

# WORLD DAIRY DIGEST

## Saputo Inc. buys Murray Goldburn Co-operative

Canada's biggest cheesemaker, Saputo Inc., has agreed to pay up to \$490 million for debt-ridden Murray Goulburn Co-operative, making it Australia's top milk producer with its second major acquisition in the country.

The deal rescues the maker of Devondale milk and cheese after a disastrous foray into China, where hoped-for sales never materialized. When funds to repay Murray Goulburn's debt are included, the total value of the deal is worth around A\$1.3 billion (CDN\$1.28 billion).

"Murray Goulburn has reached a position where, as an independent company, its debt was simply too high," Murray Goulburn chair John Spark said in a statement pledging the

board's unanimous support for the buyout. "The transaction represents the best available outcome."

Saputo will gain Melbourne-based Murray Goulburn's production facilities in addition to the Warrnambool Cheese and Butter (WCB) factories and brands it bought in two transactions in 2014 and 2017 for roughly A\$500 million (CDN\$492 million).

Saputo will now command more than half of Australia's milk powder market, adding Murray Goulburn's 42 per cent share to WCB's 9.8 per cent, according to data from IBISWorld. Murray Goulburn is also the country's third-biggest producer of milk and cream. [www.uk.reuters.com](http://www.uk.reuters.com)



## New U.S. bill asks for low-fat milk to be served in schools

The National Milk Producers Federation and the International Dairy Foods Association are praising the introduction of a new bipartisan bill that would allow schools to offer low-fat flavoured milk with no more than 150 calories per eight-ounce serving, as well as fat-free flavoured milk in the federal school lunch and breakfast programs.

The bill would allow individual schools and school districts to determine which milk fat varieties to offer their students. The two dairy groups claim milk consumption in schools has dropped since the 2010 *Healthy Hunger-Free Kids Act* removed low-fat flavoured milk from school meals.

The legislation includes a pilot program to test strategies schools can use to increase fluid milk consumption. This could include ways to make milk more attractive and available to students, including improved refrigeration, packaging and merchandising. [www.thefencepost.com](http://www.thefencepost.com)

## New Zealand dairy exports get boost

Record global butter prices and higher sales of milk and cream to China boosted New Zealand's total exports in September, the country's statistics department Stats NZ reveals.

Exports of food preparations, including infant formula, were up by NZ\$58 million (CDN\$51 million), or 104 per cent, in September, and over half of this commodity was exported to China, Stats NZ said.

"The increases in both butter and milk

powder were price-driven," international statistics manager Tehseen Islam said in a statement.

Almost 80 per cent of milk and cream are exported to China. Milk fats, including butter, led the rise in dairy-related sales, up 43 per cent to NZ\$207 million (CDN\$182 million), even though volumes fell, the department said, adding milk powder, milk and cream also contributed to the rise. [www.chinadaily.com.cn](http://www.chinadaily.com.cn)

## France dealing with acute butter shortage in stores

France is currently suffering from a severe months-long butter shortage. The problem is only getting more acute, with supermarkets unable to stock shelves with France's favourite fat. A mixed bag of reasons are to blame for the shortage, including high demand for French butter in other countries (spurred by suggestions butter isn't as unhealthy as once thought, prompting more demand), and a low milk yield over the summer in France. *The Guardian* suggests the European Union's elimination of milk quotas in 2015 indirectly caused the problem—dairy production initially skyrocketed, crashing prices and causing production to drasti-

cally shrink again.

Adding to the problem are supermarkets that often fix their butter prices only once a year in France and are therefore generally reluctant to hike prices. Producers and wholesalers realize they can extract more money by selling their wares in neighbouring countries, such as Germany, where prices are up 52 per cent, compared with France's six per cent. French baking lobby group, the Federation des Entrepreneurs de la Boulangerie, called it a "major crisis." Croissants are made up of 25 per cent butter, so any shortage or price increase has an obvious effect on baking operations and sales. [www.eater.com](http://www.eater.com)

## Russia's dairy industry grows slightly after 2014 import ban

Following Russia's 2014 import ban on agricultural products from certain countries, Russia's net imports of dairy products fell 29 per cent in 2016 compared with pre-ban levels, with the largest drop seen in cheese and curd. While the Russian dairy industry has grown on the back of the embargo, it has not managed to completely replace import volumes as it continues to face various challenges. Weaknesses, such as a geographical imbalance of processing capacity, the requirement to transport milk across vast distances, the weak rouble and a squeeze on consumers' purchasing power, have limited production growth. However, the Russian government is incentivising productivity and investment with targeted subsidies to support growth. [www.heraldscotland.com](http://www.heraldscotland.com)