INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered June 22 - July 3, 2020

Prices are U.S. $/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN OVERVIEW

The seasonal decline in milk production is well underway. German dairy plants report that late June milk production has tended to remain higher than last year at this time. This is also what is being reported from France.

There have been discussions underway this week attempting to clarify whether China has informed some Western European dairy exporters that additional certification may be required to prove that products are free from COVID-19. The uncertainty seems to be whether such recent requirements imposed on exports of meat, fish, fruit and vegetables, has been expanded to dairy. Efforts are underway to survey dairy manufacturers in each individual EU country to find out whether this requirement has been imposed in that country.

Applications for Private Storage Aid (PSA) for cheese during the last reported week of the current program, June 15 – June 21, 2020, totaled 687 MT according to Eucolait. The total amount of cheese in PSA is 43,772 MT, 44 percent of the fill rate. Country allotments have maxed out for Ireland, Estonia, Italy, Sweden, Lithuania, and the United Kingdom. Belgium is 5 percent away from its allocation. Among the largest cheese manufacturers, Germany has used only 3 percent of its allocation. France has used 34 percent. Poland alone has used none of its allocation.

EASTERN OVERVIEW

Sources in Poland have been pleased with observations that milk production in late June is reported to be higher than this time last year. Dairy plant managers are especially interested in making more cheese, which is an important dairy export. There is capacity to increase cheese production.

BUTTER/BUTTEROIL

Western European butter and butteroil prices are stronger. Butter prices in Germany have strengthened more than other countries. German prices are highest, followed by France, Belgium and Netherlands among some major producers. Butter manufacturers and brokers report that many buyers expect pricing to notch up into 2021, so sales tend to be readily made when buyers are ready to act.

Packaged butter demand has been strong. Retailers have noted that store sales of butter are up. This is attributed to fewer people taking summer trips abroad this summer. Bulk butter demand is also stronger. Spot market activity is noted to be more active than is typical in early summer. Contracting for Q3 is ongoing but buyers and sellers are still talking prices in many cases.

Applications for Private Storage Aid (PSA) for butter during the last reported week of the current program, June 15 – June 21, 2020, totaled 4,765 MT according to Eucolait. The total amount of butter in PSA is 54,978 MT. The top countries with butter in PSA are Netherlands, Germany, and Ireland.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 3,575 - 3,725

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 3,925 - 4,400

SKIM MILK POWDER

Prices for skim milk powder in Western Europe are stronger. Prices are highest in Germany, followed by Belgium, France and Netherlands.

SMP production is steady. New sales come from within the European Union as well as export markets. Buyers and sellers tend to expect pricing to notch up through 2020, so sales tend to be readily made when buyers are ready to act. This year there seems to be somewhat more spot market activity. Buyers inclined to contract are said to be mostly contracted through Q3. New export interest is light.

Applications for Private Storage Aid (PSA) for SMP during the last reported week of the current program, June 15 – June 21, 2020, totaled 2,008 MT according to Eucolait. The total amount of SMP in PSA is 13,302 MT. Nearly one-half of the SMP in program storage is from Germany. Germany and Netherlands are the top two participants.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,425 - 2,575

DRY WHEY

Dry whey prices in Western Europe are higher. Customers within the EU are reported to be continuously seeking new deals in recent weeks. German prices are highest, followed by Netherlands. Manufacturers report being able to hold pricing from customers interested in discounts. Many whey buyers expect pricing to trend slightly higher into fall. There is also new contracting interest from Asia. Customers are eager to finalize deals.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 800 - 1,000

WHOLE MILK POWDER

Western European prices for whole milk powder moved higher. Demand from within the EU has been higher since mid-June. Manufacturers in the main producing countries, Germany, Netherlands, France, Belgium and Denmark, report being able to keep up with recently higher demand. German WMP manufacturers tend to produce to meet demand so production is reported to be higher. Production is currently higher than typical at this time of year in other WMP producing countries in Western Europe. Export interest is also higher and new sales are being made.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,050 - 3,175

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July 2019 – May 2020 milk production in Australia decreased 0.6 percent from the corresponding previous period, according to Dairy Australia. May 2020 milk production, 650.4 million liters, was 6.0 percent higher than May 2019. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2019 - May 2020

State	Million Liters	Percent Change From 1 Year Ago	Percentage Milkfat	Percentage Protein
New South Wales	956.6	- 4.4	4.18	3.43
Victoria	5,209.3	+ 0.4	4.51	3.55
Queensland	286.6	- 13.3	4.24	3.43
South Australia	450.0	- 2.6	4.23	3.42
Western Australia	334.3	- 3.4	4.17	3.34
Tasmania	906.8	+ 4.6	4.93	3.83
Australia (Tot	8,143.6	- 0.6	4.47*	3.54**

- +0.9 percent from prior year period
- ** +2.4 percent from prior year period
-
- Data from Dairy Australia

Recent rainfall has left pastures in good shape for the new season, except Western Australia. The season begins July 1. This has led to moderation of hay prices in many areas. Dairy producers welcome this initiation of the new dairy season.

NEW ZEALAND: May 2020 New Zealand milksolids reported by DCANZ, 91.1 million kg, are up 3.8 percent from May 2019 milksolids, 87.8 million kg. May 2020 milk production, 905 million MT, is up 4.3 percent from May 2019, 868 million MT.

A large dairy cooperative in New Zealand is developing details of a plan to pay a premium to dairy producers who deliver sustainable high-quality milk. Quality standards are still being developed but are intended to reflect water protection, riparian planting and milk quality. The concept is to pay up to 10 New Zealand cents per kg of milk solids. This is said to increasingly focus an individual dairy producer's milk pay price determination on value added to the milk pool, which already recognizes fat and protein. The cooperative said the new initiative was motivated by consumer demand for sustainability. No additional details are yet available. The payment will be funded from the total farmgate pay price, not by an increase in the announced pay price.

There are no GDT results this week. We are in a period with three weeks between events.

BUTTER/BUTTEROIL

Butter prices in Oceania are higher at the low end of the price range but steady at the top. The increased low price reflects some buyers filling last minute needs from low stocks available. The view going forward from a number of Oceania dairy sources is for butter prices remaining generally steady in coming months.

Oceania butter export markets are varied. Customers can find available butter in New Zealand. Butter production in New Zealand is near seasonal lows. Available stocks for new sale in Australia are very tight. Sources note that overall regional butter exports this year have been lighter than in the past.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 3,600 - 3,700

SKIM MILK POWDER

Skim milk powder prices in Oceania firmed at the low end of the price range but remained steady at the top. Pricing expectations into fall are for generally steady pricing.

Customers looking for Oceania SMP are looking toward New Zealand rather than Australia, where stocks are tight. Even with very light drying schedules in New Zealand and new season SMP some months ahead, at least some stocks remain available. Negotiations for later year contracts are ongoing.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,575 - 2,725

CHEESE

Cheddar pieces in Oceania are mixed. There is slight firming in low range pricing. Top of range pricing is steady. Sources believe that some recent cheddar sales for the Australian market account for the firming. Almost no cheddar is currently being made at this time of year.

Current spot market buyers are not finding many price breaks on cheddar. Some uncommitted stocks remain but with remaining uncommitted seasonal stocks being limited, sellers are not much inclined to offer price concessions. Buyers who wait too long may be out of luck in making last minute spot purchases.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 3,575 - 4,050

WHOLE MILK POWDER

Whole milk powder prices in Oceania are steady at the top of the price range but slightly higher at the low end. The low range firming is attributed to some buyers acting to secure additional WMP beyond contracted amounts. Most buyers and sellers see pricing remaining firm to higher through the next few months.

Whole milk powder is still available in New Zealand. Most plants there close the financial year at the end of July. Deals are being made with little price change. As the new season rolls out, WMP will be a priority manufactured dairy product in terms of milk allocation.

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Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder

Price Range - 26% Butterfat; $/MT: 2,750 - 2,875

Exchange rates for selected foreign currencies:
June 29, 2020

.0142 Argentina Peso	.0132 India Rupee
.6868 Australian Dollar	.0093 Japan yen
.1851 Brazil Real	.0433 Mexican Peso
.7320 Canadian Dollar	.6420 New Zealand Dollar
.0012 Chile Peso	.2523 Poland Zloty
1.1244 Euro	.0238 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0433) = 23.0947 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

In Argentina and Uruguay, farm milk production is progressively improving driven by favorable weather and cooler temperatures in the main dairy basins. In general, milk/cream volumes are enough to meet most processing needs. At a retail level, bottled milk sales, particularly UHT milk, remain strong, mainly prompted by the COVID-19 crisis. Cheese sales into the food service are slow, but steadily improving as some restaurants/pizzerias slowly reopen after been in quarantine. Most educational institutions are expected to remain closed during the upcoming winter break. Therefore, several industry stakeholders are anticipating higher manufacturing milk volumes in the upcoming weeks.

In Brazil, farm milk production is stagnant to lower as a persistent drought has been adversely affecting the main dairy states of the country. UHT milk sales to retail channels are slowing as some supermarket managers try to cut inventories. With lower imports from Argentina/Uruguay, the Brazilian domestic markets for cheese and dairy products continue in a stable to firm position, mainly due to lower competition. Some manufacturers began to indicate great concern about the increase in cases of COVID-19 in the interior of Brazil. In some dairy processing facilities, COVID-19 has caused interruption or delay of some production lines. The protocol established between the public and private sectors to mitigate the spread of coronavirus in dairy plants seeks to minimize this effect. However, the risks of COVID-19 seem to be increasing as indicated by various industry contacts.

SKIM MILK POWDER

In the Southern Cone of South America, free on board SMP export prices remained unchanged. Most balancing plant managers are focusing on WMP production, curtailing, in some cases, SMP drying schedules. Accordingly, inventories of SMP are becoming less available on a slightly firmer niche market.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,600 - 2,700

WHOLE MILK POWDER

In the Southern Cone region, whole milk powder (WMP) export prices have remained unchanged, resilient to COVID-19. The top price of the range is reflecting slow export activity to Brazil, while the bottom is mirroring moderate sales outside the Mercosur zone, mainly to Algeria. Compared to a couple of weeks ago, WMP processing has been moderately active, as more condensed whole milk is becoming available for drying in Argentina and Uruguay. WMP supplies are slowly building, but are highly committed thru Q3. In general, the demand for WMP is stable and expected to improve in the upcoming weeks.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,750 - 3,075