US\$932 million) 160,000-cow farm and milk processing facility in

Tasmania. Dubbed the "Big Cow" project, KPMG said it was only testing the waters at this point to gauge investor interest.

Elsewhere, officials from Orange City, New South Wales, said they have held discussions with a Chinese consortium to build a "very substantial" milk powder facility. (*ABC News, 12/4/14; Stock & land, 11/26/14*)

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## COMPANY NEWS

### Glanbia expands Idaho operations

Glanbia Foods is spending \$82 million to expand production at its Gooding and Twin Falls, Idaho, manufacturing plants. Projects include expanding whey protein production at Gooding to include WPI, creating a center of excellence for the in-house blending and agglomeration of high-end nutritional products, and adding lactoferrin production to Twin Falls. (*Company reports*)

### Foodservice roundup

Domino's, Burger King, McDonald's and Taco Bell are the latest major U.S. foodservice brands making significant international market moves.

- **Domino's Pizza International** plans to expand its presence in East Africa. The company and its franchisee Om Nom Nom Mauritius Ltd. opened their first two outlets in Kenya and are now targeting Rwanda, Tanzania and Uganda.
- **Yum! Brands** announced a push to expand the number of international Taco Bell outlets to 1,300 (from current level of about 250). The company said it was looking for experienced franchise operators from around the world, but focusing on Chile, Japan, Peru, Poland, South Korea, Thailand and the UK.
- A month after opening its first outlets in India, **Burger King** formed a joint venture with European franchisee BK SEE to expand the Burger King brand in Greece, Italy and Poland. Burger King opened its first Indian outlets in Delhi and Mumbai and plans to reach a dozen Indian cities in 2015.
- **McDonald's** is planning to open 150 new McCafé stores inside Indian McDonald's stores over the next 3-5 years, selling premium specialty coffee beverages, drinks and baked goods. (*Wall Street Journal Blogs/India Real Time Report, 12/9/14; Food Business News, 12/5/14; Bloomberg, 12/4/14; Nation's Restaurant News, 12/4/14; Business Standard, 11/21/14*)

### Company news briefs

**Devondale Murray Goulburn** relaunched its *Devondale* UHT milk brand in China in new metallic bilingual packaging and in two sizes: 200ml and 1 liter. The cartons emphasize Australia as the line's country of origin . . . Four Japanese butter makers—**Megmilk Snow Brand**, **Meiji Holdings**, **Morinaga Milk Industry** and **Yotsuba Milk Products**—agreed to increase butter production by 33 percent to 1,846 tons this month at the request of the nation's farm ministry. Japan is dealing with a year-long butter shortage as usage peaks with the holiday season . . . **Mars Inc.** invested \$140 million to expand its candy bar manufacturing facility in Dubai and build a new plant in King Abdullah City, Saudi Arabia. The facilities will service the UAE and Saudi Arabia as well as 30 additional markets across the Middle East and Africa. (*USDEC Middle East office; Company reports; Japan Times, 12/4/14*)

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