Dairy Pulse

14th Edition

16th – 31st May, 2016

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Dairy Pulse 14th Edition
(16th to 31st, May 2016)

Contents

Dairy News Foreign

Suruchi endeavor in Skill/ Entrepreneur Development Domain

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Unit of Suruchi Consultants
C-49, Sector-65, Noida U.P – 201307

SC/PSC Code: 39018P
Prog. In-charge: Mr. Sanjay Singhal
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➡ *1st First Regional Dairy Entrepreneurship Development Program (RDEDP) at Hyderabad on 27th & 28th June, 2016.*

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Food licensing and registration deadline extended till Aug. 4 by FSSAI

Tuesday, 31 May, 2016, 08 : 00 AM [IST]

Harcha Bhaskar, Mumbai

The latest FSSAI deadline for licensing and registration of food business operators (FBOs) under the Food Safety and Standards (Licensing and Registration of Food Business) Regulations, 2011, that ended on May 4, 2016, has been given another three-month extension till August 4, 2016. The extension has been approved by the ministry of health and family welfare and a message in this regard was conveyed to FSSAI on Monday.

While speaking to FnB News, Rakesh Chandra Sharma, director (enforcement), Food Safety and Standards Authority of India (FSSAI), confirmed, “For the benefit of FBOs, once again the deadline for licensing and registration will be extended till August 4, 2016. The decision is taken and passed by ministry of health & family welfare.”

Explaining further, he stated, “We asked for time for the decision. The decision came from the health ministry, though due to some work, it was delayed.”

Meanwhile, a source from FSSAI, informed, “FBOs will be given extension for next three months. The official notification on the same would be notified by FSSAI in a couple of days.”

He added, “This will be the last chance given to FBOs to get registered or licensed.”

The decision came almost a month after the last deadline ended, as FSSAI was opposed to further extension but traders were demanding it.

Licensing and registration has remained a cause of concern for the food regulator ever since the implementation of FSSR, 2011, in the country. In spite of consistent efforts on the part of FSSAI and several extensions - the latest being seventh - most FBOs failed to comply. Out of 5 crore FBOs in the country, around 35 lakh have succeeded in obtaining licence or securing registration.

Dairy Major Amul's Managing Director RS Sodhi Gets Extortion Call

All India | Press Trust of India | Updated: May 30, 2016 17:13 IST

According to crime branch officials, a person claiming to be a member of Ravi Pujari gang called RS Sodhi a few days back and demanded Rs. 25 crore as protection money.

Anand-based dairy major Amul's Managing Director allegedly received an extortion call from a person claiming to be a member of gangster Ravi Pujari's group, following which a probe was initiated by the Ahmedabad crime branch, police said today.

RS Sodhi is the managing director of Gujarat Co-operative Milk Marketing Federation (GCMMF), which sells its products under 'Amul' brand and has headquarters at Anand town in Kheda district.

According to crime branch officials, a person claiming to be a member of Pujari gang called Mr Sodhi a few days back and demanded Rs. 25 crore as protection money.

"The extortion call was made from an international number. Sodhi was asked to pay Rs. 25 crore or else face consequences," city crime branch's Assistant Commissioner of Police, KN Patel said.

"Since we are already probing few other cases related to extortion calls claimed to be made by Ravi Pujari gang, the state DGP has ordered to hand over the probe to us," he said. According to him, a computer software might have been used to divert a local call into an international call.

"Though it was an international number, it is possible that the call might have been made from India. Using some softwares, one can convert the local number into an international number. We are now probing the case from different angles," Mr Patel added.

Grocery shop owners want check on food adulteration

Say will support party which gives due importance to the cause

A conference of grocery retailers underway in Faridkot on Sunday. Tribune photo

Tribune News Service

Kotkapura, May 29

Over 3,000 traders of grocery items across the state assembled in Kotkapura today and resolved to fight against the adulteration of food items.

At a state-level conference, they said the menace had reached an alarming level and alleged that some politically connected people were doing a brisk business by selling such food items. They said this posed as a major health risk to people.

They demanded that a food testing laboratory should be opened at the district level and the responsibility of the Health Department should be fixed for the purity of food items.

They said they would support that political party which gives importance to the purity of food items being sold in the state.

“Though Punjab has a high rate of failed food samples in the country but instead of taking any action against manufacturing companies, the Health Department harasses the retailers of grocery items and threaten them with criminal action and fine,” said Omkar Nath Goyal, president, All India Karyana Retailer Federation.

Want food testing lab set up

They demanded that a food testing laboratory should be opened at the district level and the responsibility of the Health Department should be fixed for the purity of food items.

Corruption rampant: Milk vendors

At the conference in Kotkapura, milk vendors alleged that some vendors were bribing Health Department officials on a monthly basis, due to which the sale of adulterated milk was going on unchecked in the state.

London Dairy targetting Rs 100 crore revenue from India by 2020

London Dairy products are manufactured under licence from the London Dairy Company, UK and imported into India from UAE-based International Foodstuffs Company. PTI | 30 May 2016, 8:22 AM IST

MUMBAI: Premium ice-cream brand London Dairy is eyeing to double its India revenues to Rs 100 crore by 2020, as it plans to ramp up distribution to 5,000 outlets.

"We entered the country three years ago and are building the premium ice-cream category. We target a growth of roughly 36 per cent year on year and will double our revenues from about Rs 40 crore in the next three years. We expect to touch Rs 100 crore by 2020," London Dairy's Head of Marketing Shweta Shrivastava told PTI.

London Dairy products are manufactured under licence from the London Dairy Company, UK and imported into India from UAE-based International Foodstuffs Company.

The brand is currently focussing on direct distribution through branded freezers. It expects to hit 5,000 retail outlets by 2020, Shrivastava added.

Currently London Dairy products are available in 2,000 outlets across the country.

Shrivastava said that the ice-cream market in the country witnessed a slowdown during the last year, especially with food safety regulations governing international brands in the category.

"The last year and a half was tough for players in the category," she pointed.

"The Food Safety and Standards Authority of India (FSSAI) was doing its job, and indulging in fairplay. In terms of the way ingredients are written, or even customized brand packaging and labelling there were strict rules, which took time to comply with," she added.

As a result, the company introduced 46 stock keeping units (SKUs) that were customized for the Indian market, she explained.

Until a few years ago, 80 per cent of the market was made up of mass-premium players.

London Dairy competes with other international premium ice-cream brands including Cold Stone Creamery, Haagen Dazs and Movenpick.

According to industry experts, the Rs 4,500 crore frozen desserts category is growing at 15-20 per cent annually in India.

Globally, the share of premium ice-cream category is about 5 per cent.

In the next three years, London Dairy also expects to start manufacturing here.

"At the moment, the volumes in the entire premium category doesn't make sense, but in three years time we will probably consider it," she said.

Exclusive: Indians at risk of bioterror as food regulator looks away

SUHAS MUNSHI@suhasmunshi | 29 May 2016, 22:17 IST

In December 2015 a legal advisor to Food Safety and Standards Authority of India (FSSAI), the national food regulator, wrote a startling internal note to the management.

The note talked about how food could become a tool for bioterrorism. It was written to Food Safety and Standards Authority of India (FSSAI) by one of its legal advisors.

It all started with a case filed in Delhi High Court by Hyderabad Duty Free Retail Ltd (HDFRL), challenging national food regulator's authority to oversee food and beverage being sold at the country's international airports.

HDFRL's argument: FSSAI had no jurisdiction over imported food sold in airports.

The counterargument: Giving up FSSAI's duty to check food coming into the country will give rise to diseases due to consumption of products that were counterfeit or past their sell by date.

But not that alone. For the first time, perhaps, someone underscored the "capability of food as a tool for bioterrorism".

According to the legal advisor's note: "All imported food items should be looked at with a comprehensive view of the safety of the citizens of India." It urged that FSSAI asserts its right to regulate and check all food being imported in the country, including what's sold at duty-free shops at airports.

The thrust of the legal consultant's argument was that terrorists would have a field day if food coming in the country wasn't regulated or checked for safety. They wouldn't have to take the traditional route of assembling bombs, conducting recce, looking for recruits and arranging logistics.

Enemies of India can just garnish imported food with Bacillus Anthracis (that causes anthrax) or spray it with a bacterium called Clostridium Botulinum, which causes the muscle-paralysing botulism.

India has been importing record quantities - millions of tonnes - of wheat, rice, maize, apart from regularly buying pulses, sugar and sugar confectionery, tea, coffee, spices, dried fruits, edible oil, vegetables, dairy products and cereals from neighbouring countries.

Quoting a report compiled by the Centers for Disease Control and Prevention (CDC), Atlanta, USA, the 11-page legal note to FSSAI talked about the dangerous epidemics and diseases that people in India might be exposed to, if appropriate measures were not taken.

The note went on to list causes, effects and prevention of diseases like brucellosis, pneumonic plague, smallpox and tularemia and could spread by contaminated food.

FSSAI'S REACTION

"A very interesting and informative treatise which has little or no relevance to the case at hand...We have to address issues of food safety, not of bio terrorism or disease control... which in any case will operate outside the confines of the legal system of the country... The measures adopted by us have to be no more restrictive of trade than is required... I reiterate my directions... that we should not contest this matter any further," FSSAI Chairperson Ashish Bahuguna wrote in an internal note.

Remember, this body is responsible for regulating all food in India, except the produce of the country's farmers and fishermen. Its jurisdiction is covers "the whole of India," according to the Section 1 (2) of the Food Safety and Standards Act (FSSA), 2006.

The 'trade-friendly' attitude is not towards airport shops alone. Documents available with Catch show how FSSAI has gradually weakened food regulation and quality check at 125 of India's 200 big and small ports.

The food regulator, through an order on 29 March, delegated the responsibilities of food safety officers to those in the Customs department.

The task requires specialised qualification to check imported packages for necessary labels, take their samples and analyse their reports. How qualified Customs officials are to carry out such task is anybody's guess.

According to FSSA, the act governing FSSAI, a very specific procedure has been put in place to check food that is imported into India.

According Paragraph 47 of the Act: "In case of imported articles of food, the authorised officer of the Food Authority shall take its sample and send to the Food Analyst of notified laboratory for analysis who shall send the report within a period of five days to the authorised officer."

A Food Safety Officer is the designated officer to check labels on imported food and take samples for testing.

Food Safety and Standards Rule, 2011, the rulebook for FSSAI, states that such an officer "shall be a whole time officer and shall, on the date on which he is so appointed possesses the following:

(i) a degree in Food Technology or Dairy Technology or Biotechnology or Oil Technology or Agricultural Science or Veterinary Sciences or Bio-Chemistry or Microbiology or Masters Degree in Chemistry or degree in medicine from a recognised University, or

(ii) any other equivalent/recognised qualification notified by the Central Government, and

(iii) has successfully completed training as specified by the Food Authority in a recognised institute or Institution approved for the purpose."

But the March 29 FSSAI order changes all that. It says: "The superintendent/ appraiser/ inspector/ examiner of the concerned port mentioned in the list enclosed hereby is hereby notified as the Authorised Officer for the jurisdiction mentioned against each port for imported food clearance from the date of order till further orders."

Ports (both by the sea and inland) in Bangalore, Surat, Ahmedabad, Rewari, Panipat, Mundra, Jaipur, Indore, Puducherry Dawaki, Agartala and Attari were among those notified in the list.

Recently, a blunder by the Customs department in checking and sampling imported food was brought before the Delhi High Court: A food distributor imported 'energy gels and energy chews' and got a clearance.

But it was found out that the importer affixed those labels while the package was in Customs custody. Customs officials had no explanation for the blunder.

The court rapped both the Customs and FSSAI, which argued that food products such as energy gels and bars, called proprietary foods, were not in its ambit.

In its 23 May judgment, the High Court ruled that regulating proprietary foods was the responsibility of FSSAI and delegated the responsibility of regulating and checking samples of imported food back to it.

It asked Customs to not give any clearance to imported food until FSSAI personally okayed it.

Meanwhile, larger threats loom.
Edited by Joyjeet Das

Amul's latest ad about RBI Governor Raghuram Rajan is perfect

By **Dairy News India** -May 27, 2016

Time and again, they have delivered hilarious takes and digs on politicians, topicalcontroversies or moments of joy.

And, while it's difficult to choose among all of these brilliant cartoons they've done in the past, it's safe to say that their latest cartoon on the controversy surrounding politician Subramanian Swamy's comments on RBI Governor Raghuram Rajan takes the cake!

Though, they've tried playing it safe, one can very well assume which side they are on. We especially like 'second helping please!'

This is what the ad looks like-

It all started when on May 12, BJP's Subramanian Swamy slammed the RBI Governor for his decision to increase rates.

"I don't think he is fit for the country. His decision to increase interest rates to reduce inflation and stabilise the economy has backfired and badly affected the nation. All the industries have collapsed and as a result unemployment has increased," Swamy had said, adding that Rajan should be sent back to Chicago at the earliest.

Swamy even wrote to the Indian Prime Minister Narendra Modi asking for the immediate sacking of the RBI Governor, alleging that is 'mentally not fully Indian' and has wrecked the economy.

His comments naturally caused a lot of debate and speculations are rife on whether Rajan will be given a second term after his first term comes to an end on September.

Kwality to invest Rs 500 cr to increase focus on retail

Dairy products player wants to increase share of retail sales to 70% from current 30% of its turnover in three years

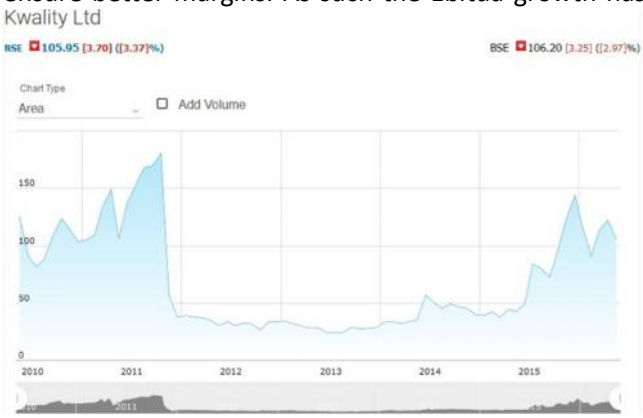
By **Dairy News India** -May 27, 2016

Dairy products player Kwality Ltd, which is clocking 8-9% top line growth in the past few years, is now mulling a strategic change to increase focus on value added products from being a business-to-business (B2B) company.

The company which plans to invest close to Rs 500 corer to expand production capacities among others aims to increase the share of retail sales to 70% from a current 30% of its turnover in about three years.

"We were a B2B focused company, and now we are transforming ourselves into a business-to-consumer B2C company and focus more on value added dairy products like UHT milk, flavored milk, cheese, butter etc," aid Nawal Sharma, President & Head-Business Transformation, Kwality Ltd.

He added that while the top-line has been clocking 8-9% growth, focus on value added products would ensure better margins. As such the Ebitda growth has been to the tune of 14-15% off late, he added.



Kwality has also roped in a brand ambassador in Hindi film actor Akshay Kumar in order to boost its brand presence to gain market share in the retail segment, and has also roped in Ernst and Young as their IT transformation partner that would help in its transition from a B2B to a B2C company. At present B2B business accounts for nearly 70% of its sales.

While the company plans to invest close to Rs 500 crore over the next few years to build capacities (at existing facilities), increasing focus on retail would also mean that they would have to increase direct sourcing of milk from farmers. The company currently procures only 18% of its total milk requirement directly from farmers. "We aim to take that up to 50% of our total requirement over the next three years," Sharma said.

The company has six manufacturing sites in in Uttar Pradesh, Haryana and Rajasthan and has a processing capacity of 3.2 million liters per day.

"We are using most of our installed capacity and hence we are adding manufacturing lines at our existing sites," Sharma said who added that the expansion would be funded partly through internal accruals. "We are considering several investment vehicles, and would take a call on how to fund the expansion soon," he said.

Kwality posted a net sales turnover of Rs 5,724 crore for FY16 on a standalone basis.

Milk adulteration testing kit for Rs. 50

May 25, 6:28 pm

Hubli, May 25 (ANI): With over 68% of the milk in India found adulterated in a 2011 Food Safety and Standards Authority of India (FSSAI) study, the government is working towards providing an accurate, portable test kit. People in Hubli district of Karnataka have come up with Biosyl - a commercialised home milk testing kit for an affordable price of Rs. 50. This kit within minutes can detect contamination of six common adulterants in milk. It is a low-cost portable system with user-friendly features. A change in colour of the milk or a change in colour of the paper indicates the presence of a contaminant. The test can detect as low a value as 0.5 per cent of the contaminant.

Heritage Foods to invest Rs170 crore

Heritage Foods has started dairy operations in the NCR, Mumbai and Pune markets, away from its stronghold in the South

By **Jhimli M** -May 25, 2016

Hyderabad: Heritage Foods Ltd will invest Rs.170 crore over the next four years in two of its core divisions, moving into newer markets in the dairy business and doubling the floor space of its retail business, as it bids to become a $1 billion company by 2020.

The Hyderabad-based firm, owned by family members of Andhra Pradesh chief minister N. Chandrababu Naidu, has started dairy operations in the National Capital Region (NCR), Mumbai and Pune markets, away from its stronghold in the South, and is tying up with local farmers to procure milk.

"It will pump in about Rs.30 corer annually to strengthen the back end infrastructure of its dairy business and increase the footprint in newer markets in the northern and western parts of the country, apart from the existing ones in Andhra Pradesh, Telangana, Karnataka, Tamil Nadu and Odisha," Nara Brahmani, executive director of Heritage Foods said in an interview.

The company will set up nearly 100 more retail outlets over the next four years at an investment of Rs.50 crore taking its total retail floor space to 600,000 sq.ft., Brahmani said. Heritage currently operates 90 stores under the Heritage Fresh brand occupying 320,000 sq.ft. It expects to add another 30,000 sq.ft. of retail trading space by the end of current fiscal year.

Capital expenditure should help to grow the top lines of the dairy and retail divisions, Shailesh Kumar, research analyst at Indsec Securities and Finance Ltd. said. Heritage, founded in Andhra Pradesh in 1992, is not keen on acquiring brands but will consider acquiring assets that can add capacity to its businesses, Brahmani said.

"Any additional channels we are looking at will require further investment. Those details should be out very soon, we are still working on the final details," she said, without giving details. The company recently revived a sick dairy unit it acquired in Sonipat in Haryana to cater to the national capital region

(NCR) market. Earlier, it acquired a dairy plant at Sangvi in Maharashtra, which supplies Mumbai and Pune.

Demand for milk is expected to grow to 200 million tonnes by 2022 from 138 million tonnes in 2014, according to the National Dairy Development Board (NDDB). The company expects to garner a significant share of this demand by entering high volume markets such as NCR and Mumbai, and by strengthening its presence in existing markets.

Put together, NCR and Mumbai have a demand of 11 million litres of milk every day. Heritage currently supplies 50,000 litres of liquid milk a day to Mumbai and Pune, and sells 10,000 litres a day in NCR. In four years, it expects to sell about 300,000 litres a day in each of NCR and Mumbai markets.

Much of Heritage's success in the new markets will depend on the policies of local governments and the company's relationship with farmers, an analyst with Angel Broking Ltd said. "Establishing presence in markets like Mumbai and Delhi will take some more time. It is not going to be easy," the analyst said, requesting anonymity because he is not an authorized spokesperson.

Yet, ***Heritage*** is banking on geographical diversification and higher sales from value added products such as ice cream, curd, butter and flavored milk (whose margins are double that of liquid milk) to grow into a $1 billion entity by 2020.

"It is a steep target," conceded Brahmani, who's the daughter-in-law of chief minister Naidu. "That's why we are focusing a lot on the dairy business value added products. Industry is growing in that direction… We are no more a regional brand, we are more like a pan-Indiaplayer. We want to be all across in the country—in the major markets."

While Heritage is diversifying geographically in the dairy business, it intends to consolidate retail operations in existing markets—Hyderabad, Bengaluru and Chennai.

It has added 19 new retail outlets in the past nine months even as it renegotiated rents and relocated a few existing stores to areas with a higher footfall—in an effort to make the retail business profitable.

The loss-making retail division has been eating into the profits of the dairy business, whichcontributes about three-quarters of the firm's revenues. "Heritage Fresh, the retail division of the

company has been the Achilles Heel for last five years," analyst Kumar said. "Losses in the retail division have eclipsed the profit of the dairy division."

But, Brahmani said that's going to change.

Heritage expects its retail division to break even on an Ebitda (earnings before interest, taxes, depreciation and amortization) level from the first quarter of next fiscal. Ebitda is a measure of profitability.

Brahmani said the retail division will be profitable on a PBT (profit before taxes) basis from financial year 2017. Once that's achieved, the company plans to separate the retail division from the parent.

"We plan to hive off the retail business after PBT profitability is achieved," Brahmani said, adding that retail expansion will not affect the PBT target.

"They can do it only after they are able to work out profitability on an Ebitda level. Only then they will be able to sell this particular division to some other company," the Angel Broking analyst said. "Selling off the retail division will boost the valuation of the company."

Source: livemint

CAM, Jones Day, Khaitan star in Parag Milk Foods IPO

| May 25, 2016

Cyril Amarchand Mangaldas has advised Indian dairy company Parag Milk Foods on its initial public offering of 7.51 billion rupees ($111 million), with Jones Day and Khaitan & Co advising the underwriters.

The IPO underscores the big potential for milk and dairy products in India. HDFC Bank estimates that India overtaking the European Union to become the largest milk and dairy product producer by 2020. Per capita consumption of milk in India currently stands at 97 litres per year, well below that of most other major milk markets

The underwriters on the offering were Kotak Mahindra Capital, JM Financial Institutional Securities, IDFC Securities, and Motilal Oswal Investment Advisors.

Parag Milk Foods

By **Dairy News India** -May 24, 2016

Interview: Rahul Akkara, VP – Marketing, Parag Milk Foods

For a large majority of households the day begins with the purchase of milk. One of the reasons why milk is such an important part of our diet can also accredited to dieticians and doctors, who do not fail to recommend milk and its products as one of the best sources of calcium. Significantly, very few of us think about changing our brand of choice in this category. Reason: consumers want to go with the brand they have trust in and are wary of trying new alternatives. In such a scenario, it is quite difficult for a new brand to come into the picture and carve a niche for itself. Parag Milk Foods, which offers milk and milk products under the 'Gowardhan' brand, understands these challenges and is more than willing to tackle them.

In conversation with BestMediaInfo, Rahul Akkara, Vice-president – Marketing, Parag Milk Foods, talks about how the company, which was started in 1992, is looking at creating differentiators in the market and also spread its wings in international markets. Excerpts:

The milk and dairy products category is very competitive. How do you plan to make a space for yourself?

The milk and the dairy products category in India is growing. I am sure with more domestic and international players coming in, the market, and the demand, would only expand. The challenge therefore for any brand would be to increase its distribution, create value offerings for the consumer and constantly reinvent and innovate to create a differentiated in the consumer's mind.

Parag Milk has indicated in the past that it plans to make cheese its growth driver. How do you plan to get an edge over established players like Amul and Britannia?

Players like Amul and Britannia have been in the business for 50 years but have never beenfocused in the cheese segment. What the consumer got from them in the last 40-50 years in cheese was just processed cheese blocks and slices. Besides, these companies neverfocused on educating the consumer

on how different cheeses are used for different applications. As a result, for a majority of consumers in India cheese is just cheese.

Our thinking is different. We wish to educate the consumer on having the right cheese product. Over the last two years we have reinvented the category and offered our consumers products which the consumer has seen for the first time in India. Today's consumers are experimental and want to try new products and services. This is where we come in. We launched India's first shredded cheese, India's first natural flavored yogurt, India's first cheese in tube format. Hence, consumers may perceive Amul to be a leader but they also perceive us to be a leader as far as innovations are concerned, and this is where we have an edge.

What market share are you targeting for 'Go Cheese' by the end of this financial year and thereafter?

There is tremendous potential for our products both in domestic and international markets, and in the next one year we will look at creating the infrastructure for our products on a pan-India level and reach out to newer markets and consumers. As we do that our market share would also go up.

Are you planning to enter some new product categories?

Parag as a company constantly innovates and comes out with exciting products. As we move ahead, yes, we would be getting in a lot more offerings and these would requiremarketing investments.

Please share your marketing and advertising plans for your existing range for this year?

This year we have been focusing on cheese as well as ghee. The consumption of both these products is increasing. We have invested this year Rs 20 core on advertising and marketing for our products and brands. Like any other FMCG company, television would be the front driver followed by print and outdoor. We would be focusing on increasing our share of voice both at national and regional level.

You mentioned about distribution being a challenge, so what are your plans to beef up your channel strength and making sure that you are able to reach the last mile of your target group?

Today Parag Milk Foods has a pan-India network; we operate with more than 300,000 retail outlets and have more than 2,000 distributors. We are available in all modern format stores and are growing horizontally in terms of shelf space. We clearly realise and value this partnership that we have with our retail partners and constantly work towards making their business with us viable and profitable. As a recent development, we have also started CNF module in key markets which would help us in faster distribution and reaching out quicker to our consumers.

Parag has announced that it will be entering international markets. Which markets are you eyeing, and with what product offerings?

We have already started our distribution in overseas markets. We are exporting our products like cheese and ghee to the USA, Middle East, Africa and South-east Asia. Export is going to be a big slice of our overall turnover in the years to come. Today, Indians are everywhere; no matter where they are, they still love their Indian food products and this is where we come in. In some countries we have also seen locals preferring our cheese over what isavailable on the shelf, and this has encouraged us to think of introducing other product offerings in the near future.

Government to milk 'desi' cows in climate fight

By **Dairy News India** -May 23, 2016

NEW DELHI: Dairy business provides livelihood to 60 million rural households in India and the country continues to be the largest producer of milk in the world, but global warming could result in adversely impacting the overall output in the coming years.

Indian dairy scientists estimate that climate change will lead to decline in milk production by over 3 million tonnes (MT) per year by 2020. The projections, shared by the National Dairy Development Board (NDDB) with the agriculture ministry, should be cause for worry considering the growing demand for milk in the country, estimated at 200 MT by 2021-22.

Though milk production has been steadily increasing with 2015-16 recording an output of 160 MT, the impact of rising temperatures, especially on cross-bred cows, will make the task of meeting domestic demand difficult and could eventually lead to a decline in per capita consumption.
At a time when the world's major producers, including the US, Brazil and Australia, are importing Indian

milch animals to develop heat-resistant species, the government is focusing on indigenous breeds by introducing various schemes through its ambitious National Gokul Mission programmes.

"The decline in milk production and reproductive efficiency due to rising temperature will be highest in exotic and cross-bred cattle followed by buffaloes. Indigenous breeds will be least affected by global warming," agriculture minister Radha Mohan Singh told TOI.

Singh said the Center has been assisting states in setting up 'Gokul Gram' (integrated indigenous cattle centers) that would scientifically help local farmers conserve 'desi' breedsof cows and buffaloes. Gokul Gram will act as a centre for development of indigenous\ bre- eds and a dependable source for supply of high genetic stock to the farmers in the breedingtract. So far, the central government has approved setting up 14 Gokul Grams in different states under the National Gokul Mission.

These Gokul Grams will be self-sustaining centers and generate resources from the sale of milk, organic manure, vermin-compost and urine distillates. They will also produce electricity from bio-gas for in-house consumption and sale of animal products. Each Gokul Gram will maintain milch and unproductive animals in the ratio of 60:40 and will have the capacity to maintain about 1,000 animals.

"The indigenous breeds of cows are not only best suited to fight the impact of global warming but these are also known to produce protein-rich (A2 type) milk which protects us from various chronic health problems," Singh said. In order to increase the numbers of indigenous cattle and preserve such breeds, the government has also planned to set up two national Kamdhenu breeding centers. One such centre is being set up in Andhra Pradesh, while the other one will come up in Madhya Pradesh.

Low commodity prices, poor offtake depress farm exports

By **Dairy News India** -May 23, 2016

Exports of a wide range of farm products such as rice, wheat, guargum, vegetables, dairy items and sesame seeds fell sharply in 2015-16 as agriculture shipments declined by a whopping 19.56 per cent to $24.24 billion compared to a 15.57 per cent overall decrease in goodsexports. Worried about the decline in farm income, policy makers are exploring new markets to offset demand fall in traditional destinations.

Low global prices

But, for most items, where export fall has been due to dampened global prices, things are likely to improve only when prices harden.

"We are categorizing items on the basis of the reason for decline and planning action accordingly. We are also in touch with all our Embassies and High Commissions on how to improve agriculture exports in specific countries," a Commerce Ministry official told Business Line. For products such as bovine meat, dairy, spices and tea, where the export fall is mostly due to saturation and fall in demand in traditional markets, the Commerce Ministry has stepped up efforts to tap new markets through bilateral engagement and road-shows, the official said.

For instance, exports of bovine meat fell 15 per cent in 2015-16 to $ 4.06 billion as China clamped down on imports through Vietnam.

Tapping new geographies

To offset the fall this year, New Delhi has warmed up to Indonesia, which is a big market for bovine meat presently monopolized by Australia. "We held bilateral meetings and organized road-shows in the country. It seems to have paid off as a top Indonesian official recently stated that the country would import meat from India," the official said.

The Commerce Ministry has also planned road-shows in different parts of China later this year to help build public opinion in favor of importingbovine meat from India.

"We know that our efforts to tap new markets will be productive as we have already tasted success with tea. When we realized that demand for tea had become static, we focused on expanding to Iran, Russia and Iran by organizing buyer-seller meets. It has paid off and tea exportshave now started growing," the official said.

Russia has also recently agreed to buy dairy products from India, a development that could push up dairy exports which fell 28 per cent to $181 million in 2015-16.

Global repercussions

But, for items such as guargum, wheat and rice, where earnings are low because of falling global prices, there is not much option for the government other than wait for prices to harden for at least a few commodities this year. “In case of rice and guargum, we have shipped more quantities last year, but the export realization is low because prices have fallen sharply. Hopefully prices would firm up this year as some countries, such as Brazil, are expected to face drought,” the official said.

The Rural Edison of Karnataka-Gowda

By **Dairy News India** -May 22, 2016

In mofussil Karnataka, 80 km from Mangaluru, a retired school headmaster-turned-farmer’s inventions have slowly been changing the way cows are kept and milked. Headmaster Gowda, as he is called in his village Muruliya under Sullia taluk, launched his improvised, low-cost cow-milking machine and a steel cowshed last month.

Gowda cites an instance where he found the feeding trays in a cowshed were too high. “Cows like to bend while feeding and end up dragging the fodder to the ground. When cow dung mixes with the fodder, it becomes unpalatable,” the 62-year-old explains. His ready-to-move cowshed not only eliminates such problems but is maintenance-free. The shed comes with a wall-mounted milking machine called Milk Master. By sliding, it saves farmers the trouble of shifting the machine from one cow to another. The milking machine is a seventh variant and facilitates simultaneous milking of two cows.

“The shed is made of steel frames, since iron bars rust and catch fungus. The rubber mat on the floor facilitates easy diversion of cow dung to a bio gas tank. Waste water used for cleaning animals is channeled into a slurry tank,” he explains.

With a built-in 24-hour water supply, the cowshed can accommodate four cows and is priced at `1.75 lakh.

It all started in 2003, when Gowda formed Ksheera Enterprises next to his house. He and his headmistress wife had guilt pangs after they sold off their milch cows in 2000 since “micro or small-scale dairy farming seemed a burden due to our stressful jobs as teachers and unreliable laborers”.

Then available milking machine, Alpha Level, priced at `84,000, was too costly for many farmers. One morning, while observing the working of Gutter, a spray pump used for spraying pesticides, Gowda had a brainwave. He decided to apply the vacuum principle and develop a low-cost cow-milking machine. His first manual prototype revolutionized the way cows were milked in his village.

But it needed improvisation. After one demonstration, Gowda was aghast to discover that the cow’s udders had swollen. Experts from Dakshina Kannada Co-operative Milk Producers Union Limited had warned him about this.

“But the overwhelming response to Milk Master helped me realize the acute need of a low-cost mechanized milking,” he says. He and his eldest son-in-law, engineer Kusumadjara Kepalakaje, visited dairy farms to witness the models of mechanized milking. “These visits restored confidence in my vacuum principle,” the inventor says.

Four years and 15 models later, Gowda designed a refined machine that milked cows and buffaloes using reciprocating vacuum pumps. The alternating of pressure creates a simulation of the human hand milking the cow. “It is so soothing that cows dozed off,” Gowda says. There is no leakage and the machine ensures no milk is left in udders.

Today, Ksheera Enterprises exports machines in seven models, including manual, electric, double cluster and battery-operated to Sri Lanka, Bhutan, the Philippines, Kenya, New Zealand and Mexico. “Over 11,000 models have been sold,” says Gowda’s eldest daughter Maina Kusumadhara K, who handles marketing in Bengaluru.

In 2005, Gowda received the National Innovation Foundation award for grassroots innovation from then President A P J Abdul Kalam. He has no regrets on setting up his industry in a village and roping in his younger daughter Madhu Yahish and son-in-law Yathish Paloli to assist him.

“Industries in villages will prevent youth from migrating to cities and will help them assisttheir elderly parents in farming,” he says.

Gowda is now working on many devices, including one that can spray pesticides in a 360-degree direction (covering 20 are canut palms), a fodder cutter and easy methods of bee-keeping. But he will always be known for his Milk Master, which has revived micro dairy farming in villages even outside India.

Farmer, sons held for hacking pregnant buffalo’s leg

By **Dairy News India** -May 20, 2016

Madurai: The Madurai city police have arrested a farmer and his two sons for hacking a pregnant buffalo’s leg. The trio took the buffalo, which ate a portion of their paddy crop, to their house. When its owner went to claim it they took a sickle and hacked its leg, leaving the animal writhing in pain.

Based on a complaint from R Ranjithkumar, owner of the buffalo, the Tiruparankundram police registered a case under section 429 of the IPC – mischief by killing or maiming cattle. The farmer and his sons were arrested and released on bail.

The Tiruparankundram police inspector said they also received a complaint from another cattle owner that the trio broke a leg of a calf. The same section was evoked against the accused.
The accused were identified as P Chandran, 43, son of Pandi, hailing from Omsakthi Nagar near Nilaiyur, his sons C Manimurugan, 21, and Manikannan, 17. Chandran too is a farmercultivating paddy on a piece of land near Nilaiyur Tank.

The police said Chandran had earlier warned Ranjithkumar not to let his cattle graze on his paddy field, but the bovines were found feeding on his crop on several occasions. This angered Chandran who got hold of the buffalo a week ago when it was eating his crop and let it free after warning Ranjith kumar.

When he found the buffalo on his farm again on Tuesday, he took it home and tied it to a tree. When Ranjithkumar went to fetch the buffalo, Chandran and his sons verbally abused him and refused to let go the animal. When Ranjith kumar tried to untie the buffalo, Chandran hacked it with a sickle.

The trio threated the owner that he too would be attacked if he touched the animal. Ranjithkumar went to the police station and lodged a complaint. After the police intervened, the buffalo was taken to a veterinary hospital. The animal had several other deep cut injuries as well.

R T Jayakrishnan, animal welfare officer for Madurai district, said that the incident has saddened him. Many such incidents take place in southern districts. He questioned why innocent animals should be punished for the mistakes done by their owners. Instead of punishing the animals, people can claim compensation from cattle owners, he said.

He said the case was booked in a section under which a maximum of five years of imprisonment and a fine of up to Rs 1000 can be levied.

Growing very quickly in cheese segment

By **Dairy News India** -May 19, 2016

In an exclusive interview with ET Now , Bharat Kedia , CFO, Parag Milk Foods , said the company is investing a lot in expanding the cheese business. Excerpts

ET Now: What are the plans for expanding the foot print on the distribution side and what are the new products which are there in the pipeline for cheese business?

Bharat Kedia: So cheese has been the major product for us. This is about one-fifth of our total revenue in the company. We have introduced cheese about seven to eight years ago when we launched production facilities about 40 metric tonnes per day, that is the largest production facility in India for any cheese company and this has been our stellar performance. We have been actually have all more than 60 SKUs already in cheese, so we have been growing very fast.

We have been coming up new innovations in cheese. Very recent one that you might have seen in the market that was the chutney cheese slice that we came up about three to four months ago that has gone very hit in the mothers' recipe because they love to give it to the kid who go down to the school in his tiffin. So this has been the success of cheese.

What we are doing in order to grow cheese, we are actually investing in whey. Whey is a byproduct of cheese. Every time we invest on a whey, we are able to filter the whey powder into high level of protein, that high level of protein is used in various pharma, baby food companies. Now what this adds is actually gives momentum to cheese because it has been a byproduct, every revenue and profit that we can generate out of whey we can redeploy back in cheese for cheese growth and that is our expectation on growth.

In terms of the capacity, we are very close to its utilization and therefore we are increasing our cheese and paneer capacity from a 40 metric tonne now, we are going up to 80 metric tonne that is doubling of the capacity which would again be very large compared to an Indian market which is right now still not that close.

ET Now: Will the focus area be the B2C which is the consumer facing segment or probably you are looking at more institutional sales to hotels or probably catering when it comes to the cheese procurement and going forward with the integration on the B2B and B2C market?.

Bharat Kedia: So basically when it comes to cheese, you have to drive habit of consumption. Cheese is a new product for Indian cuisine. It was not part of Indian cuisine. It has become part of Italian and western cuisine that has come into the flavor and taste of Indians and therefore you have to drive the

test through every occasion of consumption. So we are not as much looking whether it is B2C or B2B. We are more looking an occasion of consumption.

People get used to cheese when they go out QSRs and they go out to restaurants that is the time they consume cheese and then when come back home, they bring those slices of cheese with them because they have developed their taste. So what we do is actually drive the consumption occasion through our B2B as we call and then pull the B2C consumption.

Our business right now is about half and half total cheese business between B2B, B2C. We see the growth momentum actually spreading and equally moving forward because Indian consumption out of home is increasing compared to in home specifically for western cuisine and therefore our momentum to continue.

ET Now: What are the expansion plans on ex-cheese market? Are you looking at railways at this point in time as a big market for your flavored milk? How do you take that part of the business forward?

Bharat Kedia: Perfect. Flavored milk is a large business in India. It is mostly unorganised business in India. Mothers' love to make something out of milk at home, handover to the child so that he does not drink some fizzy, other drinks so they are very health conscious and milk has a very high nutritional value and perceived value.

So this adds to flavour milk a lot of category. What we are looking at coming up into the flavour milk with the products which are not only flavoured but have natural essences and products in it and that would change the game for us going forward, so we are actually setting up a complete new facility in southern plant to go into beverages full blown. We already entered into the beverage market right now with lassi, with buttermilk, with southern spice, with badaam milk, so we have actually gone into that market but we have gone slow and steady which we want to go further down the line. What we see that this market actually does not have a lot of players and does not have an intense competition and therefore we think getting in early would help us great way.

ET Now: Do you also plan to do a lot of value add to the milk products and the cheesebusiness? Can we expect better margins on the operating side for your company?

Bharat Kedia: So the company's margins are primarily divided into three easy to understand divisions; one is the fresh milk business, second is the skimmed milk powder business which is the B2B commodity business for us and then the value added products business. If you look at the margin profile of these three businesses value added consumer product business has a margin profile highest of the three, then the fresh milk which has a modest margin profile and then you have a commodity part of the business which is skimmed milk powder which has the lowest margin profile.

Our business, if you look– go back to the last five years, our business has actually been growing at a rapid momentum in the consumer value added products business. That is how we have slowly and gradually converted ourselves being a dairy company to an FMCG company and that trend to continue we do not see and believe there is any reason for us not to continue that trend of a growth in the consumer value added products. As the consumer value added product business grows naturally the margin profile will improve for the company.

ET Now: How do you plan to fund the working capital and how will the debt to equity look after the money comes into the balance sheet?

Bharat Kedia: So this company has grown from promoters to full time a dairy business that was generated in that business was redeployed, however the growth of the company was faster than the profits being generated and therefore we had gone out and borrowed certain funds to build the momentum of growth. We set up a plant in south of India in Palamaner, we needed further money to deploy so we had borrowed money from International Finance Corporation and from our local bankers.

We believe as of now our debt-equity ratio is on higher side for any FMCG company because our benchmark now goes into the FMCG and therefore as we raise money through the IPO about 100 crore of that money that we raised through IPO we are going to repay the debts. That repayment of debts will actually take the debt-equity ratio down to about 0.5, that is the ratio at which we would love to stay and get better with time. Now what happens is that as you repay the debt into the company, not only the debt-equity ratio comes down, it actually adds value to your bottom line and ROCE and both of that will help the growth of the company.

US fund Proterra Investment in talks to sell Dodla Dairy stake

Proterra eyes valuation of Rs250-300 crore; firm's promoters may dilute their stake if better valuation is on offer

By **Dairy News India** -May 19, 2016

US-based investment firm Proterra Investment Partners (formerly Black River Asset Management) has started discussions with private equity (PE) firms to sell its 23% stake in Hyderabad-based Dodla Dairy Ltd, two people with knowledge of the matter said. The Rs.1,000 crore company sells milk products across south India and Maharashtra, Madhya Pradesh, Rajasthan, Gujarat and West Bengal.

Proterra is looking for a valuation of Rs.250-300 crore for its stake in Dodla Dairy, said one of the two people cited above. Black River Capital Partners (Food) Fund acquired the 23% stake in Dodla Dairy for Rs.110 crore in 2012. Proterra has hired Edelweiss Financial Services to run the sale process, the person said. If a strategic buyer offers a better valuation, promoters of the company, too, could dilute their controlling stake in Dodla, the second person said.

Mails sent to D. Sunil Reddy, managing director of Dodla Dairy, and spokespersons for Proterra and Edelweiss on Tuesday had not elicited any response as of press time on Wednesday.

Established in 1998, Dodla Dairy procures, processes and sells milk and milk products, including butter, ghee, paneer, curd, flavoured milk, doodh peda, ice cream and skimmed milk powder, according to the company website.

Founded by first-generation entrepreneur Sunil Reddy of the Dodla family of Nellore in Andhra Pradesh, Dodla Dairy now sells more than 900,000 litres of milk and six tonnes of milk products per day.

In 2014-15, Dodla Dairy posted revenue of Rs.1,024 crore, up 20.75% from Rs.848 crore the previous year. Dodla Dairy has also expanded to foreign markets. In 2014, it entered Africa by acquiring a milk processing asset in Uganda, which presently sells around 15,000 litres of milk daily.

"We are exploring entering Sri Lanka, Singapore, and the US in the next two-three years. We will look at the US as a production base and South-East Asia as a consumption market," said the company's 2014-15 annual report.

Private equity and strategic investment firms are keen to invest in Indian dairy companies to tap rising demand for milk and milk products in the country. Demand for milk in India is expected to grow at a compound annual growth rate of 5% from 138 million tonnes (MT) in 2014 to 200 MT in 2022, according to the National Dairy Development Board.

Milk Mantra Dairy Pvt. Ltd, an Odisha-based company, is in talks with private equity firm Samara Capital to raise Rs.200 crore to fund its expansion, Mint reported in March. Also in March, Groupe Lactalis SA, the world's largest dairy player, made its second buyout in India by acquiring the dairy division of Indore-based Anik Industries Ltd for Rs.470 crore. In 2014, Lactalis had acquired PE firm Carlyle Group-backed Tirumala Milk Products Pvt. Ltd for $270 million, the largest inbound acquisition in the Indian dairy segment.

Since 2013, the Indian dairy sector has seen 10 merger and acquisition deals worth $423 million and 16 private equity-venture capital deals worth $54 million, according to VCCedge, which tracks investment activity.

"Dairy continues to be a sought after business both for private equity investors as well as strategic investors. The traditional dairies have been operating with several inefficiencies so there is a lot of opportunity to streamline and scale up operations, resulting in good profits," said Dhanraj Bhagat, partner at Grant Thornton India Llp.

Several private equity investors in the dairy sector have taken the initial public offering (IPO) route to exit their investments. Last week, IDFC Alternatives and Motilal Oswal Private Equity (MOPE)-backed Parag Milk Foods raised around Rs.750 crore through an IPO that was subscribed 1.82 times. IDFC and MOPE sold shares worth around Rs.307 crore through the IPO. Last year, Rabo Equity Advisors-backed Prabhat Dairy Ltd went public in an IPO that saw the dairy company raise Rs.362 crore.

Source : livemint

The Rs 80,000 crore milk business

The Indian dairy market is on a tear. Amul is the big daddy, but dozens of new players want a slice of the cheese.

By **Dairy News India** -May 18, 2016

If you thought that all the action in business was concentrated around the e-commerce sector, you could not be more wrong. The unlikely category of milk and dairy products has been seeing some of the most frenetic activity over the past couple of years. Multinational and Indian corporate giants have jumped into the market. Start-ups have cropped up. Fund raising is taking place at a frenzied pace, both from the equity markets and via private equity funding. And new products and innovations are being launched fast and furious. Meanwhile, the 800 pound gorilla in the market – the Rs 31,000 crore Amul (2015/16), is managed by the Gujarat Cooperative Milk Marketing Federation (GCMMF) – is aggressively throwing resources to protect its turf. It wants to hit Rs 65,000 crore in revenues by 2020.

But Amul is facing unprecedented challenge from all sorts of players. Groupe Lactalis SA, the world's largest dairy products company, picked up Hyderabad-based Tirumala Milk from private equity player Carlyle. A few months ago, ITC had jumped into the fray with its Aashirvaad brand of ghee and a promise to add a lot more products. Last week, Parag Milk Foods, a Maharashtra-based milk company, raised about Rs 750 crore in an initial public offering (IPO) to beef up its operation. A year ago, Maharashtra-based Prabhat Dairy had raised Rs 473.89 crore in an IPO for the same reason. Godrej Agrovet raised its stake from 10 per cent to 25 per cent in Creamline Dairy for Rs 150 crore. Private equity players have pumped in Rs 900 crore already in the past couple of years. Meanwhile, Danone, Nestle and other existing private sector players are adding to their product line-ups and pushing in big money into the market while home-grown dairy cooperatives such as Mother Dairy and Nandini, among others, are also expanding their operations rapidly. And other big global dairy companies are all eyeing the market. Crisil Ratings estimates that investments worth Rs 15,000 crore will flow into the milk business in India in the next two years.

It is an extremely attractive market, both because of its size and its potential. It is also, however, a marketplace fraught with danger that can sink even big players because of its sheer complexity. Over the next few years, the dairy market will see the mother of all market battles as the newcomers try to take away share from Amul, Mother Dairy and the other cooperatives, which have largely ruled the roost so far. But it could also prove a graveyard for many a player, Indian and global.

THE VALUE-ADDED MARKET

The ₹80,000-crore branded value-added products market has exploded over the past few years

CATEGORY (PACKAGED BRANDED)	MARKET SIZE (₹crore) 2008	2015	GROWTH (% CAGR)
Polypack milk	12,862	35,996	16
Ghee	2,541	5,275	11
Yogurt/Curd	896	5,038	28
Baby foods	1,324	2,974	12
UHT milk	414	2,898	32
Ice cream	800	2,500	30
Butter	812	2,467	17
Flavoured milk	430	2,466	28
Cream	967	1,454	6
Cheese (retail)	253	997	22
Dairy whitener	350	600	8
Cheese (institutional)	87	416	25
Paneer	148	399	15
Yogurt drinks	29	179	32

Figures indicate market size of each category for leading players only; list does not include smaller companies' numbers
UHT: Ultra-high temperature pasteurised
CAGR: Compounded annual growth rate
Source: Alvarez and Marsal

India has always been the largest producer (an estimated 400 million litre per day currently) and consumer of milk in the world. But it remained a boring market largely because the per capita consumption was low, and most of the milk was consumed in its basic, liquid form, or at best as ghee and some butter.

Over the past few years, though, a couple of things have changed to make the market vastly more attractive to new players. One, as global dairy consumption stagnates or even dips, Indian consumption is going up. India's per capita consumption of milk at 97 litres a year is way below that of western countries like the US, which boasts per capita consumption of 285 litres per year, or the EU, which consumes 281 litres per capita per year. But while Indian per capita demand is going up 4.5 per cent year-on-year, global per capita consumption is growing at an anaemic 1.5 per cent, and in some countries in the West it may actually be falling, points out T. Nandakumar, Chair-man, National Dairy Development Board (NDDB).

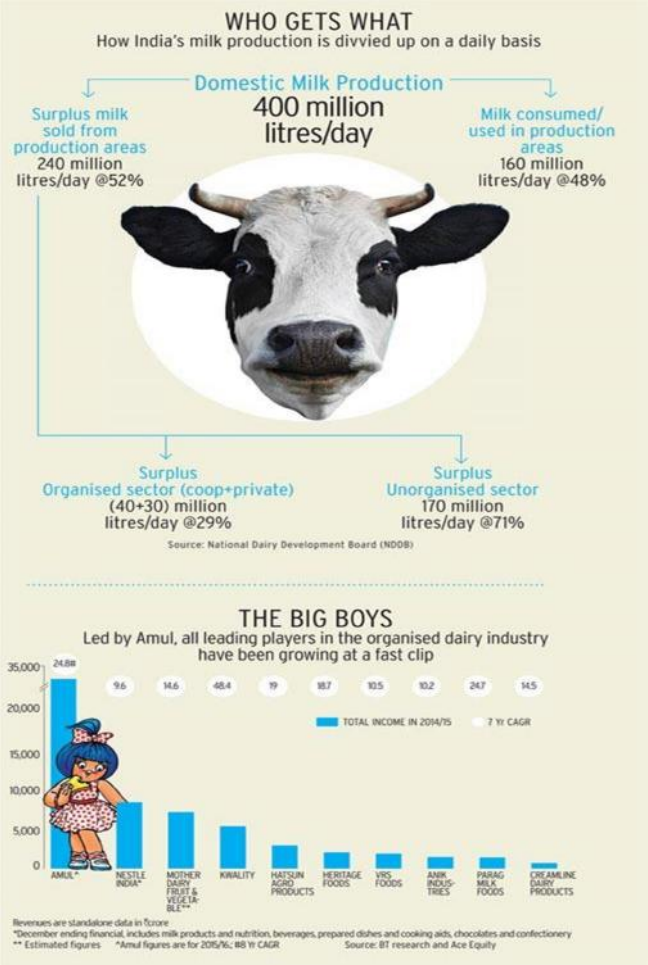
The second reason is that the Indian consumer – especially the affluent urban consumer – is consuming more value-added products, which bring in bigger profits for dairy companies than raw milk. The fact

that the Indian cooperatives had largely stuck to basic milk, butter, processed cheese slices and ice cream for many decades, had left a gap in the market thatallowed some of the new players to come in with new product offerings. And the phenomenon of working couples, single men and women with high disposable income also provided the impetus to look at the category with fresh eyes. Finally, global prices of milk are dipping because of overcapacity, while the Indian market is still growing, both for basic milk as well as for value-added products.

“India is strategically a great place to be in, especially for international players. With milkavailable in surplus and consumption of milk products on the rise, they can not only tap the Indian market, but also use India as a base to serve other global markets,” says Rajesh Srivastav, Chairman, Rabo Equity, which has taken a stake in Prabhat Dairy.

Milk Market Dynamics

Out of the 400 million litres of milk that India produces per day, 160 million litres per day (48 per cent) is retained by the producers for their own consumption. The surplus milk that isavailable for sale is around 240 million litres per day (52 per cent) and out of that only 70 million litres per day is being used by the organised sector – consisting of co-operatives such as Amul, Mother Dairy (wholly-owned subsidiary of NDDB) and Nandini (a brand owned by the Karnataka Cooperative Milk Producers Federation (KMF), as well as private sector players such as Nestle and Danone. Over 170 million litres of the surplus milk continues to be with the unorganised sector, comprising traditional doodhwalas. In value terms, the Indian milk economy is worth Rs 5 lakh crore, growing at a CAGR of 15-16 per cent, out of which the organized milk economy is worth Rs 80,000 crore.



Over 80 per cent of milk consumption in India is that of liquid milk and over 55 per cent of the revenue of large co-operatives, such as Amul and Nandini, comes from selling liquid milk. There are still limited takers for value-added dairy products such as cheese, yogurts or flavoured milk, but this is where much of the action is taking place today simply because of its higher margins, and the ability to differentiate and introduce new products. Equally, the fact that the milk cooperatives did not tap this market until the multinationals came in made it an area where the competition was relatively equal.

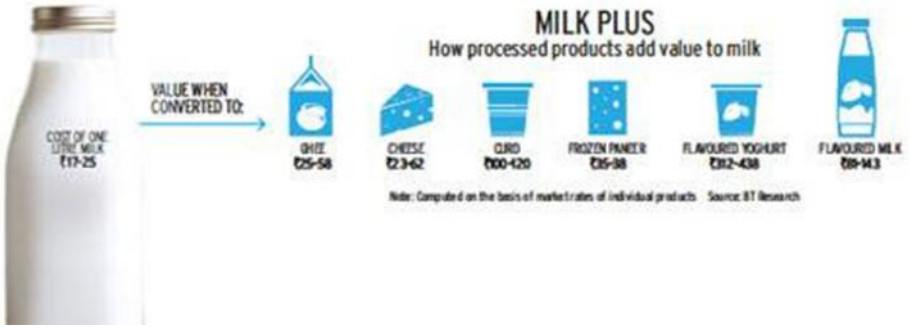
Betting on Value Addition

The new players are carving out their place in the segments that include cheese, ice creams, varieties of yogurt and milk-based beverages. "Our strategy is to differentiate. It doesn't make sense to take Nandini and Amul head on. They are too big and well entrenched in the liquid milk category since the past five to

six decades. Therefore, we decided to move up the value ladder and grab the upper layer of that category," points out Devendra Shah, Chair-man, Parag Milk Foods.

Only 18 per cent of the Rs 1,440 crore revenue of Prabhat comes from fresh milk, while the rest is from value-added products such as cheese, milk beverages and yogurts under the GO brand. The company has as many as 67 varieties of cheese, which it sells at retail outlets as well as in institutes.

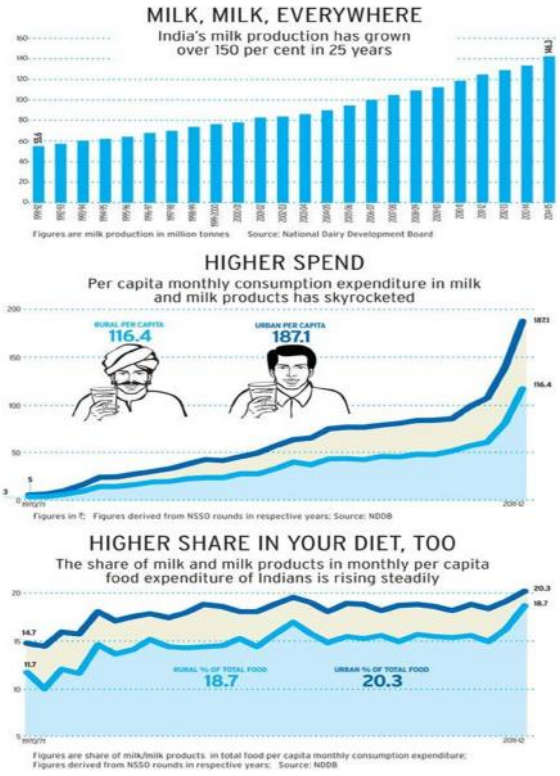
Avani Davda, Managing Director of the supermarket chain Godrej Nature's Basket points out that the varieties of milk products she needs to stock has doubled in the past year or so. "We have more than 1,200 SKUs (stock-keeping units) in the dairy category. It used to be 700-800 SKUs two or three years ago," says Davda. The retailer's fastest moving dairy product from her shelves is probiotic milk, but other fast growing segments include greek yogurts, fresh paneer, farm fresh milk and nut-based milk.



One big change, says Jochen Ebert, Managing Director, Danone Foods and Beverages India, the company that introduced a few new sub-categories, such as flavoured yogurt and ready-to-eat custard, is that many things that were earlier made at home are now bought by urban couples and single working women. "Young females who are working find it a good idea to get the yogurt or dahi from outside instead of setting it at home. That means there is an opportunity for commercially produced yogurt and we are focusing on that opportunity," says Ebert. Danone was among the first to introduce a series of yogurts, but its innovations were quickly copied by his rivals, including Amul.

Danone India entered the market with its array of yogurts and the conventional dahi in 2009. Its products did get accepted but only in niche stores and among a certain class of consumers. But Danone, says Ebert, entered India with a mindset of creating a market for yogurts and focus on increasing the per capita consumption. Yogurt in India, he says, has a per capita consumption of just 3-4 litre, as opposed to France, Holland and Ger-many, which are at 30-40 litre. “The first intention is to share with the Indian population that yogurt or dahi is a fantastic contribution to their diet.”

Since cold food supply chain is a challenge in India, Danone innovated and created products with greater shelf lives. In the past year, it has introduced ambient yogurt and milk-based products with six months of shelf life. It has innovated products, such as smoothies, chaas and lassi, which are packaged in ultra-high temperature (UHT) packs. The most recent launch from the Danone stable has been ready-to-eat-custard. Meanwhile, more stores have started accepting these products now. From being available in just 10,000-odd stores about a year ago, Danone is today available in over 50,000 stores.



Though the company is yet to be profitable in India, Ebert is confident that this market will not remain at this very nascent stage forever. “Our experience is that the per capita consumption of yogurt grows

slowly for a very long time and then it grows steeply. It may take 10 years, but I am quite sure that the value-added segment will play an enormous role."

Value-added, in fact, is the place where the bulk of the innovations and new product launches are taking place. Both Prabhat Dairy and Parag Milk Foods have set up cheese production units and facilities to produce UHT milk and milk-based beverages. Since they are already into production of cheese, they have also tapped into whey protein (a cheese by-product) – much sought after by bodybuilders and fitness freaks around the globe, says Shah of Parag.

Nestle, the largest and oldest private milk player in India, has recently launched Greek yogurt, Nestle-a+ GREKYO. Greek yogurt, which is a super concentrated yogurt, is a fledgling category in India and is stocked by premium retailers. It is priced considerably higher than other yogurts, but Arvind Bhan-dari, General Manager (Dairy), Nestle India, is confident that it will pick up. Nestle is present in the entire array of dairy product categories, especially in the value-added space. "Nestle is keen to establish its leadership position in the value-added segment where we are working on propositions that are both consumer relevant and differentiated."

THE FIRST REVOLUTION

The seeds of the milk revolution were sown by Varghese Kurien in the 1950s, when he founded the farmer cooperative Amul at Anand in Gujarat

This enabled farmers to sell their milk without the intervention of intermediaries at the highest possible price

This farmer-empowered model converted Anand from a milk-deficient region to a milk-surplus district

The Amul model was replicated across the country through the 1970s and 1980s

By 2000, there were 73,000 co-operatives with 10 million farmers as members

Today, India is the largest producer of milk. It produces 400 million kg per day

India's milk production has grown from 17 MMT in 1952 to 147 MMT in 2015

Source: NDDB

NDDB

Similarly, ITC Foods' much talked about entry into the dairy segment finally happened late last year, and that also in the value-added dairy segment, with the launch of Aashirvaad Svasti Pure Cow Ghee. ITC, in the last few years, has invested significantly in setting up a robust milk procurement network. Sanjiv Puri, Executive Director (FMCG Business), ITC, says that the coming months will see the roll-out of newer value-added dairy products. "The intention is to craft differentiated and value-added products that would be the hallmark of quality."

According to Angshuman Bhattacharya, Consumer Lead and Managing Director of consulting company, Alva-rez and Marsal, while liquid milk generates an EBITDA of 6-7 per cent, a product like curd generates margins as high as 25-30 per cent, ice-creams 30-35 per cent, and cheese 35-40 per cent. Therefore, investors are excited in the new milk players, he says.

In fact, it is value-added dairy products that sell more in modern retail stores, says Devendra Chawla, President (Foods), Future Group. “Cheese is our biggest category today and growing over 35 per cent currently. Milk is mostly UHT and flavoured. The consumer is looking at discovering new products and formats. Our newer stores have a strong range of cheese and other premium products and the response to it has been extremely good.”

Chawla sees a clear movement from homemade dahi to packaged dahi, yogurt or lassi as an on-the-go snack substitute, and from plain butter as a sandwich spread to cheese spreads and cheese slices.

Incumbents Fight Back

But even as private companies are betting on the value-added dairy products, big milk cooperatives have also matched them step for step. The country’s largest dairy products company, Amul, has been investing Rs 800 crore-1,000 crore year-on-year in setting up new milk processing facilities, as well as building its value-added products infrastructure. “Nearly 55 per cent of our revenue comes from milk and 45 per cent from the rest. The next level of value growth will come from beverages, paneer, cheese and ice creams,” says R.S. Sodhi, Managing Director, Amul. In order to be able to support its value-added dairy play, the co-operative in the past few years also expanded its procurement network to states such as Rajasthan, Haryana, West Bengal and Maharashtra.

Jochen Ebert, Managing Director, Danone (Photo: Rachit Goswami)

In fact, be it ghee, cheese, butter or yogurt, Amul is the clear market leader in most value-added dairy categories, having quickly copied every new product launched by any competitor. The branded ghee market, for instance, is Rs 5,275 crore and Amul and Sagar (Amul’s second ghee brand) together command a 30 per cent market share. Amul has a 65 per cent market share in the Rs 1,000 crore branded retail cheese market (followed by Britannia and Go), and a 40 per cent share in the Rs 2,500-crore ice-cream market.

Apart from cheese, yogurt and smoothies, many of the state-run co-operatives are also looking at traditional Indian mithais. “There is a good opportunity to push healthy Indian sweets into the market that has the promise of being unadulterated. Nandini, for instance, is pushing healthy sweets,” says Nandakumar.

However, Sodhi of Amul has a word of caution for the new-age dairy companies. He says while India does have surplus milk for dairy companies to build a robust business, to be successful in India and get the much-needed volume growth, one has to have a presence in liquid milk. After all, 80 per cent of Indians consume only liquid milk. “The bread and butter has to be milk, else, the business model will not work,” insists Sodhi.

Strategic investors, says Bhatta-charya, understand the constraints and realise that they need to develop the market. “In the long term they want to have a stronghold in terms of being able to supply global demand products such as whey proteins.”

Private players as well as private equity players are also aware that profitability will shy away for a while. Says Srivastav: “They are prepared to be in the investment mode and that is because India has the largest pool of cow milk, which is known to be the best form of protein and is in huge demand world over.”

Tricky Business

While the market is immensely attractive, the one thing that could trip up private players is the fact that the milk business in India follows very different dynamics from what happens around the globe. The dairy industry worldwide is like any other profit-focused business, unlike India, where the dairy sector has a clear socio-economic development agenda. The evolution of the industry dates back to the early 1950s when the iconic Varghese Kurien laid the foundation of Amul, a co-operative model, which enabled the farmers in the Anand district of Gujarat to sell their milk at the highest possible price without interference from middlemen. This model, which empowered the farmers and converted Anand from a milk-deficient region to a milk-surplus region, became a national rage, with other states replicating it.

More than half a century later, the Indian milk industry continues to work on the same dynamics of offering a source of livelihood to millions of farmers. Over 55 per cent of the organised milk industry continues to be dominated by the co-operatives. While Amul collects over 18 million litres of milk per day (during winter the collection could go up to 23 million litres per day) and has a network of 3.6 million farmers, Karnataka Milk Federation (Nandini), which is the second largest milk cooperative collects 6.6 million litres per day and has a network of 2.3 million farmers.

Multinationals on the other hand are used to operating in a very different way around the globe. In western markets, dairy companies depend on an ecosystem of large corporate dairy farms and bulk of the procurement is done from a single farm. The game here is to aggregate milk from many small-sized farmers, which could lead to inconsistencies in both supply volume as well as supply quality. “To be able to organise a supply chain for consistent supply of high quality milk, it requires deep investments and long-term commitment that start at the grass-root level,” says Bhandari of Nestle.

But setting up corporate farms is not feasible in India under the current circumstances. Kuriens farmer-owned milk aggregation model is not only unique to India, but continues to be the only workable model. It enables farmers even with a herd of two or three cows to deliver milk at the nearest collection centre twice a day and get paid much more than the prevalent market rates.

The fact that the value-added products volume is still picking up and the supply chain is so complex has often frustrated multinationals. Sodhi feels that it was these factors that led to the exit of Fonterra (in a JV with Britannia) that had entered the market with great fanfare in 2001. While Fonterra is almost four times the size of Amul in terms of turnover, its strategy was just to procure milk and convert it into commodities such as milk powder or unsalted butter and sell it to dairy companies across the globe, which in turn would convert them into value-added products. This made it a high-margin business. But collecting milk in India was perhaps too much of a logistic issue for the company, says Sodhi. Fonterra exited the market in 2004, though there are rumours that it may again come back. Sodhi feels that it exited because it was reluctant to set up its own supply chain involving multiple farmers.

Varun Berry, Managing Director, Britannia Industries, agrees that dairy business in India cannot be viable unless a company invests in a collection model. “The dairy business of Britannia is a Rs 400-crore business and we are going back to the drawing board. We have ambitious growth plans in the dairy sector, but we will invest in a collection model.”

Now that is it is clear that it is an absolute necessity to own a procurement network, almost all private players, including new entrants ITC, have their own along the lines of the co-operatives. Even French yogurt maker, Danone, which for the first five years of its operations in India was procuring milk for its yogurts from Hyderabad-based Schrieber Dynamix Dairy, has set up its own network in Punjab one year ago. “The key criteria is to control the quality, the quantity and the price of the milk and having a procurement model is an asset. It helps if you develop strength in critical areas of your business and, I think, getting good quality milk at competitive prices is an element that is crucial,” says Ebert.

NDDB Chairman T. Nandakumar (Photo: Shekhar Ghosh)

T. Nandakumar, Chairman, National Dairy Development Board, in a conversation with Chitra Narayanan, says that value-added dairy products would determine the growth of the India dairy industry. ***Excerpts:***

More private players are getting into value-added dairy products. Is this the big opportunity now?

Milk demand is growing by 6 million to 7 million tonnes per year. Last year, we even exported 100,000 tonnes of skimmed milk powder. With increasing disposable income, milk’s product profile is changing in urban centres. You will see more yoghurt, ice cream, butter and cheese being consumed. A big brand like Amul has diversified into the value-added segment. Smaller cooperatives are still largely restricted to liquid milk, though they are diversifying into traditional sweets. With overall growth, we will see more such diversification. The pasteurised and organised sector is growing base. This is where private players are also finding space and opportunity.

What are the other opportunity areas?

There is increasing emphasis on health. We are seeing preferences shifting from sugared milk drinks to chhach or yoghurt-based beverages, even slim milk. Cooperatives are already enriching milk with

Vitamin A. Mother Dairy's token milk, for instance, has Vitamin A. We have not put enriched milk in pouches as yet as we will have to get into labelling and other issues.

What are your views on Dairy Australia's India debut?

Global prices have dropped almost 50 per cent in the past few years. The pressure is on large developing and developed countries. So, they want a foothold here. The difference is that, in India, dairy is not about commercial farming, the agenda clearly is developmental. They have to keep that in mind.

Milk Entreprenuers

It's not just the global dairy companies that find India an irresistible investment destination, there are umpteen milk start-ups that are also making news. The likes of Tru Milk in Ludhiana, Sarda Farms and Blissfresh in Maharashtra or Milk Mantra of Orissa, have been bold enough to get into the challenging liquid milk space.

While Shrirang Sarda, Promoter, Sarda Farms, is a third-generation entrepreneur, Rajesh Singh, of Bliss-fresh, is a former banker who quit his cushy job to become a milk entrepreneur. Both Sarda and Singh have created a farm-to-home model, where all the milk is sourced from a single farm owned by them, processed and delivered at the doorsteps of the consumer. "I saw a huge potential for good quality milk for which consumers were willing to pay a premium," says Singh.

A one-litre pack of Blissfresh costs Rs 70 and since all the milk is sourced from a single farm, Singh claims that the protein and fat content of the milk is far higher than other mass brands which follow the collection method.

Be it Sarda Farms, Blissfresh or Faridabad-based Murginns, most entrepreneurial activity is happening at the premium end. Murgginns, for instance, sells a premium range of yogurts, flavoured milk and flavoured butter in Delhi-NCR. In 2013, when the brand launched flavoured butter in different flavours, there was hardly any competition. However, when the likes of Amul got into the space, managing scale became a challenge. "As a category, flavoured butter has started growing, but India is very price conscious when it comes to dairy products," says Deeptanshu Khemka, CEO, Murginns.

Though premium milk delivered to homes straight from the farm enriched with proteins and vitamins or a tub of gourmet butter, does have takers, but as businesses they will continue to remain niche. These are not scalable models, say milk industry experts.

With global dairy majors looking at India as a lucrative investment destination and home-bred dairy companies all set for the next level of growth, the sector is expected to witness some real action with far too much place for multiple players to operate. After all, two-thirds of the surplus milk available is still with the unorganized sector.

"India is not yet a story of fierce competition. It is a story of different players offering a variety of products and trying to co-develop a category that I think has the potential to be a big category," says Ebert.

For the moment, it is 'Lights, Camera, Action' time for the Indian dairy industry.

With inputs from Chitra Narayanan and Venkatesha Babu

Source : businesstoday

Drought may result in loss 5%

By **Jhimli M** -May 17, 2016

It is either El Nino or La Nina that mars or makes a good monsoon. Last two years agriculture suffered the El Nino Effect. Drought severely affected 10 states in India almost for two consecutive years. This had a marginal impact on the dairy industry. But the current third year is hurting milk production and productivity due to lower availability of fodder, and stressed livestock unable to deliver as much milk as before. While last year the growth in milk production was highest ever at phenomenal 6.3%, the current drought may result in a minimum loss in production of five per cent or more, depending on the region in question and the intensity of drought.

Fortunately, it is predicted that the current La Nina for bodes well for the upcoming monsoons. Should the drought affected regions be able to provide water and fodder to the suffering cattle and buffaloes to survive, the dairy industry would heave a great sigh of relief.

As the world's largest milk producer, India produced 146.3 million tonne (MT) in 2014-15, against 137.69 MT in 2013-14.1 It remains to be seen how much will be produced in 2015-16. With the 2016 monsoon

predicted to be normal or somewhat above normal, production in the latter part of the year is bound to pick up. This is as far as the elements are concerned.

Budgetary Cheer

But human intervention has always been able to ameliorate even adverse circumstances in the dairy industry, driving better outcomes and higher productivity. It is this aspect we need to focus upon for the upcoming months of the calendar year. This is where the provisions in Budget 2016 announced earlier should be helpful in boosting outcomes in the dairy sector.

Where the animal husbandry segment is concerned, the Budget's focus on technology, research on genome of indigenous breeds and an e-commerce platform for connectingbreeders with farmers should augur well for the industry's outlook in 2016 and beyond. The budgetary provision of Rs 850 crore will help in breeding better indigenous cattle and improve the productivity of farmers who possess local breeds. Of course, it needs to be borne in mind that almost 90% of farmers in India rear foreign breeds such as Holstein Friesians (HF) due to their extremely high yields. But the focus on indigenous breeds will be helpful for farmers in the long run and boost profitability in local breeds by finding means to enhance their productivity. Through genomics, the use of indigenous breeds could become more viable and sustainable.

Creation of an e-commerce platform will benefit farmers seeking to procure better breeds from breeders. Such a platform can also be helpful in eliminating middlemen, who have their own vested interests and may not really help farmers in securing the best deals. Through theonline medium, efficiency and profitability are also bound to increase. Of course, one cannot lose sight of the fact that foreign breeds such as HF have been instrumental in boosting production numbers and playing a role in taking India to the position it today occupies globally.

According to market analysts, the dairy industry will continue to grow by a CAGR of more than 7% during 2016 and thereafter. North India will be the dominant force in the marketbacked by rising per capita consumption and the growing youth population. Across India, consumers will be more inclined towards

value-added products such as yoghurt, probiotic drinks, cheese, cottage cheese, butter, clarified butter, ice cream as well as other dairy products and traditional sweets.

Changing consumer patterns and the growing presence of leading foreign players operating in India will be the other factors that impact the dynamics of the industry.

Rural Catch Up

Considering the number of affluent families rising in the cities as well as rural areas, the demand for value-added dairy products is bound to increase as people opt for more nutritious diets. Driven by higher demand, companies in the public and private sectors are bound to boost their footprints in numerous regions, leading to higher employment opportunities, especially via private players, who have been more assertive in making their presence felt during the past decade. Given the dairy industry's presence across the country, more farmers may gradually turn to dairy farming as agriculture becomes difficult and less remunerative.

As the competition soars in 2016, more companies in the dairy sector will embrace modernisation to promote higher revenues and productivity. Foreign entities and investors will then find the sector more attractive as the dairy companies operating in India report better revenues. Despite the industry being largely unorganised presently, the number of organised players will rise in 2016. Although demand for value-added products is higher in the urban areas, rural regions will slowly witness more demand as these families become more upwardly mobile and health-conscious.

Meanwhile, the government needs to undertake special steps to plug perennial pain points such as the lack of skilled talent, poor cold storage infrastructure and a faulty pricing mechanism, all of which hinder retail operations, particularly of private players.

If the government undertakes these measures at the earliest, 2016 may turn out to be a milestone year for India's dairy industry.

Dairy provides livelihood to 60 million farmers in India

Rs. 582.09 crore have been allocated for 35 proposals under the National Gokul Mission

By **Jhimli M** -May 17, 2016

Shri Radha Mohan Singh, Union Agriculture and Farmers Welfare Minister has mentioned that livelihood of 60 million rural households depend upon dairy sector. Out of this, two third are small, marginal and landless laborers.

Agriculture and farmers Welfare Minister mentioned that India is a global leader among dairying nations and produced 160.35 million tonnes of milk during 2015-16. The dairycooperatives of the country have the singular distinction of providing seventy five percent of their sales, on an average, to the farmers.

Shri Singh informed that as many as 75 million women are engaged in the sector as against 15 million men. There is an increasing trend towards participation of women in livestock development activities. This has led to empowerment of women-headed households in the rural communities.

Agriculture and farmers Welfare Minister has mentioned that India with 30 crore bovines has 18% of the world's bovine population. Cattle Genetic Resources have been evolved by the farmers/cattle rearers/breeders using traditional and scientific knowledge, and today we have 39 breeds of cattle.

Shri Singh informed that indigenous breeds are robust and resilient and are particularly suited to the climate and environment of their respective breeding tracts. They are endowed with qualities of heat tolerance, resistance to diseases and the ability to thrive under extreme climates and low plane of nutrition.

Agriculture and farmers Welfare Minister stated that studies of impact of Climate Change and effect of temperature rise on milk production of dairy animals indicates that temperature rise due to global warming will negatively impact milk production. The decline in milk production and reproductive efficiency will be highest in exotic and crossbred cattle followed by buffaloes. Indigenous breeds will be least effected by global warming. In order to develop heat tolerant and disease resistant stock countries including United States of America, Brazil and Australia have imported our indigenous breeds.

Shri Singh also stated that the indigenous breeds of cows are known to produce A2 type protein rich milk which protects us from various chronic health problems such as Cardio Vascular Diseases, Diabetes and neurological disorders besides providing several other health benefits. Earlier Hon'ble Minister has spoken with scientists and people engaged in marketing of Milk were of opinion the A2A2 rich milk should be separately marketed in the country. Hon'ble Minister informed the house that Department of Animal Husbandry, Dairying and Fisheries has sanctioned Rs. 2 cr each to Odisha and Karnataka for marketing of A2A2 rich Milk of our indigenous breeds.

Agriculture and farmers Welfare Minister informed that the potential to enhance the productivity of the indigenous bovine breeds of India through professional farm management and superior nutrition is immense. For the first time in the country, Rastriya Gokul Mission has been initiated under National Programme for Bovine Breeding and Dairy Development to take up development and conservation of indigenous breeds in a focused and scientific manner. Under the Scheme 35 projects with an allocation of Rs. 582.09 cr has been sanctioned.

Shri Singh informed the august gathering that funds have been sanctioned for establishment of 14 Gokul Grams under Rastriya Gokul Mission. For this first installment has already been released to the States. Minister further informed that funds have been sanctioned for strengthening of 35 bull mother farms of indigenous breeds including Yak and Mithun. First installment for strengthening Bull Mother Farms has already been disbursed to the States.

Agriculture and farmers Welfare Minister further informed the House that funds have been sanctioned for field performance recording of 1,50,000 animals of indigenous bovine breedsand first installment has also been disbursed to the States. Honorable Minister informed for pure breeding in the breeding tracts. For upgrading, the non-descriptive cattle population, 3,629 bulls have been inducted for natural service. Honorable Minister informed that for production of frozen semen, 65 high genetic merit disease free bulls have been inducted at semen stations. Bull production programme of indigenous breeds for natural service have been inducted by the States of Madhya Pradesh, Kerala, Uttar Pradesh, Punjab, Haryana and Gujarat.

Shri Singh further added that most of the countries have National Breeding Centre at the National level. For the first time in the country to take up holistic and scientific development and conservation of indigenous breeds two National Kamadhenu Breeding Centres are being established: one in southern

region- in Andhra Pradesh and second one in northern region in Madhya Pradesh. Nucleus herd of all 39 indigenous breeds of cattle and 13 breeds of buffaloes is being established at National Kamadhenu Breeding Centre with the aim of development and conversation of these breeds.

AskMe Grocery Enters into Strategic Partnership with Mother Dairy

AskMe Grocery, India's largest online grocery portal in terms of reach, has announced a strategic alliance with Mother Dairy Fruit and Vegetable Pvt. Ltd.

By **Dairy News India** -May 16, 2016

AskMe Grocery Enters into Strategic Partnership with Mother Dairy

1. All Mother Dairy products to be made available on AskMe Grocery
2. Delhi-NCR to be the first serviceable region of this alliance
3. Plans to expand to other cities in the country with presence of Mother Dairy products

AskMe Grocery, India's largest online grocery portal in terms of reach, has announced a strategic alliance with Mother Dairy Fruit and Vegetable Pvt. Ltd., a wholly-owned subsidiary of the National Dairy Development Board (NDDB). This tie-up will enable customers to buy all Mother Dairy products from the AskMe Grocery portal. AskMe Grocery will be selling these products under AskmeFresh, a recently introduced perishable grocery marketplace.

Mother Dairy's wide range of food products, catering from breakfast to dinner will beavailable on the portal. The product range includes all Mother Dairy products, Safal Frozen, Safal Ambient, Safal Fresh (Fruits & veggies), Safal pulses and Dhara edible oils. This service will be available in Delhi-NCR to begin with and will be gradually scaled up across other cities in the course of the current financial year.

Speaking about the association, Mr. Ankit Jain, Co-founder, AskMe Grocery said, "This is another step by AskMe Grocery towards creating a deep rooted relationship with sellers to have a sustainable and efficient business model.

Mother Dairy is a reputed brand which offers quality products across perishable and non-perishable product categories.

This alliance will enable us to add a new dimension to our existing offerings. Through this alliance, we will be able to cater to all customers across Delhi-NCR with best quality dairy products, fresh fruits and vegetables and frozen food products, at most competitive prices. We will arrange pick-ups from the nearest Mother Dairy booths and get the products delivered in 4-6 hours. We have been aiming to diversify our services and since Mother Dairy's products are very popular and in demand, me and Amit Nigam, as Co-Founders ofAskMe Grocery, were both very delighted to take them on board and offer it to our customers."

As part of the association, the entire supply catering to consumers ordering from AskMe Grocery will be served from the nearest Mother Dairy and Safal booths present across the Delhi NCR region.

Speaking on the association, Mr. S Nagarajan, Managing Director, Mother Dairy Fruit & Vegetable Pvt. Ltd. added, "For Mother Dairy it has always been our endeavour to offer convenience to our consumers. In line with the same strategy we are proud to announce our association with Askmegrocery.com aimed at empowering our consumers with today's mantra of shopping on the go. I am sure with our strategically located booths in the Delhi NCR region coupled with last mile home delivery by our new partners, the joy of shopping for our valued consumers will only go up."

Mother Dairy along with AskMe Grocery plans to further strengthen the association by launching similar offerings in key cities in the current fiscal. Currently Mother Dairy operates through close to 750+ milk booths and around 350+ Safal booths in Delhi NCR region.

About AskMe Grocery

AskMe Grocery is an online grocery company that was rolled out by the AskMe group in 2015. The company, formed by Mr. Ankit Jain and Mr. Amit Nigam, is leading the way when it comes to creating customer delight in the online grocery segment. It draws its strength from the extensive experience of our parent brand AskMe of having worked with small and medium enterprises. AskMe Grocery is currently active in 38 cities and is working with 1000+ kirana store owners across the country.

About Mother Dairy

Mother Dairy was commissioned in 1974 as a wholly owned subsidiary of the National Dairy Development Board (NDDB). It was established under the initiative of Operation Flood, the world's biggest dairy development program launched to make India a milk sufficient nation. Today, Mother Dairy is a leading dairy player which manufactures, markets & sells milk and milk products including cultured products, ice creams, paneer and ghee under the 'Mother Dairy' brand.

The Company also has a diversified portfolio with products in edible oils under the 'Dhara' brand and fresh fruits & vegetables, frozen vegetables, range of unpolished pulses, fruit juices, jams etc. under the 'Safal' brand. Mother Dairy through its brands has a national footprint across all major cities in India, offering a delectable range of products to its customers.

Source : Business Wire India

In Fy15, the company posted a turnover of Rs 7,186 crore.

Sun, 15 May 2016-11:37am , New Delhi , PTI

Leading milk supplier Mother Dairy is eyeing to cross Rs 10,000 crore turnover mark in next three years on rising demand for dairy products as well as fresh and processed fruits and vegetables.

Mother Dairy, which supplies about 30 lakh litres of milk in the national capital region has posted a turnover of Rs 7,186 crore during last fiscal, out of which about 75% is from its dairy business.

"We are aiming for more than Rs 10,000 crore turnover by the end of FY19 with expected rise in sales across all the segments," Mother Dairy MD S Nagarajan told PTI.

In a bid to expand its market, Mother Dairy is in process of establishing a 25,000 tonnes per year integrated food and vegetable processing plant in Ranchi at an estimated cost of Rs 75 crore.

The freezing line will have the capacity to produce 5,000 tonnes per year of finished product and which will mainly include peas produced in the state.

The pulp and concentrate line will have a capacity of 20,000 tonnes per annum of finished products and this will largely include tomato processing, mango and other fruits.

Besides this, the company is also exploring new markets for its dairy and other milk products and at the same time also expanding its product portfolio with new launches.

Mother Dairy, a wholly-owned subsidiary of the National Dairy Development Board (NDDB), has diversified portfolio with presence in dairy products, edible oil, fruits and vegetables (fresh as well as frozen) and pulses.

The firm sells processed food products like juices and ready to cook products under the brand name Safal and also has presence in edible oil segment under the brand name Dhara.

The company also sells fruits and vegetables and other processed food products on its more than 400 Safal stores in the national capital region and Bangalore.

Safal outlets are being operated on the franchise model, where the company provides basic infrastructure.

During the time of spike in prices of pulses and onions, the Safal outlets had sold these two food items below market prices following the government's instruction.

Recently, Paytm and Mother Dairy partnered to allow customers make cashless payments through the former's wallet service across more than 100 milk booths.

Plaint against omfed, milk coop

By Express News Service

Published: 15th May 2016 04:28 AM

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BARGARH: THE Bargarh Zilla Dugdha Utpadaka Krushaka Sangha (BZDUKS) on Saturday handed over a complaint against Omfed and Samaleswari Milk Producers' Cooperative Union to SP Ashis Singh. The Sangha held them responsible for the spoiling of milk on Thursday following which dairy farmers had to spill 20,000 litres of milk on the roads in protest.

Sangha president Sureshswar Satpathy handed over the complaint to Singh after Bargarh police station IIC refused to receive the complaint.

Dairy farmers across the district sell milk to Omfed through Samaleswari Milk Producers' Cooperative Union at designated milk collection centres which are managed by Primary Cooperative Societies, Satpathy said.

The milk from villages is brought under the supervision of officials of the union. After a quality testing, it is sent to the chilling plant of Omfed at Bargarh between 9 am and 10 am, Satpathy said.

On May 11 and 12, the officials of the chilling plant in connivance with officials of Omfed directed the vehicles carrying milk to return the milk to the collection centres and later to the producers, he added.

In the process, the milk got spoilt but was not adulterated, he added.

Maintaining that the act of officials of chilling plant and Omfed cost the dairy farmers ` five lakh, Satpathy called for necessary legal action against them. He also demanded that farmers be paid their dues against wasted milk.

Reiterating his question, he said how could thousands of litres of milk be found adulterated on a single day and questioned the knowledge of the authorities concerned at the chilling plant.

Keep the campaign for dairy farms alive

Molly Glassey | 31st May 2016 8:28 AM

MILKED DRY: Ross McInnes milks his friesian dairy cattle at his Harrisville farm. Mr McInnes is the Queensland Dairyfarmers' Organisation vice president and hopes the campaign to support dairy farmers keeps going strong.

A MONTH since Murray Goulburn announced it will cut its milk price for supplier, social media has erupted with support for dairy farmers.

Photos of empty supermarket milk shelves have gone viral online, Waleed Aly's call to support dairy farmers has been shared on Facebook over 90,000 times and dairy farmers have rallied together in public plea for a fairer go.

Queensland Dairyfarmers Organisaton vice-president Ross McInnes said while the support was encouraging, it needed to keep up for change to take place.

"I think every dairy farmer has appreciated the efforts of the public getting behind the dairy farmers campaign," Mr Mcinnes said.

"The biggest challenge for us now is to keep going after the initial surge.

"How do we keep the momentum of the movement going?"

Mr McInnes said social media has proved a huge help in encouraging shoppers to opt for branded milk over supermarket labels.

Branded milks like Maleny Dairies are selling out, while consumers shun plain-brand "$1 a litre" milks in protest of a supermarket milk price war and poor prices paid by dairy giants Murray Goulburn and Fonterra to farmers.

Maleny Dairies owner Ross Hopper said demand for Maleny Dairies milk was up by about 10% and the pressure was on to bottle more milk for the business's retail customers.

"Some of the shops have doubled their orders and we're going flat out but we're keeping up with the orders," Mr Hopper said.

It's this surge Ross McInnes hopes won't be short lived.

"Some things if they get liked and shared produce a viral effect," he said.

"And you attract a lot of following and I think that's been a huge benefit about not buying $1 litre milk.

"But we need to figure out how to keep it in the headlines and not let people forget and go back to buying cheap milk."

As for the effect the price cut will have on Queensland's dairy farmers, Mr McInnes said it's impredictable.

"When you look at milk prices between Victoria and Queensland over the last 12 years, there's no way anybody could accurately say there is a relationship between the two states' prices," he said.

"Eight years out of 12, they go in opposite directions; Queensland goes up while Victoria goes down, or the other way around."

Mr McInnes said each state depended on different markets.

"It's simply that Victoria is exposed to a volatile export market, whereas our processes here are looking at a longer term flat supply," he said.

"This is all from data from Dairy Australia, but we know there are always other facts."

Millions in aid promised to stricken German dairy farmers

German agriculture officials have met to discuss ways to help dairy farmers hit by low milk prices. The agriculture minister has promised financial aid, but solutions to the problem remain unclear.

German Minister of Food and Agriculture Christian Schmidt met on Monday with representatives from the dairy industry and retailers in Berlin at a "milk summit" aimed at resolving the problems caused by a radical fall in milk prices.

Schmidt announced after the meeting that German dairy farmers would receive at least 100 million euros ($111.37 million) in immediate loans, guarantees and tax relief to help them weather any financial shortpasses.

He said he would be holding discussions about the exact sum.

Ahead of the summit, Schmidt said he also wanted to cut milk production to stabilize the market.

"We need less milk at a better price," he told the daily "Passauer Neue Presse."

At the same time, however, he said that farmers and retailers should make out such agreements among themselves, as it was "not the job of the state" to intervene in pricing policies.

Differing proposals

Schmidt's proposals have, however, been rejected by some representatives of the dairy industry.

The chairman of major German dairy association BDM, Romuald Schaber, has called on the government to provide guidelines for regulating production, saying that any other method would lead to a patchwork of solutions.

"It has to be coordinated at a Europe-wide level," he told broadcaster BR, adding that loans and guarantees were no solution, while tax relief, though welcome in itself, would not help in the current situation.

The BDM, which was not invited to Monday's meeting, carried out a protest at Berlin's Brandenburg Gate as the event got underway. The association is calling, among other things, for farmers to receive a 30-cent ($0.33) bonus for every liter of milk that is not produced.

Schmidt has come under some criticism for not inviting either agriculture ministers from the German states or critical farmers' associations to the meeting. The agriculture minister of the state of Schleswig-Holstein, Robert Habeck, said Schmidt had "failed to invite all the people that could be inconvenient to him."

The agriculture minister said after the meeting that he intended to meet with his state counterparts next week.

"The states also have to take on responsibility, and I definitely hear signals that they want to," he said.

Drastic drop in price

Recently, German dairy farmers have sometimes received less than 20 cents per liter, with 35 cents being seen as the minimum price needed to cover their costs. The fall in milk prices in recent months has been caused by large amounts of milk flooding the markets, not just in Germany, but across Europe.

The "milk summit" was also discuss pushing milk prices up from the current average supermarket value of 46 cents in the hope that the increased profits will be passed on to farmers.

However, the consumer organization Foodwatch has criticized the proposal, saying that even if consumers did take a more expensive milk brand, it had practically no effect on the sum received by dairy famers.

A price analysis carried out by the organization showed that even when the most expensive milk was bought, it made a difference of just 5 cents to farmers.

In contrast, retail associations HDE and BVLH maintained that consumers had "the choice to contribute by their own purchasing behavior" in view of the wide range of differently priced milk available at supermarkets.

tj/rc (dpa, AFP)

Geelong Milk List app helping consumers track down local dairy products

By Stephanie Juleff

Posted Mon at 9:09am

A new online resource is encouraging consumers in Geelong, south-west of Melbourne, to choose dairy products from local farmers.

The current dairy crisis has prompted many consumers to re-evaluate their purchasing habits, with some of the milk-buying public eager to support dairy farmers by avoiding discounted milk.

Geelong local Patrick O'Callaghan started the Milk List after hearing people talking about wanting to help dairy farmers.

Mr O'Callaghan said he created the list as an extension to an app he runs that links people with local, seasonal food.

After just over a week, about 350 outlets selling independently produced milk have been listed in Geelong and surrounds, across Victoria and New South Wales, Queensland, Tasmania and South Australia.

"We put together the Milk List as an opportunity for people to find those places, and if they want to spend their money in a better way, this allowed them to do that," Mr O'Callaghan said.

"Because they're the things ... that keep regional communities alive.

"They're the things that employ people and they can only continue to exist if they're profitable, and that can only happen if people buy products."

Consumers took to social media earlier this month to share photos of supermarket shelves across Victoria empty of higher-cost branded milk after a desperate plea by the state's dairy farmers.

'Smaller doesn't mean lower quality'

One of the shops included on the Milk List, Green Mumma, has stocked locally sourced produce since it was first established as an online delivery service in northern Geelong in 2015.

Green Mumma's proprietors Alecia and Shady Albelli have always stocked a variety of smaller independent brands, including dairy products.

Mr O'Callaghan said just because some of those brands are smaller, it does not mean they were lower quality.

"I know a lot of people around Geelong that use this milk, Inglenook Dairy, and they're gold-medal award-winners," he said.

"They do all sorts of amazing stuff.

"There's Jonesy's Dairies, Sungold, which is further down south, so you've got quite a range of brand names out there that people will be able to recognise quite easily when they go into their non-supermarket place of purchase."

Mr O'Callaghan said he hoped the Milk List would trigger people to change their attitudes and buying habits.

"Anything that shifts awareness about the effects of purchasing decisions is a good thing," he said.

5 health benefits of eating cheese that'll make you hoard on the milk product all the more

Since cheese is a concentrated source of a variety of nutrients like calcium, it is great for building stronger bones and has many other hidden benefits to offer.

Nikita Bhalla

May 30, 2016 | UPDATED 15:33 IST

If you're a huge cheese fan but are constantly told not to indulge in too much of the milk product, you should probably stop taking that piece of advice.
Cheese, especially the kind that comes from grass-fed cattle, is an incredible source of essential nutrients that your body demands. While semi-hard to hard cheeses like Cheddar, Swiss, Parmesan, and Asiago are primarily known as grating cheeses, they are great for people who are keeping a tab on their carb intake; softer cheese varieties like cottage cheese and Ricotta are good enough to give you a nutritious boost if consumed in smaller portions.

A healthy serving of cheese can actually provide you with plenty of protein (from a relatively small amount of food), but, what you need to know here is the type of cheese that you're munching on, because not every cheese is good to maintain your weight or fat percentage.

Also read: 6 reasons why musk melon should be on top of your summer food list

High-fat cheeses contain lots of saturated fats which are loaded with calories. For instance, one thick slice of cheddar cheese (28 gm) contains about 6.7 gm of protein--which is similar to what you get from a tall glass of milk.

While it isn't exactly called a superfood, consuming cheese can provide you with an array of health benefits that you might not find in any other byproduct of milk. Throughout history, cheese has been an important part of the human diet, both as a dietary staple and a gourmet food, so why give it up now?

Here, we've listed a handful of health benefits that cheese has to offer.

1. Manages high-blood pressure: The presence of high sodium and cholesterol can cause high-blood pressure. Cheese contains sodium that depends on the amount of salt mixed in milk, thus low-sodium cheese (also available) reduces heart diseases. The Vitamin B element in cheese is also useful in reducing blood pressure problems.
2. Helps in weight gain: Cheese consists of loads of natural fats that can be helpful for those looking to gain a little weight. Some types of cheese have a low-fat content which is particularly useful to maintain your body weight. This also helps in gaining muscle weight and bone density. Cheese contains fat, calcium, proteins, vitamins and minerals which make muscles and bones strong; they also help to balance the metabolism.
3. Best for cavity prevention: Cheese is a rich source of calcium, which keeps your teeth strong. Moreover, eating cheeses like Monterey Jack, Cheddar, Swiss, and Gouda after a meal or as a snack helps in preventing tooth decay.
4. Prevents cancer: Cheese is known to contain specific factors which makes it anti-carcinogenic in nature, and is in fact, one of the most anti-carcinogenic foods of all times.
5. Helps your skin to glow: Vitamin B in cheese aids in the growth of cells, which gives you a glowing skin and helps you get rid of blemishes.

WHO guidance on infant milk formulas gets lukewarm backing

May 28, 2016

GENEVA, (Reuters) – National health officials stopped short yesterday of fully endorsing World Health Organization (WHO) guidelines to end the aggressive marketing of breast milk substitutes and baby foods for newborn and older infants.

Activists said the consensus, hammered out in negotiations chaired by Ecuador, overcame resistance by dairy producers led by the United States, European Union and New Zealand.

But they said they feared that national health authorities will not feel obliged to implement the recommendations because the compromise language fell short of calling for applying the WHO guidelines clearly favouring breastfeeding for infants.

"We have a consensus resolution," Ecuadorian diplomat Martina Martinez told Reuters after the closed-door session. The statement is expected to be adopted by WHO's Assembly of 194 member states on Saturday.

The text "welcomes with appreciation" the WHO technical guidance but does not "endorse" it, as in an earlier draft, officials said.

The WHO guidelines, entitled "Guidance on ending the inappropriate promotion of foods for infants and young children", say breast milk substitutes and milk products for infants from 6 to 36 months of age "should not be marketed".

They say all such products should include clearly visible label information "on the importance of continued breastfeeding for up to two years or beyond and the importance of not introducing complementary feeding before six months of age".

Worldwide sales of formula milks are estimated to be worth nearly $45 billion, with Nestle and Danone among the biggest distributors, activists say.

Australian Dairy Farms result hit by diving milk prices

Kylar Loussikian

Journalist

Sydney

ADF says the impact of Fonterra's decision remains under review. Picture: Zoe Phillips

Australian Dairy Farmers

Australian Dairy Farms has warned its full-year results will be “materially negatively affected” by the drastic reduction in milk prices already affecting other major listed producers.

However, its exposure to dairy processing and manufacturing meant it was far less exposed than its competitors to global milk prices, the company said.

The news comes after major dairy producers Murray Goulburn and Fonterra cut back the price they would pay for milk solids, backdating the change and leaving farmers owing the companies significant sums.

ADF, which supplies Fonterra with milk, said the base price received from the New Zealand dairy giant would fall from $5.60 per kilogram to $1.95 per kilogram for the final two months of the financial year.

It is also being buffeted by an extended dry season and higher than anticipated requirements for grain and fodder, which is being purchased at higher than expected prices.

Despite the bearish outlook, the company’s shares surged more than a fifth yesterday, closing 3.5c higher at 20.5c, still significantly below the 40c per share it traded at in January.

The recently concluded acquisition of the Camperdown Dairy Company will help ADF, with lucrative contracts in place with two major customers including Woolworths.

“In response to recent media about the plight of dairy farmers impacted by the $1 per litre supermarket price, consumers across Australia have voted with their pockets in the last few weeks,” the company said in a statement. “Many have already significantly swapped their milk choice to reject the $1 per litre option in favour of brands, which ensure farmers get a fair price.

“This has emptied supermarket shelves in Victoria of Farmers Own fresh milk, which has repeatedly sold out ... the result has materially increased the sales and production orders for CDC, which are all premium products.”

The Australian Competition & Consumer Commission has already flagged an investigation into Fonterra and Murray Goulburn’s reduction of the milk price paid to farmers.

Global farmgate prices have fallen on average 26 per cent in the year to March, while output from the largest five producers, including Australia, rose 2.6 per cent, according to Bell Potter.

Analysis by Rabobank, released yesterday, suggested producers are “bracing for a continued low price environment” although European supply will slow as the year progresses.

ADF said the impact of Fonterra’s decision remained under review, with further investor guidance to be released.

Students visit Crescent Dairy | News | The Press and Standard

by THE PRESS AND STANDARD | May 28, 2016 5:00 PM

Last Updated: May 25, 2016 at 1:40 PM

On Wednesday May 11, the Career Center of Colleton County High School took a group of students who are interested in the manufacturing field to tour Crescent Dairy of Walterboro. The tour was led by Mrs. Blakely Stroble, the Human Resource Manager for the company. Stroble highlighted the key points of the company's overall daily operations, the general sales, the shipment of their products to other countries, careers within the company, etc. Students had the opportunity to taste a few of the products that are being made at Crescent Dairy.

Crescent Dairy & Beverage has over 20 years of experience making aseptic and refrigerated products. Although the company focuses mainly on manufacturing for the local market, it also manufactures for regional markets and exporting. This has led the company to expand their line of business by adding the latest UHT (ultra high temperature) processing equipment which processes all types of beverages including those made with milk. The students learned about the company's overall operations, and the various career opportunities that are available.

The FSSAI needs to reinforce its regulatory network and bring in more transparency

It is a narrative that returns to haunt consumers every few years. And each time, the regulatory authorities have been caught on the wrong foot, reacting only when an issue gets highlighted in the media. When pesticide residues were found in bottled water, for instance, the norms were altered only after it became a major controversy. More recently, lead and mono sodium glutamate (MSG) were found in noodles, pastas and soup, and clarifications have only just been issued regarding MSG labelling on products. The latest report by the Centre for Science and Environment on the presence of potassium bromate and potassium iodate in our daily bread has literally struck at the heart of our breakfast tables. And the possibility of cancer and thyroid disorders linked to these additives makes it an unpleasant truth to digest. The intriguing question is, if the food industry knew of the possible carcinogenic links and the regulatory Food Safety and Standards Authority of India's (FSSAI) scientific committee had red-flagged these additives, shouldn't they have fast-tracked the elimination of these ingredients from mass-consumed foods?

It also does not help that like health, food too is a State subject, which means that policy implementation differs in various States. Though the direction on food is set by the FSSAI, its layered implementation puts a question mark over decisions taken to approve or reject products, additives, etc. The food authority needs to introduce transparency into its decision-making process. The Maggi incident is just one example of the grey areas that need working on. Questions remain unanswered as to how a Kolkata lab found high levels of lead, when the manufacturer insisted otherwise, and overseas

regulators found Maggi samples acceptable, when Indian regulators found similar samples breaching prescribed norms. A transparent system that allows anyone seeking information on the working, processes and decisions of the FSSAI and its labs as well as that of State regulators to access it in a user-friendly manner will be a key step in building confidence among the general public.

The FSSAI also needs to learn to adapt quickly to a rapidly changing and expanding food market. From regular street food and ready-to-eat packed foods, imported foods and so on, to packaged spices and condiments, it is a wide range to monitor. And setting benchmarks for food contaminants is only one part, albeit an important part of the authority's job. Keeping an eye on products in the marketplace, picking up samples and getting them tested repeatedly is another key responsibility. As in the case of the drug regulator, the food regulator too needs more labs, more inspectors, more training and more technology in order to keep pace with the dynamic industry. Between government-owned labs and the accredited ones it works with, there are reportedly over 140 labs in the country. That is way too small a number in comparison to either the country's population or industry size. It is time food safety got the policy bandwidth it deserves.

(This article was published on May 26, 2016)

Raw milk producer says state's testing method is the problem

BY **CORAL BEACH** | MAY 26, 2016

The owner of a California organic dairy is working with state officials to find the source of Salmonella that has twice this month caused recalls of his raw milk, even though he believes the state's test results are not indicative of the safety of his unpasteurized dairy products.

The 500-cow operation, Organic Pastures Dairy Co. in Fresno, will remain under heightened scrutiny for the next several weeks, a spokesman for the California Department of Food and Agriculture (CDFA) said Wednesday.

Late Monday, the department posted notice of a statewide recall of Organic Pastures brand raw milk, raw skim milk and raw cream with a "use by" date of June 1 because of positive Salmonella test results. State inspectors found the contamination during follow-up testing in response to similar findings earlier this month that also resulted in a statewide recall.

The first recall, posted May 9, was for Organic Pastures raw milk and raw cream that had a use-by date of May 18. CDFA inspectors found Salmonella contamination during product testing conducted as part of routine inspection and sample collection at the Fresno dairy.

California officials tested raw dairy products from Organic Pastures that were processed and packaged after the products recalled Monday were produced and all received negative results for Salmonella. No illnesses had been reported in connection to either batch of recalled unpasteurized products as of Wednesday, according to the department.

“However, CDFA will continue with an increased frequency of testing for pathogens over the next several weeks (at the dairy),” said department spokesman Steve Lyle.

“Increased testing will also include standard microbiological counts such as Standard Plate Count and Total Coliform Count. Those counts are done monthly on a routine basis and have not indicated a significant sanitation problem at the facility. The cause of the Salmonella remains unknown,” he added.

Organic Pastures founder and CEO Mark McAfee agreed that the cause of the Salmonella remains unknown and said Tuesday that he will continue to work with state officials to find possible sources, even though he believes his milk is clean.

“The coliform tests show extremely clean milk, some at less than 1 coliform,” McAfee said Tuesday. “There is no fecal contamination.

“This is an issue regarding conflicts in testing methodology,” he said. “The state uses BAM ‘Moore Swab,’ and our private, state-approved, third-party lab uses PCR-BAX. Our BAX PCR tests are negative and the state returns mostly negative and some positive tests. This level of bacteria is at the far bottom reaches of the detection limits.”
The BAM method refers to the U.S. Food and Drug Administration’s Bacteriological Analytical Manual modified Moore swab method, while the BAX tests referenced by McAfee are a trademarked line of rapid-result pathogen detection kits.

The CDFA’s Lyle did not comment on the testing methods. However, he did say that there aren’t any so-called state-approved private labs for testing dairy products for pathogens.

“CDFA is not aware of a state agency that issues approvals to private industry laboratories regarding the testing of dairy products for foodborne pathogens, and the commercial laboratory used by OPDC is not approved by CDFA to conduct official testing,” he said, adding, “While a commercial laboratory may be useful for a firm’s own quality control monitoring program, results from such testing do not supersede official CDFA sampling and laboratory findings.”

Regulating milk prices won't save the dairy industry

SIMON THOMSEN

MAY 27, 2016, 5:00 AM

Australian milk drinkers appear to be going through a bout of buyer's remorse.

Like teenagers ignoring the advice of parents who say a new boyfriend is wrong for them, everyone who flocked to buy $2 milk over the last five years is starting to wonder why they didn't listen.

And while it's heartening for many to see supermarket shelves empty of higher-priced branded milks as consumers show their support for struggling Victorian dairy farmers, the question is how long will can last before everyone goes back to buying $2 milk again?

It's a bit like setting up a crowd-funding campaign for a poor bloke asking questions on Q&A. It makes people feel a little less guilty, but doesn't address the fundamental, underlying problem.

But there's suddenly a perception of a crisis in the dairy industry after Australia's largest processor Murray Goulburn, which has nearly 40% of the market, and New Zealand processor Fonterra, suddenly cut farmgate prices by about 10% earlier this month.

It was disastrous news for Nationals leader and deputy PM Barnaby Joyce in the middle of an election campaign. As the pressure mounted he needed to act, announcing the government would offer $555 million in concessional loans to farmers affected by the price cuts.

Given that interest rates are already at record lows, and some dairy farmers say they're producing at a loss, it's hard to see how the prospect of increased debt helps, but like most commodities, dairy is cyclical, so many will bet on using the money to survive until there's an upturn.

Joyce, a good retail politician prone to bluster with ideas of agrarian socialism, also suggested intervening to force supermarkets to raise the price of fresh milk.

"Retailers don't want the government to jump on them, but we will if they don't do anything," he said.

A deputy leader of a conservative government seeking to regulate a free market? There's never been a more exciting time to be a politician, especially when you're the Nationals leader on a unity ticket with the Greens and independents on this issue.

But $2 milk is not the industry's problem, any more than the temporary closure of live cattle exports to Indonesia was followed by an explosion in asylum seekers to Australia – another ridiculous thought bubble Joyce floated during a debate on agriculture this week.

When Coles started the "milk wars" on Australia Day 2011, and Woolworths quickly followed suit, the industry warned everyone the price was unsustainable, but their concerns were largely ignored and we bought $2 milk anyway.

For the first few years, Australians drank even more fresh milk, around 106 litres per person annually, but more recently, that's begun to wane. Meanwhile, the dairy industry owes the nation's cafes a beer. A lot of baristas are doing their bit to keep dairy margins up every time they make a flat white.

The thing about the dairy industry is that it's a complex, export-driven and commodity-based business and fresh milk makes up just a quarter of the total market.

It's regional too. In Queensland, nearly 100% of the milk goes into fresh milk and the farm gate price is the highest in the country. In the southern states, the focus is on export, especially to Asia.

Table 6 Indicative factory paid prices by state

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 (p)
NSW	¢/litre	52.4	48.7	48.3	47.4	46.4	51.0	52.8
	$/kg milk solids	7.29	6.72	6.74	6.60	6.45	7.10	7.31
VIC	¢/litre	39.1	33.9	42.0	40.6	37.8	51.0	47.1
	$/kg milk solids	5.14	4.49	5.58	5.46	5.05	6.81	6.24
QLD	¢/litre	57.2	55.8	53.1	53.6	53.6	53.4	57.4
	$/kg milk solids	7.89	7.57	7.26	7.33	7.33	7.36	7.59
SA	¢/litre	44.6	34.6	38.0	41.0	38.3	49.6	46.1
	$/kg milk solids	6.19	4.73	5.36	5.76	5.42	7.02	6.53
WA	¢/litre	49.0	42.4	43.4	41.9	45.0	46.8	49.0
	$/kg milk solids	6.77	5.96	6.03	5.97	6.37	6.63	6.91
TAS	¢/litre	41.3	34.6	43.2	39.9	40.2	54.1	49.6
	$/kg milk solids	5.40	4.46	5.59	5.19	5.16	6.96	6.33
AUST	**¢/litre**	**42.4**	**37.3**	**43.2**	**42.0**	**40.2**	**51.2**	**48.5**
	$/kg milk solids	**5.66**	**4.98**	**5.80**	**5.69**	**5.41**	**6.89**	**6.49**

Source: Dairy manufacturers

Farmgate prices show there are regional factors coming into play. Source: Dairy Australia

The Murray Goulburn problem

The issues besetting Murray Goulburn (MGC) have more to do with specific management decisions than the broader challenges the sector face. MGC, an ASX-listed company now facing a class action over its current travails, as well as an ASIC investigation. It generates 43% of its $2.9 billion in revenue from exports with plans to shift from bulk commodities to value-added products via its Devondale brand.

It was, and still is, a good plan. Many thought the business was heading in the right direction as a brave new hybrid of co-operative with unit trust shares (with no voting rights), the money from the July IPO invested back into the business.

Macquarie Research was among those thinking the future looked bright. It's 125-page analysis in September 2015 slapped an "outperform" on the company, whose shares had dropped 10% to $1.90, putting a $2.70 target on them.

"MGC is expected to benefit from the growing international demand for imported dairy products, and new Free Trade arrangements provide a favourable backdrop to do so, in our view," Macquarie said.

As part of MGC's strategy, it secured a deal to supply Coles with its private label milk, betting that as part of the trade off, it would gain additional shelf space for its more profitable products. The company spent $140 million on two new processing plants to guarantee supply on the 10-year deal, but there was no margin left for MGC on the milk and things quickly soured because consumers didn't embrace Devondale, which Coles then sold off cheaply, and the new plants generated an oversupply in Victoria and NSW.

The other problem was the way the deal was bundled saw the cross-subsidisation margins shift from retailer to processor.

MGC hoped it could make up for the losses by selling more milk powder to China, but at that moment, that market collapsed too. A perfect storm, mostly coming from overseas, hit the business. It cost the CEO and CFO their jobs.

This can happen to businesses that take risks and step out of their comfort zones, especially when taking on a company as shrewd and, on occasion, as ruthless as Coles.

Fonterra also chased supermarket private milk deals.

Bega Cheese must be counting the blessings in disguise. After losing the Coles deal, it's bounced back in a joint venture with Blackmores targeting infant formula to China. Bega shares have risen 10% in the year since it lost the supermarket contract.

The two major players in fresh milk in Australia are Lion Dairy & Drinks (Pura and Dairy Farmers) – yes, the people who also make Tooheys, James Boag and XXXX – and Parmalat (Pauls). Both are strong companies, along with the likes of the Norco cooperative in the northern NSW, which is part of the Coles deal with MGC.

And we know from the 2014 battle Warrnambool Cheese and Butter that many see value in the industry, with Canadian company Saputo's $500 million takeover outbidding both Bega and MGC.

Meanwhile, in the 16 years since the Howard government deregulated the dairy industry, a number of smaller, niche players have entered the market. If you have both the desire and cash, it's easy to pay $5-plus for 2lt of organic milk from the likes of Barambah in Queensland. The choice is out there.

But there's no doubt supermarket private label milks have had an impact.

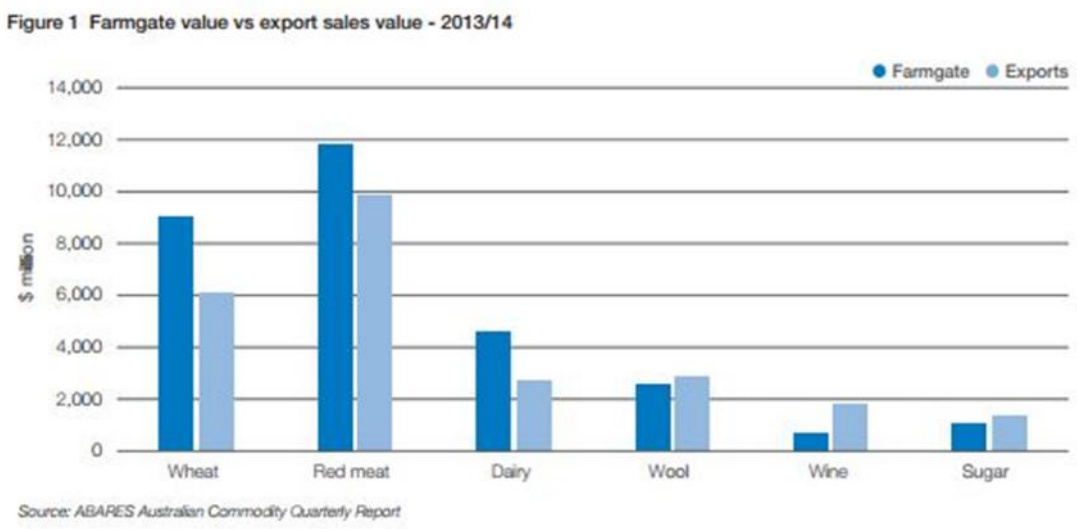
Total supermarket milk sales have remained relatively steady since 2010 at around 53-54% – the retail value is $2 billion – of the total milk market in Australia. But house-brand sales as a share of

supermarket sales have moved from 25% in 2000, to 64% of fresh full cream milk and 51% of modified (ie. skim, light etc) sales. That is a big shift.

A snapshot

Dairy is Australia's third largest agriculture sector, after beef and wheat, generating around $13.5 billion with 6100 farms, around 120 factories and 39,000 people employed.

In 2014/15 the farmgate value was $4.7 billion – the industry does well out of value-adding.



Farmgate value V export sales for various agriculture industries. Source: Dairy Australia

The industry saw massive change when it was deregulated in 2000. It was a case of get bigger or get out, and that's what happened.

Many farmers left the industry, and herd sizes trebled for those who remained. It's also worth noting that since 1980, milk production from a single cow has doubled to 5,731 litres annually. At the same time, the number of farms has gone in the opposite direction, down nearly 70% from nearly 22,000 in 1980 to just over 6000 today. The clear long-term trend is an industry shrinking while productivity gains make up for the losses.

Here's Dairy Australia's observation on where things are heading:

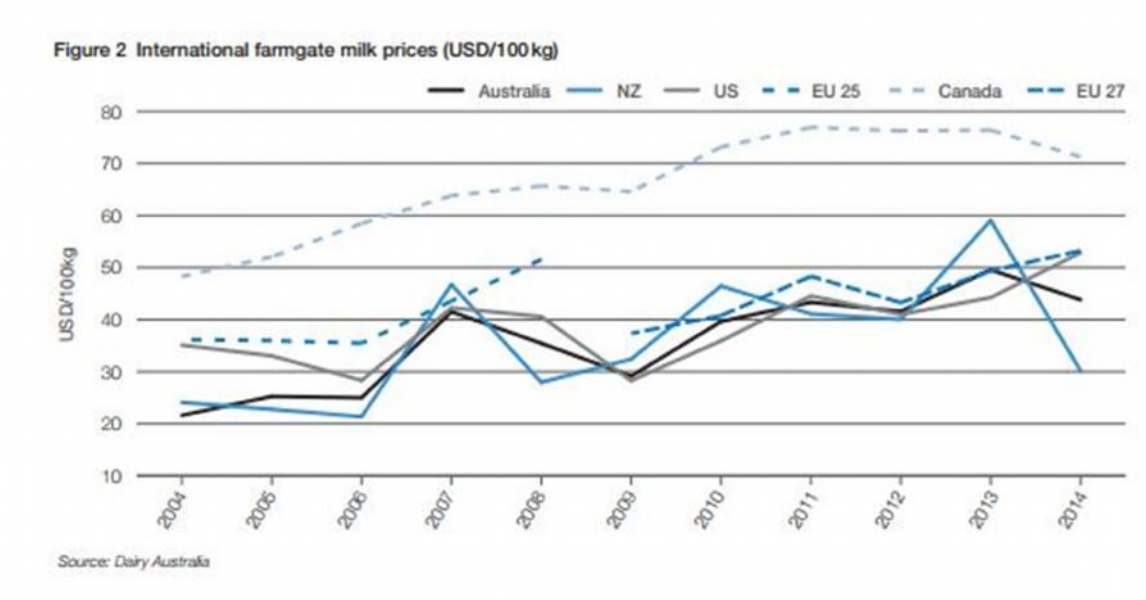
The long-term downward trend in inflation-adjusted farmgate milk prices … until early last decade is in line with returns from most other agricultural commodities.

Despite the occasional peaks — in 1992/93, 2001/02, 2007/08 and 2013/14 — the line has traditionally returned to trend and clearly illustrates the imperative to continually improve productivity throughout the industry.

While it does appear that the international dairy market might be undergoing a structural realignment in recent years to support stronger farmgate milk prices, the level of volatility has also increased significantly over this time.

It all sounds a bit like the local car industry, except dairy is coming off the back of two years of something akin to a mining boom.

As mentioned earlier, dairy is a commodity, but unlike an iron ore mine, you can't mothball a cow when prices fall below production costs, and waiting it out to restart supply when the numbers stack up again. But that makes Australian dairy farmers a price taker in a global market and the value of the dollar is critical.



The global trends in farmgate milk prices. Source: Dairy Australia

Here's what Dairy Australia says about the farm gate price (emphasis added):

Australian prices are driven by world dairy commodity prices which determine local export returns.

Therefore, world dairy prices directly impact on the company returns for the 35-40% of local milk production that finds its way into export products such as butter, cheese and milk powders; as well as the additional 30-35% of production that goes into locally consumed butter, cheese and milk powders.

This means that up to 75% of milk production is exposed to world prices for butter, cheese and milk powders; while the remaining 25% is consumed within Australia as liquid drinking milk.

Hence average Australian farmgate milk prices are strongly correlated with export returns, and**over the last three decades more than 90% of the annual variation in farmgate milk prices is explained by movements in average export returns**.

Apart from Australia's actual export product mix and prevailing world dairy commodity prices, another layer of complexity is the value of the Australian dollar against the US dollar in foreign exchange markets, as it is critical in determining company returns.

Australian dairy industry returns benefit from a 'lower' Australian dollar (compared to the US dollar) as was the case early last decade when it was as low as USD$0.52 to $0.55. However, the local currency has been much 'stronger' in recent years (around and even above parity with the US dollar) and this significantly lowered the Australian dollar returns despite relatively strong export markets over much of this period.

As commodity prices have come off their peaks since early-2014, so the Australian dollar has also fallen significantly since early-2015, and helped to maintain local milk prices paid to farmers.

Consequently, the exchange rate can significantly affect what the dairy companies can pay for milk.

There are other external factors too, such as climate change and drought for an industry that relies heavily on natural, rain-fed pastures. Australian producers are efficient and globally competitive, but costs are escalating, especially as supplementary feed needs to be brought in. Climate is eroding the competitive advantage that made Australia the world's fourth largest dairy exporter, with 6% of the global market, behind New Zealand (38%), the EU (32%) and USA (14%).

New Zealand, right now, is another story for another time.

Here's what Dairy Australia says:

Australian farms consistently had costs of production in the lower cost category of all farms in such surveys. The fact that around half of Australia's milk production was exported until recent years reflects this high level of competitiveness.

However, this has become increasingly difficult in recent years. Farm cost structures have increased in response to the need to adapt to drier conditions where rain-fed pastures were regularly contributing a lower proportion of the total feed available to the national herd. Despite the increased rainfall in recent seasons, farm cost structures have not returned to those of a decade ago for many reasons.

As a result, Australia's share of international trade has trended lower as local milk production has contracted over the past decade.

Yes, supermarkets should be criticised for the milk wars, especially Coles, which has been caught out previously for misleading consumers about milk prices and what they pay.

And we know the supermarket giant has a slick PR campaign behind its marketing strategy to “neutralise the noise”.

That was especially evident last week in its offer to create a more expensive milk brand and donate the proceeds to farmers. Many saw it as a cynical attempt to pre-empt attention focussing on the supermarkets in the wake of Murray Goulburn’s problems, because what Coles failed to reveal in its gesture was that the company was paying 19% less for its $2 milk than it was two years ago.

Now both Coles and Woolies are facing the wrath of consumers wanting to buy branded milks and those empty shelves are no longer being seen as a sign of public support, but rathermanipulation by the supermarkets to thwart the will of the people and failing to restock the shelves.

Barnaby Joyce doesn’t need to regulate supermarkets. If consumers really want to back the dairy industry and its long term sustainability, they’ll do it for him. But they need to realise they’re just one quarter of a global force, two litres at a time.

Organic Pastures raw milk products recalled again in salmonella scare

State inspectors found evidence of salmonella

Organic Pastures owner says his tests found no bacteria

MAY 24, 2016 3:32 PM

Organic Pastures Dairy Company LLC of Fresno is an organic dairy that produces raw milk and products from raw milk.**ERIC PAUL ZAMORA** Fresno Bee Staff Photo

For the second time in a month, several raw milk products from Organic Pastures dairy are being recalled after state officials found evidence of salmonella.

Under the recall issued by state veterinarian Annette Jones, Organic Pastures raw milk, raw skim milk and raw cream labeled with a use-by date of June 1, 2016, are to be pulled immediately from retail shelves, and consumers are urged to dispose of any product remaining in their refrigerators.

The quarantine was issued after state inspectors found the bacteria during a follow-up investigation initiated by a May 9 finding of salmonella.

No illness has been reported.

Organic Pastures owner Mark McAfee said the dairy's own independent state-approved lab tested the same use-by date samples of raw whole milk, raw skim milk and raw heavy cream, and all tested negative.

McAfee said he is working with the California Department of Food and Agriculture and food safety experts to better understand how the two labs can yield conflicting results.

Column

The date on the milk carton says it's expired, but is it?

A shopper checks the expiration dates on milk at a supermarket. Experts say the current labeling system is misleading. (Getty Images)

David Lazarus

Think how many times you've checked a carton of milk or wedge of cheese in your fridge and saw that it had passed the date on the package. The typical response is to throw it away.

However, experts say the problem is often not with the food or beverage but with the system used for notifying consumers about the product's expiration date.

"Most people think expiration dates tell you when food is spoiled or unsafe," said Dana Gunders, a senior scientist at the Natural Resources Defense Council. "In fact, what it usually tells you is the manufacturer's recommendation for when the food is at peak quality."

The reality, she told me, is that the "use by," "best by" or "sell by" dates on most foods and beverages vary from state to state and are largely arbitrary. "There's no exact science behind this practice," Gunders said.

Legislation introduced last week in Washington aims to change that.

The Food Date Labeling Act would eliminate confusion over inconsistent labeling that is said to contribute to an estimated 40% of food going uneaten in this country. It would establish national standards for informing consumers when food is at its peak freshness and when it may be unsafe to eat.

It also would make it easier for businesses and consumers to donate uneaten food to nonprofit groups and charities, which would go a long way toward reducing hunger nationwide.

"This measure is really about common sense," Sen. Richard Blumenthal (D-Conn.) told reporters at a Washington news conference. "The date is irrelevant to food safety."

He introduced the bill in the Senate, while Rep. Chellie Pingree (D-Maine) introduced identical legislation in the House.

Pingree noted that 20 states restrict donations of any food with a date on the package that has passed, regardless of quality or safety.

"We could feed a lot more people if we weren't throwing it away," she said. "There's no good reason for not fixing these problems."

Their bills are based on advice and recommendations from the Natural Resources Defense Council, the Harvard Food Law and Policy Clinic, nonprofit groups and industry representatives.

Berkeley-based Gunders told me the proposed legislation would clarify expiration dates by removing ambiguity from what's being communicated to consumers. Packages would say "best if used by," which would specify when a product is at its freshest.

It wouldn't mean that it's bad once that date's passed, just that freshness may be fading.

Packages also would feature an "expires on" date for riskier foods such as meat and fish to definitively show when there could be a health risk.

A 2013 report by the Harvard Food Law and Policy Clinic found that more than 90% of consumers toss out food once it hits the date on the package. Yet many consumers couldn't say what "sell by" or "use by" actually mean.

Americans waste 160 billion pounds of food annually, the report found, observing that "the rate of food loss in the United States far exceeds that of much of the rest of the world, with the average American consumer wasting 10 times as much food as the average consumer in Southeast Asia."

"Misinterpretation of the date labels on foods is a key factor leading to this waste," it concluded.

Gunders cited the example of milk. Some states require a "sell by" date of just 12 days after the milk was pasteurized, after which it could no longer remain on store shelves. Other states mandate a "use by" date of 21 days after pasteurization to indicate when the milk will taste best.

"Milk is actually an extremely safe product," Gunders said. "It will typically taste fine about a week after the date on the carton. If it smells OK, it's probably perfectly safe."

Changes at the federal level, which would supersede state rules, are necessary because that's the only way national standards can be put in place. Without such consistency, Gunders said, it would be hard to get the food industry to play ball.

"There are thousands of food companies out there," she said. "They'll all make these changes only if everyone has to do it."

I reached out to some of the leading food-industry trade associations. Their position is that they don't yet have a position on the new bills but, generally speaking, they support efforts to reduce food waste.

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For example, a spokeswoman for the Grocery Manufacturers Assn. said her group will "work with retailers and other industry groups to reduce consumer confusion around date labeling." The organization is committed to "giving consumers the information they need to make informed decisions regarding the safety and quality of the products they purchase and consume."

Some big-name companies, however, already have gotten behind the Food Date Labeling Act.

Steve Armstrong, chief food law counsel for Campbell Soup Co., called the proposed legislation "a really welcome development for the food industry." Paul Bakus, president of corporate affairs for Nestle, said at last week's news conference that this is "no-duh legislation," by which he meant, I think, it would be totally stupid to reject such a sensible move.

Blumenthal said he believes his bill is worthy of bipartisan support. It is, although the current political climate always makes such things problematic.

This much is certain: Our current food date labeling is almost meaningless, resulting in vast amounts of food and beverages ending up in landfills or down the drain.

Blumenthal and Pingree aren't proposing anything revolutionary. They just want to make sure consumers have the right information to make the best decisions on behalf of themselves and their families.

Dairy Australia urging people to eat cheese, yoghurt, ice cream to help embattled farmers

May 20, 2016 3:57am

Aaron LangmaidHerald Sun

Opinion: Milk crisis a crushing burden on our farms

EATING more dairy products — not drinking more milk — will help lift the bottom line for Victoria's embattled farmers.

Dairy Australia is urging people to eat more locally produced cheese, yoghurt and ice cream.

The call came as consumers appeared to be heeding a farmer-led boycott of $1-a-litre supermarket milk by opting for branded varieties instead.

But experts have said making the switch would make only a marginal difference.

"It's a headline product and it all adds up, but the reality is the farmer gets paid the same amount by the processor,'' Dairy Australia senior industry analyst John Droppert said.

"Their real point of difference is in branded products, where more money goes back into the supply chain, and there is more scope for farmers to capture that.''

Eating more locally produced cheese, yoghurt and ice cream will help farmers.

The push came as Farmer Power president Chris Gleeson renewed calls for the imposition of a 50c levy, despite some concerns it wouldn't land in farmers' back pockets.

"Fifty cents on all fresh milk would deliver 12c a litre to every farmer and drive the industry back to where it was and stop the supermarkets, which have taken control since deregulation,'' he said.

"We have unite to get it back,''

Farmers were left in limbo earlier this month after processors Murray Goulburn and Fonterra slashed the price they pay for milk at the farm gate.

But many have vowed to take a stand against the big supermarket chains, which they blame for the latest crisis.

They renewed calls for a review that would ensure returns at the farm gate were more sustainable.

Agriculture Minister Barnaby Joyce has also been criticised for not delivering policies that will protect the security of dairy farms.

"Politicians are on notice,'' Dingee farmer Ben Covett, 30, said. "The voters of Australia do not want to eat food imported from China, but that's the way it's headed.''

Mr Droppert said the crisis that had faced Shepparton's SPC cannery was an example of how consumers favouring local products could make a difference.

"Consumer sentiment could translate into a huge boost for domestic sales,'' he said.

Freedom expands UHT milk sales to Vietnam

ANDREW MARSHALL

20 May, 2016 07:49 AM

Freedom Foods is expanding its long life milk contract with specialist Chinese importer, Pinlive Foods, and breaking into the Vietnamese milk market via a deal with local dairy processor International Dairy Products.

Long life milk, breakfast cereal and snack bar maker Freedom Foods has signed up to new supply partnerships in China and Vietnam.

Freedom has partnered with Vietnamese milk processor, International Dairy Products (IDP), to launch the Love'in Farm UHT milk range, and Chinese importer, Pinlive Foods, to supply dairy and cereal products.

Freedom and Pinlive have already been collaborating on an initial supply project for a year.

The Australian company's northern Victorian joint venture milk processor, Pactum Dairy Group, has been packing an Australian line of ultra high temperature (UHT) treated of Weidendorf milk for Pinlive.

Pinlive imports a host of food lines packed specifically for the Chinese retail markets from various overseas locations, including its Weidendorf beer, canned foods, biscuits, cakes, vegetable oil and chocolate.

The first of Freedom's new Pinlive dairy and cereal lines will be launched in China after July for sale in traditional retail outlets and via online e-commerce channels such as the popular Tmall website.

Freedom Foods managing director, Rory Macleod, said Pinlive saw Australia as an important potential source for quality cereal and dairy products, and likely to become a more competitive source as a result of last year's China-Australia Free Trade Agreement.

Although UHT milk is already allowed to be imported through free trade zones, all Chinese tariffs on Australian dairy and cereal products are set to be eliminated in the next three to seven years.

The IDP partnership in Vietnam also involves product from the Pactum plant at Shepparton.

It is Freedom's first contract to Vietnam and is expected involve about 4 million litres of UHT product sales during the next 12 months.

The product range will retail at a small premium to Vietnamese UHT products.

Mr Macleod said IDP wanted to make its high quality Australian milk lines more accessible to a wider Vietnamese audience and expand the range with other value-added products.

IDP wanted to build a strong portfolio of Australian dairy products for Vietnam and other export markets."

Freedom has food manufacturing plants in Taren Point in Sydney, Melbourne and Stanbridge, near Leeton in the NSW Riverina.

Farmers taste Coles milk deal … and it's a little sour

Eli Greenblat

Senior Business reporter

Melbourne

Ben Butler

Business reporter

Melbourne

Dairy farmers are divided on Coles' using a new milk brand to bankroll a fighting fund.

Farmers were divided yesterday over Coles' fighting fund for dairy farmers: some applauded the decision and others said it was a PR stunt.

As dairy farmers faced rising winter costs for feed, farming groups welcomed the supermarket giant's commitment to launch a new milk brand in Victoria and southern NSW that will pour 20c a litre back into the dairy sector.

However, some dairy farmers remain sceptical, others even angry, remembering that it was only five years ago that Coles blitzed the market with its $1-a-litre milk that sent politicians and farming groups into a rage over the affect to the farmgate price.

"The $1 milk did devalue the perception of milk and milk products, but how big an impact it had on farmgate prices is a different issue,'' said Craig Dettling, a dairy farmer with 250 cows in Victoria's Warrnambool. "But we do welcome Coles trying to do something. I'm a bit cautious … what impact it will it actually have?''

A similar program in South Australia, in which Coles created a new milk brand called SADA Fresh, has raised $200,000 a year for a local education and innovation fund for that state's dairy producers.

"Dairy Australia already has a levy for that kind of thing … is there a need to double up?'' Mr Dettling said. "There could be questions around doubling up as opposed to paying higher price for milk in the first place.''

It comes as the dairy industry faces a crisis over collapsing milk prices, influenced by overseas economic and political forces, and triggered last month when the nation's biggest milk producer Murray Goulburn, cut the price it pays to its 2600 supplier farmers. MG slashed the price it pays farmers for milk from $6.05 per kilo of milk solids to $5.47, which for many is below the cost of production.

MG's board has agreed to waive its fees and management will get no short-term bonus this year, chairman Philip Tracy said in a letter to farmers yesterday obtained by *The Australian*.

Mr Tracy apologised to farmers under "immense pressure" due to the company's milk price cut and earnings downgrade on April 27, saying it would consider paying farmers upfront under a support package announced the same day.

"The board and I are very disappointed and sorry to have placed you in this position, particularly so late in the season," he said. He asked farmers to "rally behind MG and support management" in its strategy of making value-added products such as cheese.

Victorian Farmers Federation president Peter Tuohey remembers the anger when Coles launched its $1 milk, and he hopes Coles' promises to help will help.

He said he would seek to work with Coles to help develop the structure of a proposed fighting fund, saying it should be aimed at immediate hardship and disaster support for local dairy farmers as winter approaches.

Mild improvement in dairy prices tipped

11:50 AM Monday May 16, 2016

Despite indications of a slight improvement, the big dairy themes that have dominated the season -- world overproduction and slack demand from China - are not expected to go away any time soon.

A mild improvement in dairy prices is expected at this week's GlobalDairyTrade auction - the last for the 2015-16 season - but any such gains are unlikely to have a positive bearing on Fonterra's opening forecast for the coming season, analysts said.

Farmers will be keen to put current season - which ends on May 31 - behind them as they struggled with a farmgate milk price of $3.90 a kg of milksolids -- well below the average cost of production.

Overall the big themes that have dominated the season -- world overproduction and slack demand from China - are not expected to go away any time soon.

AgriHQ dairy analyst Susan Kilsby said she expected to see a small improvement in prices at Wednesday morning's auction, which will be very light in volume terms - with just 5,500 tonne of wholemilk powder on offer, compared with 7,500 tonnes at the last auction and 12,500 tonnes at the corresponding auction last year.

Fonterra is expected to issue its forecast for 2016/7 towards the end of this month.

DairyHQ has a $4.70 a kg farmgate milk price forecast for 2016/7 which Kilsby said that may come down if this week's auction disappoints.

Analysts said there were encouraging signs that the overproduction problem was starting to correct itself.

"New Zealand production is slowing quite quickly now, because it has generally been dry around the country than is normally the case for this time of year," Kilsby said.

ANZ rural economist Con Williams said a milk price "in the mid $4s" was likely for 2016/7 if this week's auction comes up short.

New Zealand production is slowing quite quickly now, because it has generally been dry around the country than is normally the case for this time of year.

Williams said the downward revision in Australia by embattled dairy co-op Murray Goulburn and its main competition - Fonterra - was likely to lead to lower production across Tasman.

"There is more evidence that there is more farmgate pain being felt in other regions, which should help slow supply growth and help to rebalance the market in time," he said.

At the last sale early this month, the GDT Price Index dropped by 1.4 per cent from the previous event and the average price came to US$2203 a tonne.

Chicago-based commodities specialist HighGroundDairy said it expects the non-event that was the El Nino-induced dry spell would mean Fonterra's production would fall by just 2.5 to 3 per cent in the current season.

HighGround expects to see strong demand for skim milk powder at this week's auction, and for whole milk powder to have found a floor.

Fonterra, in its latest global market update, said lower milk collections were largely a result of the low milk price environment, with farmers reducing stock rates and supplementary feeding to reduce costs.

However, the Fonterra said favourable weather conditions across many dairying regions, had supported late season milk production.

For the 2015/16 season, which ends this month, production is forecast to fall to 1,558 million kg of milk solids, down 3 per cent on the previous season's, compared with earlier forecasts of a 5 to 6 per cent decline.

- NZ Herald

Cooperative societies lay claim to dairy company By Lydiah Nyawira

Updated Sun, May 15th 2016

THIS ARTICLE Controversy has rocked ownership of a giant milk company in Nyeri after members demanded share certificates. There has been confusion over the status of Kieni Dairy Products Limited (KPDL) with farmers in six co-operatives societies seeking a share of the multi-million shilling venture. Farmers thought the company was a public entity but registration documents show that on April 30 the company was converted to a private entity. According to a report exclusively seen by The Standard on Sunday, the company is at the centre of a tussle between management and cooperatives after 10 years of having sold shares to farmers but never issued them with share certificates. Nyeri County Government Agriculture Department launched investigation into KPDL and its relationship with dairy cooperatives societies after Endarasha Cooperative farmers complained of the company’s management interference in their elections last week. KPDL was created in October 16, 1995 through the assistance of Bill Gates Foundation with funds channeled

through Eastern Africa Dairy Development Project (EADDP). The company initially worked with six cooperative societies namely Endarasha Dairy, Watuka Dairy, Thuruthuru, Lamuria, Gataragwa, Mweiga and Nairutia with the most active societies in milk collection being Endarasha Dairy and Mweiga Dairy. READ MORE Pampered cattle that enjoy pedicures, massages, cool baths Moses Kiptanui's switch from track champion to star dairy farmer And due to the ongoing differences, one of the largest dairy cooperatives in Kieni Constituency decided to boycott the dairy processing company. Endarasha Cooperative Society manager Charles Kingori said they decided to take their milk to New Kenya Co-operative Creameries (KCC) after negotiations over representation of thesociety hit a snag. "There was a clear understanding between the company and the cooperatives that the chairmen of the societies are automatically board members but KDPL leadership replaced the Endarasha Dairy chairman Samuel Mutua as treasurer of Board," Mr Kingori said. He confirmed that a meeting to resolve the differences between the two had failed after KDPL officials walked out of the negotiations. "The county government attempted to help us find a solution to farmers concerns that they had no representation in the company which they bought shares from and considering farmers have no proof they own shares in the company," Kingori said. Members through their respective cooperative societies bought shares and the money raised was used to provide capital and acquire the plot where the cooler are housed. One of the farmers at Endarasha Cooperative Mwangi Thaberia explained that each farmer made a contribution of Sh 5,500 to the buy shares within the company. "We made our contributions and for those who could not afford to pay lump sums would be deducted the money from their milk sales, since we believed KPDL was our company," Thaberia noted. Farmers were comfortable with the decision because the management of KDPL comprised of Board members from the six cooperative societies.

The societies are represented by the chairmen and one other committee member of the societies. Others include the three secretary managers, one technical officer and Kenya Dairy Board. To ensure gender representation, three other Board members were included from Endarasha, Mweiga and Watuka Dairy. However, in 2011 the membership of the board was reduced to 11 who were to run the plant for one and a half years after which elections were to be held. Majority of KDPL members are from Endarasha Dairy who contributed Sh4.3million from 748 farmers. However, the farmers who bought shares through the cooperative society have no share certificates. In 2012 a disagreement between KDPL and Mweiga Dairy Cooperative Society arose after the company failed to incorporate the new Mweiga leadership into the Board after elections. Mweiga Dairy Manager Charles Wanjau confirmed that they deliver 7,000 litres of milk per day to the company and has about 2,500 members of which half are shareholders. The Society thereafter withdrew most of their milk delivery to KDPL in 2013 until their chairman was reinstated to Board. "We resolved our problems with KDPL and have been delivering our milk to the processor, however we are yet to get our share certificates for our farmers and our chairman who is now a member of the board is spearheading the initiative," Wanjau said. READ MORE Pampered cattle that enjoy pedicures, massages, cool baths Moses Kiptanui's switch from track champion to star dairy farmer He insisted that he did not want to comment on the issue because of the disagreement between KDPL and Endarasha Cooperative Society," Wanjau concluded. The dispute appeared to have been sparked by

withdrawal of milk by Endarasha Dairy which was marketing over 12,000 litres of milk per day through KDPL. “Each litre of milk delivered to KPDL was earning the company Sh2 in profits which would translate to Sh24,000 per day, the withdrawal by Endarasha Dairy was prompted by installation of a milk cooler by KCC,” The report states. Endarasha Dairy complained of lack of proper representation in KDPL based on shareholding and volumes of milk. “There has been no contractual agreement for sale of milk by Endarasha Dairy through KDPL for the six years the company has been operating. The sale was through gentleman agreement which any party could revoke depending on the benefits to members,” The taskforce confirmed. There is also no documentation of members share contribution as it appears the contribution was done through the cooperative societies. KDPL has also not held any meeting for members since inception. There were claims that KDPL was recruiting individual members to the company for milk marketing which may result in the collapse of Endarasha Dairy.