

## IFCN predicts new price cycle in 2018



The International Farm Comparison Network (IFCN) is expecting a new dairy price cycle to start in

2018, beginning with a downward dip. At its 15th annual supporter conference, 19-21 September in Lucerne, Switzerland, the IFCN presented outlooks for the future dairy markets. Since 2006, five world milk price cycles could be identified and IFCN expects a new cycle beginning early 2018.

This new cycle is estimated to start with a downward trend first, unless a strong increase in milk demand occurs. Łukasz Wyrzykowski, data analyst at IFCN, explains, "The key driver for dairy price

cycles is the delay of national milk supply reaction on world market price trends. Overall, it takes three to 12 months from a price signal on the world market to a change in milk supply growth." The IFCN presentations at the conference showed that solid and constant information is key to navigate in such a diverse dairy world.

Torsten Hemme, managing director of IFCN, adds, "We are living in a complex and fast changing dairy world. The milk price will remain volatile, but is not a fully unknown factor."

## Saudi Dairy Producer to Hold Talks With Danone Unit for Merger

National Agricultural Development Co., the Saudi dairy producer partly owned by the kingdom's sovereign wealth fund, plans to start talks with Danone SA's venture in the country for a potential combination.

Shareholders of the privately-held Al Safi Danone will own 38.75 percent of National Agricultural Development Co. at the completion of the proposed transaction, according to a statement to the Saudi stock exchange. The companies signed a six-month non-binding MoU to conduct financial, commercial and legal due diligence.

The merger plan follows banking and insurance companies in Saudi Arabia starting talks on potential combinations. HSBC Holdings Plc and Royal Bank of Scotland Group Plc's ventures in the kingdom are exploring a potential merger, while at least four insurance companies said earlier this year that they are studying plans for the same.

The food industry has also been rife with mergers and acquisitions lately. Last month, Danone bought a stake in Yooji, a French maker of frozen organic baby food. Also in September, Nestle SA bought Sweet Earth, a maker of frozen

meals and chilled, plant-based burgers, while Unilever purchased Pukka Herbs, a rapidly expanding organic tea company.

Paris-based Danone and Saudi Arabia's Al Faisaliah Group Holding formed Al Safi Danone in 2000, with the French yogurt maker holding a 50.1% stake.

National Agricultural Development shares climbed as much as 6.6 per cent in Riyadh on Sunday, taking its gain this year to 36 percent. The company has a market capitalization of about \$700 million.

## Chinese demand triples a2 Milk's profits

The fiscal year 2017 results for dairy company a2 Milk have been released for the period up to 30 June 2017. Overall, the New Zealand-based company tripled its annual net profit to €55.4 million from €18.6m through June driven by growth in demand for its infant formula in China and Australia – which generated 72% of company's total revenue.

Earnings of €86.3m more than doubled since the previous year, as revenue increased by 56% to €335.8m.

The UK market saw strong growth in fresh milk sales and brand awareness.



a2's distribution with existing and new major retailers also expanded with the company's first listing in Asda in June 2017 – total UK distribution of approximately 1,600 stores.

New product development planned for 2018 fiscal year includes the launch of a2 Platinum Stage 4 infant formula for children three years and above and an extension to the milk powder range.

The firm's focus is currently on building a broader portfolio of dairy based nutritional products including pure fresh milk to customized infant, children and adult nutrition, containing only the easy to digest a2 protein.