INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 10 - 21, 2022

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 Future reports may be included or withdrawn depending on availability of information.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

Western European contacts voice two primary wishes for 2022. First, there is a strong desire for higher milk production. Second, they wish that logistical and worker shortage obstacles in manufacturing, transportation and shipping, would fade away. This year has begun with sources citing lower milk production than this time last year in Germany and France, the two largest Western European milk producing countries. Seasonal production is trending higher, but at a lower level than in 2021.

There is a growing public debate in Ireland about how dairy cow numbers may be reduced to meet methane control goals. The debate focuses on whether reduction efforts should focus on the largest herds and spare smaller herds. So far this is at the talking phase but more and more commentary is appearing in print. How ever this resolves, there is potential for cow numbers being reduced in Ireland unless other ways are found to reduce methane.

Western European milk production January – November 2021 decreased 0.3 percent from January – November 2020 according to CLAL data made available to USDA.

Western European cheese production January – November 2021 increased 1.3 percent from January – November 2020 according to CLAL data made available to USDA.

Western European exports of cheese January – November 2021 decreased 0.2 percent from January – November 2020 according to CLAL data made available to USDA.

EASTERN EUROPE

Milk production in Poland January – November 2021 increased 0.4 percent from January – November 2020 according to CLAL data made available to USDA. Butter production for the period was -5.6 percent. Cheese recorded the greatest increase of primary dairy products, up 3.3 percent. Among the powders, WMP was +2.3 percent and SMP was -6.5 percent.

BUTTER/BUTTEROIL

The Western European butter price range is higher. So too with the butteroil price range. Twin factors are supporting higher prices. Historically in January Western European butter prices strengthened in many recent years. This year packaged butter manufacturing has lagged, pulled back by milk production volumes.

Bulk butter demand is strong in part because Q1 2022 contracting has been slow to finalize. Many buyers are now actively working to finalize deals. With this happening, sources say that Poland has stepped up attempting to place what is called an extensive order for Western European butter in the near term. All of this portends continuing price strength.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 6,500 - 6,950

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 6,400 - 8,625

SKIM MILK POWDER

Western European skim milk powder prices increased at each end of the range. This market is called stable in the unusual sense of stability – persistent scarceness of SMP. This keeps upward pressure on prices. New buyers are usually unsuccessful in closing deals.

Existing contracts are often delivered short and delayed. Demand is global as well as from within the EU. Production is mostly scheduled for the next months. Supplies are expected to remain tight for the foreseeable future.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,875 - 4,050

WHEY

Firming was evident in the Western European whey price range. This was expected by sellers and buyers considering the price strength of other dairy commodities. Dry whey markets are called very strong.

Stocks on hand are low. Contracting has left much scheduled production in coming months committed. Some buyers with unfilled needs are focusing as much on when they can get delivery as with pricing.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 1,325 - 1,500

WHOLE MILK POWDER

Whole milk powder prices in Western Europe firmed at each end of the price range. Stocks remain scarce. Demand from the food industry remains unmet. This results in continuing upward price pressure as deals close. Little spot market WMP is available.

When a new contract is signed there is often a delay for delivery because WMP production is calibrated to fill existing orders. Thus, new contracts get in line for the production time lag. This market will continue to function with strong pricing.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,800 - 5,025

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Secondary Sourced Information:

Western European butter production January – November 2021 decreased 1.9 percent from January – November 2020 according to CLAL data made available to USDA.

Western European exports of butter January – November 2021 decreased 15.2 percent from January – November 2020 according to CLAL data made available to USDA.

Western European SMP production January – November 2021 decreased 5.6 percent from January – November 2020 according to CLAL data made available to USDA.

Western European exports of SMP January – November 2021 decreased 3.9 percent from January – November 2020 according to CLAL data made available to USDA.

Western European exports of whey January – November 2021 increased 3.1 percent from January – November 2020 according to CLAL data made available to USDA.

Western European WMP production January – November 2021 decreased 3.0 percent from January – November 2020 according to CLAL data made available to USDA.

Western European exports of WMP January – November 2021 decreased 12.8 percent from January – November 2020 according to CLAL data made available to USDA.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Australian dairy producers expect good profitability this season. Some processors are offering higher farmgate milk prices as they seek additional volumes from geographically well-placed producers. Weather, especially heavy rain, continues to be problematic for decent pasture growth in some areas. Continuing milk supply tightness is expected to keep upward pressure on dairy product prices and ultimately, farmgate milk prices.

NEW ZEALAND: Many dairy market regulars in New Zealand expect the record of recent milk production undershooting year ago production to continue when December 2021 data is available. The cold and wet spring conditions that continued into November are generally thought to have been a big factor in recent lower milk output. Concerning December 2021, it is also noted that December 2020 notched very good milk production. That is another factor that will make it more difficult for December 2021 to exceed December 2020. December pasture growth was not as good as had been hoped for. Dry and hot conditions currently prevailing in New Zealand, especially the East Coast, are cited as potentially keeping a lid on January milk production.

BUTTER/BUTTEROIL

The Oceania whole milk powder price range moved higher. Pricing showed strength well into contracts for coming months. The magnitude of the increase came as a surprise to some people. Export buyers from most regions have assimilated the likelihood of continuing tight Oceania milk supplies. That led to minimal price dickering.

The Oceania butter price range is steady to higher. Strong demand is evident. Western European butter pricing is higher than in Oceania, which serves to make buyers from Oceania more price flexible to close deals. Most New Zealand butter leaves New Zealand, so it is produced for a global customer base. Reduced projections for seasonal New Zealand milk production worry butter customers. Most buyers now want to contract all anticipated needs promptly.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 5,850 - 6,200

SKIM MILK POWDER

Increases occurred in the Oceania skim milk powder price range. Strong pricing is expected to continue at least several months into the future. Not only demand strength but expected seasonally lowering SMP production are the factors driving expected price staying power.

Some observers comment that a measure of SMP price strength is that SMP prices are closer to WMP prices than is historically normal. SMP buyers are now open to purchasing globally, focusing primarily on logistics factors. Pricing between regions is not so much a factor anymore because sourcing has become so critical, and regional pricing is relatively similar.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,900 - 4,000

CHEESE

Prices in the Oceania cheddar range are higher. The highest prices are for near term delivery. Stocks on hand are extremely tight. Many buyers are scrambling to close deals. Looking ahead, tight supplies are expected to persist. Even with all of these factors, there is disagreement about how much higher prices might go. Firmness is expected. Deals are readily closed at current pricing. Less clear is whether buyers will accept much more of an increase. Time will tell.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 5,500 - 5,750

WHOLE MILK POWDER

The Oceania whole milk powder price range moved higher. Pricing showed strength well into contracts for coming months. The magnitude of the increase came as a surprise to some people. Export buyers from most regions have assimilated the likelihood of continuing tight Oceania milk supplies. That led to minimal price dickering.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,000 - 4,100

Exchange rates for selected foreign currencies:
January 17, 2022

.0096 Argentina Peso	.0135 India Rupee
.7212 Australian Dollar	.0087 Japan yen
.1813 Brazil Real	.0493 Mexican Peso
.7990 Canadian Dollar	.6796 New Zealand Dollar
.0012 Chile Peso	.2521 Poland Zloty
1.1408 Euro	.0224 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0493) = 20.2840 Mexican Pesos. Source: "Wall Street Journal"

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INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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Secondary Sourced Information:

At GDT event 300, on January 18, 2022, the butter all contracts price, $6,158, increased 5.0 percent. The February contract, $6,190, increased 4.1 percent.

Australian exports of butter January - November 2021 increased 61.1 percent from January - November 2020 according to CLAL data made available to USDA.

At GDT event 300, on January 18, 2022, the SMP all contracts price, $3,963, increased 5.0 percent. The February contract, $3,999, increased 5.6 percent.

Australian exports of SMP January - November 2021 increased 19.3 percent from January - November 2020 according to CLAL data made available to USDA.

At GDT event 300, on January 18, 2022, the cheddar all contracts price, $5,546, increased 1.1 percent. The February contract, $5,734, increased 3.2 percent.

Australian exports of cheese January - November 2021 increased 3.percent from January - November 2020 according to CLAL data made available to USDA.

At GDT event 300, on January 18, 2022, the WMP all contracts price, $4,082, increased 5.5 percent. The February contract, $4,071, increased 5.3 percent.

Australian exports of WMP January - November 2021 increased 41.7 percent from January - November 2020 according to CLAL data made available to USDA.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Contacts in South America report facing a growing amount of concerns over staffing, feed costs, milk prices, and packaging supplies. Some reports relay milk output is expected to grow if only slightly through Q1. Powder producers report slim availability is leading to increasing costs in some areas, while others report a potential stockpiling of powders as cheese production has slowed. Still, as powders and milkfat values increase across the global community, despite the apparent obstacles, there is some cause for bullish sentiment. Acid casein and whole milk powder producers, specifically, are reporting Q1 tightness and bullish price movements.

SKIM MILK POWDER

Skim milk powder (SMP) prices shifted higher after weeks of quiet/steady pricing. Global demand, despite the growing amount of logistical hurdles, is maintaining some momentum. Some of Argentina's producers report little to no off-contract availability through February. As Oceania's milk availability outlook is cloudy, some suggest this is bullish for South America's dairy processors. Still, with domestic and continental demand on shaky grounds, the overall outlook remains uncertain.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder

Price Range - 1.25% Butterfat; $/MT: 3,250 - 3,600

WHOLE MILK POWDER

Whole milk powder (WMP) prices, in South America, have picked up. Contacts say Q1 availability is generally spoken for, despite regularly reported uncertainties regarding exporting/shipping. Still, prices are moving in a northerly direction as global milkfat, particularly in the Oceania region, is reportedly in tight supply. In Brazil, the same global concerns felt around the world are keeping import numbers in check. There are some concerns over growing WMP stocks in parts of the continent. Market tones are uncertain moving forward in 2022.

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

Price Range - 26% Butterfat; $/MT: 3,600 - 3,750

Secondary Sourced Information:

At the GDT Event 300, skim milk powder (SMP) prices across all contract periods averaged $3,963 per metric ton, up five percent from the last event.

At the GDT Event 300 on January 18, whole milk powder (WMP) prices across all contract periods averaged $4,082, per metric ton, up 5.6 percent from the last event.