INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered March 2 - 13, 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 Future reports may be included or withdrawn depending on availability of information.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

There are widespread good feelings within the Western European dairy industry that 2020 has begun on a good basis. Spring is present in many Western European dairy countries. Temperatures are seasonally moderate. Production is moving upward toward the seasonal peak in April – May.

2019 milk production increases were not as strong as had been projected early in 2019. Nevertheless, there was a 0.4 percent increase, according to Eurostat. The increase occurred even with 2019 decreases in some of the primary milk producing countries. German milk production was -0.1 percent, France recorded -0.2 percent, Netherlands recorded -0.7 percent, and Italy finished 2019 with -0.2 percent. Ireland was a strong Western European producer with +5.3 percent for 2019. The agglomeration of smaller Western European milk producing countries and some Eastern European milk producing countries overcame the negative results in the biggest producers to yield the overall positive outcome for the EU.

The impact of coronavirus in Western Europe is still more anecdotal than quantified. Many comments are heard that dairy powders and whey are moving into export markets more slowly. This week, Italy increased quarantined areas from the region near Milan, to include the whole country. Until this increase, few disruptions had been reported about German milk moving to Italian cheese factories, or in cheese leaving factories. The new restrictions in Italy limit people's movement, close most schools, prevent many public events, and close restaurants at 6:00PM. With the new countrywide quarantine, it remains to be seen how that may affect dairy processing and sales. It is difficult to assess the magnitude of diminished economic activity. Some bankers have cautioned that lenders will likely be more cautious in extending new credit due to the uncertainty of how things will resolve.

The process which results in prevailing retail fluid milk prices throughout Germany is being adjusted. Dairy producers are nervous that a move to lower retail fluid milk process may move back to farms with lower milk pay prices. This may occur in part due to increasing milk production in Germany.

EU cheese production during 2019 increased 0.1 percent according to Eurostat. Cheese exports from the EU for 2019, 879,704 MT, increased 6 percent. Changes for the top export destinations include the United States, 139,101 MT, +4 percent; Japan, 114,133 MT, +7 percent; and Switzerland, 62,542 MT, +1 percent. German retailers report increases in sales of sliced cheese, believed to be a result of consumers buying ahead as a result of coronavirus concerns. Exports have been flowing normally, even to Italy so far. However, tightness of shipping containers has made exporting more expensive.

EASTERN OVERVIEW

Poland, the leading Eastern European milk producer, recorded a 1.9 percent increase in milk production during 2019, according to Eurostat. Other Eastern European countries reporting 2019 increases in milk production are Cyprus, Hungary, Estonia, Greece, Bulgaria, Romania, and Latvia.

BUTTER/BUTTEROIL

Butter prices in Western Europe are steady to higher, partly due to the exchange rate between the dollar and euro. Butteroil prices are mixed, lower at the bottom of the price range but higher at the top. Germany continues to report the highest butter prices. Belgium, France and Netherlands follow at lower levels.

Sources report that demand for packaged butter in Germany and other large Western European countries has increased sharply since the end of February. Partly this is attributed to consumer stocking following news about coronavirus. Some German supermarkets have empty butter spaces in coolers. Butter producers are working to keep up. The season when customers typically increase buying for spring religious holidays is approaching. It is unclear whether consumers will be able to carry current buying forward, or whether the normal spring purchase demand is still ahead. Typically, the production season peaks in May.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 3,775 - 4,100

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 4,725 - 5,225

Secondary Sourced Information:

Butter production in the EU increased 1.0 percent during 2019, according to Eurostat.

Butter exports from the EU for 2019, 180,197 MT, increased 41 percent. Changes for the top export destinations include the United States, 33,860 MT, +21 percent; United Arab Emirates, 10,948 MT, +154 percent; and China, 10,841 MT, +38 percent.

SKIM MILK POWDER

Western European skim milk powder prices are mixed. Lower range prices are weaker while top range prices are steady. German and French prices have vied as the highest price between the two weeks of this reporting period. Prices in Netherlands are lower.

SMP markets in Western Europe have become quieter in recent weeks. Shipments have slowed to China and some other countries dealing with coronavirus. New contracting from some countries has also slowed. There is uncertainty whether the slower pacing of exports will be recouped in the future, or whether there will be a hit on total 2020 exports. However, many regular export customers in other countries continue to make new deals and accept deliveries. During March, Western European SMP production is seasonally increasing. Typically, the production season peaks in May.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,675 - 2,850

Secondary Sourced Information:

SMP production in the EU decreased 0.3 percent during 2019, according to Eurostat.

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SMP exports from the EU for 2019, 962,359 MT, increased 18 percent. Changes for the top export destinations include China, 126,298 MT, +38 percent; Algeria, 100,718 MT, -30 percent; and Indonesia, 71,136 MT, +27 percent.

DRY WHEY

Dry whey prices in Western Europe are steady to slightly higher. Overall demand for dry whey is calmer. Many buyers accumulated stocks or finalized contracts in recent weeks. That has resulted in less present buying activity. However, available stocks are being moved to buyers.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 800 - 1,050

Secondary Sourced Information:

Combined whey production during 2019 decreased 0.8 percent in the primary producing countries Germany, France and Austria, according to ZMB. Individual results include France, -3.3 percent; Germany, -1.8 percent; and Austria, +66.5 percent.

EU whey exports January – December 2019, 701,000 MT, increased 1.1 percent from January – December 2018, according to CLAL data made available to USDA.

WHOLE MILK POWDER

Whole milk powder prices in Western Europe are slightly higher. The exchange rate between the dollar and euro is a factor in the dollar-based price increase.

During March, Western European WMP production is seasonally increasing. Typically, the production season peaks in May. The development of slightly increased production, but lower exports during 2019, has left Western Europe with a bit more WMP than during 2019. Domestic consumption has been continuous and is up somewhat, helping with the overall balance. Nevertheless, this trend is causing some manufacturers to consider shifting some milk from WMP to other products during 2020.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,275 - 3,400

Secondary Sourced Information:

WMP production in the EU increased 1.0 percent during 2019, according to Eurostat.

WMP exports from the EU for 2019, 297,429 MT, decreased 11 percent. Changes for the top export destinations include Oman, 40,531 MT, -16 percent; Algeria, 21,730 MT, -18 percent; and Nigeria, 18,776 MT, +18 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July 2019 – January 2020 milk production in Australia decreased 3.7 percent from the corresponding previous period, according to Dairy Australia. January 2020 milk production, 731.2 million litres, was 0.5 percent higher than January 2019. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

	July 2019 - January 2020		January 2020	
State	Million Liters	Percent Change From 1 Year Ago	Percentage Milkfat	Protein
New South Wales	637.4	- 6.7	3.98	3.22
Victoria	3,688.5	- 2.8	4.28	3.40
Queensland	194.1	-14.2	3.93	3.25
South Australia	278.7	- 9.9	3.91	3.25
Western Australia	219.4	- 4.1	3.93	3.19
Tasmania	592.4	+ 1.7	4.28	3.50
Australia (Total)	5,610.6	- 3.7	4.20*	3.37**

- +1.4 percent from prior year period
- ** +3.9 percent from prior year period

Data from Dairy Australia

NEW ZEALAND: January 2020 New Zealand milk production reported by DCANZ was 2,454 million MT, down 0.7 percent from January 2019 milk production, 2,471 million MT. January 2020 milk solids, 211,377 million kg, are up 1.1 percent from January 2019, 209,036 million kg. This season to date, June 2019 – January 2020, milk production decreased 0.5 percent from the corresponding year earlier period according to Eucolait. Milk solids increased 0.5 percent.

Drought continues to be a problem for dairy producers. There was some rain last week, but not enough. Experts believe multiple rain events over many days will be required to end the drought. The Agriculture Minister of New Zealand has now expanded drought classifications to more regions. This will lead to government assistance in affected areas. Meanwhile, milk production is being adversely affected.

BUTTER/BUTTEROIL

Butter prices in Oceania are higher. Export buyers are continuing to contract for additional deliveries. Most butter exports go to countries other than China. Thus, the impact of coronavirus, which has slowed exports of some dairy powders has not similarly slowed butter. Butter production in Oceania has seasonally slowed. This also is a factor putting upward pressure on prices. Finally, manufacturers are juggling filling orders against building inventories for the slowest time of the season in a few months.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,075 - 4,350

Australian exports of butter July 2019 – January 2020, 4,589 MT, compared with July 2018 – January 2019, decreased 34.3 percent according to Dairy Australia.

Butter exports from New Zealand during January 2020, 27,159 MT, decreased 3.3 percent from January 2019, according to Eucolait. During 2019, China, the largest export customer, accounted for 22.5 percent of butter exports from New Zealand.

At GDT event 255 on March 3, the butter all contracts price, $4,131, increased 1.0 percent. The April contract, $4,350, increased 6.7 percent.

SKIM MILK POWDER

Skim milk powder prices in Oceania are lower. Demand has dropped quite a bit for deliveries currently and into April. This is a significant factor pulling overall pricing lower. Weaker demand from north Asia, including China, are regularly cited factors. Coronavirus continues to slow SMP demand for all the so often mentioned reasons. Because New Zealand has developed export patterns with China as a large and significant export customer, when China slows buying or accepting deliveries, it leads to a backup in stocks.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,725 - 2,850

Secondary Sourced Information:

Australian exports of SMP July 2019 – January 2020, 56,582 MT, compared with July 2018 – January 2019, decreased 40.9 percent according to Dairy Australia.

SMP exports from New Zealand during January 2020, 42,279 MT, decreased 8.8 percent from January 2019, according to Eucolait. During 2019, China, the largest export customer, accounted for 35.3 percent of SMP exports from New Zealand.

At GDT event 255 on March 3, the SMP all contracts price, $2,747, decreased 3.2 percent. The April contract, $2,764, decreased 14.3 percent.

CHEESE

Cheddar prices in Oceania are lower. Most regular buyers are currently well stocked and contracted for coming months. Slowed north Asian buying related to coronavirus is not believed to be much of a factor in this market. Cheddar production is simply a bit ahead of current demand.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,250 - 4,300

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Secondary Sourced Information:

Australian exports of cheddar July 2019 – January 2020, 22,388 MT, compared with July 2018 – January 2019, decreased 29.1 percent according to Dairy Australia. Australian exports of other cheese during January 2020, 68,342 MT, increased 5.0 percent.

Cheese exports from New Zealand during January 2020, 33,452 MT, increased 22.3 percent from January 2019, according to Eucolait. During 2019, China, the largest export customer, accounted for 21.4 percent of cheese exports from New Zealand.

At GDT event 255 on March 3, the cheddar all contracts price, $4,285, decreased 4.7 percent. The April contract did not trade.

WHOLE MILK POWDER

Oceania whole milk powder prices are lower. This is part of the larger trend of weakness in dairy powder prices in Oceania, related to weaker near-term export demand. WMP is the most significant dairy product export from the region and China is the largest established customer for WMP from New Zealand. The slowing in buying from China has a big price impact. Coronavirus is driving the slower exports. As has been often discussed, lower consumption, manufacturing, ability to move product through ports, etc. all are factors. Of some concern is whether the slowed exports will be readily moved along whenever life becomes more normal? Or will some of the unshipped product just not be exported in volumes to the expected destinations? Because Oceania is moving into a low production time of the milk season, the impact may be mitigated to some extent.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,925 - 2,975

Secondary Sourced Information:

Australian exports of WMP July 2019 – January 2020, 29,572 MT, compared with July 2018 – January 2019, increased 0.6 percent according to Dairy Australia.

WMP exports from New Zealand during January 2020, 144,228 MT, decreased 16.2 percent from January 2019, according to Eucolait. During 2019, China, the largest export customer, accounted for 41 percent of WMP exports from New Zealand.

At GDT event 255 on March 3, the WMP all contracts price, $2,952, decreased 0.5 percent. The April contract, $2,948, decreased 0.6 percent.

Exchange rates for selected foreign currencies: March 10, 2020

.0160 Argentina Peso	.0135 India Rupee
.6504 Australian Dollar	.0095 Japan yen
.2155 Brazil Real	.0480 Mexican Peso
.7285 Canadian Dollar	.6271 New Zealand Dollar
.0012 Chile Peso	.2617 Poland Zloty
1.1283 Euro	.0240 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0480) = 20.8333 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

The last two weeks have been mostly dry and warm in most states of Brazil, Argentina and Uruguay. Sunny skies promoted the growth of second-crop corn in southern Brazil and improved the development of summer grains in Argentina. Pasture quality is reported as fair/good in the main continental dairy basins and concentrate supplies remain readily available at inexpensive values. With enough feed and mild weather, farm milk yields continue improving across Brazil and the Southern Cone region. In this way, apart from Brazil, raw milk intakes are abundant to meet manufacturing needs within the regional dairy industry. Fluid/UHT milk demands from schools, grocery stores, and restaurants are steady to improving. The cream market is still in a firm position as supplies remain below adequate to meet all the needs of buyers/end users. However, cream volumes are anticipated to increase again throughout the fall season. Due to the coronavirus outbreak, overseas exports of dairy products outside the Mercosur bloc have been limited.

SKIM MILK POWDER

In the main ports of the South American Southern Cone region, free on board (f.o.b.) export prices adjusted lower, in line with recent downtick SMP price trends at some offshore auctions. The making of skim milk powder (SMP) has been more proactive as regional farm milk production increases. With fewer SMP requests, mainly from Brazil, due to the coronavirus, most Argentinian and Uruguayan manufacturers have had to lower their prices to be more attractive to buyers. In some cases, SMP stocks continue building, while in other cases SMP inventories are reported as stable.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,650 - 2,850

Secondary Sourced Information:

At the GDT Event 255 on March 3, skim milk powder (SMP) prices across all contract periods averaged $2,747 per metric ton, down 3.2 percent from the last event.

WHOLE MILK POWDER

The uncertainty fashioned by the coronavirus continues pushing down international and regional prices for whole milk powder (WMP). During the past two weeks, free on board (f.o.b.) export behaved steady to lower in the Southern Cone region of South America. Several WMP orders from Brazilian buyers were either held or cut. Meanwhile, large volumes of condensed whole milk are still clearing into dryers, while inventories continue slowly growing.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,900 - 3,000

Secondary Sourced Information:

At the GDT Event 255 on March 3, whole milk powder (WMP) prices across all contract periods averaged $2,952 per metric ton, down 0.5 percent from the last event.