

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 25 - February 5, 2021

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 Future reports may be included or withdrawn depending on availability of information.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

While awaiting official 2020 milk production data, Western European sources report that early 2021 seasonal increases are believed to be slower than in early 2020. German sources say current production has stagnated, using that term to reflect lower YOY milk production. French sources say YOY milk production there is a lower percentage than in Germany. Fewer cows is a factor. Lower quality available feed is another factor. In both of these top milk producing countries though, it is emphasized that because it is so early in the year they fully expect to pull ahead and end with another year of increased milk production with nearly eleven months to go.

The slow start to 2021 in terms of milk production has slowed cheese production. Most plants in Germany, for example, have unused capacity. Plant managers would increase production schedules if they could get more milk. Most extra milk is now going into butter and SMP. This is leading to firmer cheese prices for customers seeking near term delivery.

EASTERN EUROPE

Milk production in Poland during 2020 increased 2.3 percent from 2019 according to CLAL data made available to USDA. Other manufactured dairy product results include butter, +8.3 percent; SMP, +5.3 percent; and WMP, -10.7 percent.

BUTTER/BUTTEROIL

The price range for Western European butter firmed. Butteroil's price range contracted with mixed price movement. Contracting has been described as brisk. Many market buyers and sellers expect pricing to continue an upward trend for some months. This is leading to more interest in closing deals. Fewer numbers of buyers see any good price outcome to waiting. The stronger buying pace comes from export customers as well as within the EU. Significantly higher butter prices in Oceania are leading to some buyers who usually source from Oceania looking toward Western Europe. The potential increased buying demand is among the factors that many market participants expect will push Western European butter prices higher.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,025 - 4,300

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 4,725 - 4,900

SKIM MILK POWDER

In Western Europe the skim milk powder price range moved higher. A vortex of events is contributing to firming prices. Demand is stronger. Some manufacturers believe COVID-19 driven uncertainty had restrained some buyers from purchasing as far ahead as they historically have done. Now those buyers are closing deals to get

SMP they need. Milk intakes to dryers are lower than expected. This has limited the supply of SMP. With increased buying interest and crimped output volumes, even contracted loads are slower to be delivered. Another whammy to SMP markets in Western Europe is a tight availability of shipping containers for exports to Asia. That all gives sellers a firm position for dealing with buying inquiries.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,750 - 2,900

WHEY

Whey prices are firming. Just as with cheese, manufacturers are not able to make as much as customers would like. This supply limitation leads to price strength. Food manufacturers using whey are eager to secure supplies. Whey concentrate supplies are also tight, so sellers are in a good position to hold out for the pricing they want. However, a wild card is that seasonal milk production is increasing in Western Europe. If cheese makers are able to get more milk and increase production, this could lead to more dry whey and become reflected in pricing in the spring. Few buyers seeking whey now are adequately confident in that possibility to hold back, so they tend to sign deals now at current pricing.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,075 - 1,150

WHOLE MILK POWDER

The Western European whole milk powder price range is higher. Sources believe that current price strength in SMP and butter markets has benefitted WMP pricing. Certainly, the underlying factor of lower than desired milk intakes to dryers making WMP is a factor. The small price differential between Europe and New Zealand has led some importers close to Europe to view slightly higher European prices as a de minimis factor weighed against obtaining quicker delivery. More inquiries are coming from such buyers. That, too, is adding to demand and helping sustain pricing.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,400 - 3,575

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Milk production keeps moving lower seasonally. Concerns with hot and dry conditions persists. Worrisome weather extremes forecast for next week have many dairy producers on alert. Recent fires caused by extreme heat and dryness have been concerns. But expected extremely heavy rain and possible cyclones in some areas will pose other concerns. This may reduce fire danger. Yet extremely heavy and prolonged rain interspersed with gale force winds pose other problems. The next week is apprehensively awaited.

NEW ZEALAND: December 2020 New Zealand milksolids reported by DCANZ and CLAL, 231.027 million kg, are up 1.02 percent from December 2019 milksolids, 228.700 million kg., according to Dcanz and CLAL data made available to USDA. December 2020 milk production, 2.741 million MT, is up 0.70 percent from December 2019, 2.722 million MT. Seasonal milksolids (June - December 2020) are up 1.02 percent. Total seasonal milk production through December leads last season by 0.7 percent. Annual 2020 milk production, 21.871 million MT increased 0.4 percent from annual 2019 milk production.

Increasingly dry conditions are impacting dairy pastures on the North Island. However, dry conditions last year led to many dairy producers having accumulated added feed stocks as a buffer. That will help mitigate impacts for awhile. But water supplies are tighter and more fire warnings have been issued. Rain would be very welcome.

BUTTER/BUTTEROIL

The Oceania butter price range moved up. Regional butter price increases, even with a price range well higher than for Western European butter, speaks to the challenge in producing enough butter to satisfy customers. Most dairy sources in New Zealand attribute strong butter buying to China. Australian exports have slowed, in substantial part due to the exigencies of domestic demand. Some export deals are made with a premium to induce exporters to commit. Seasonally declining regional milk intakes leave buyers disinclined to adopt a wait and see approach to butter buying. Buyers are closing deals to lock in supplies. Contracted volumes are being readily taken.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,775 - 5,050

Secondary Sourced Information:

At GDT event 276 on January 19, 2021, the butter all contracts price, \$4,735, increased 4.6 percent. The February contract, \$4,821, increased 6.7 percent.

Butter exports from Australia January - November 2020, 14,000 MT, decreased 12.2 percent from January - November 2019, according to CLAL data made available to USDA. The main export destinations January - November 2020, quantities, and percent change YTD, were China, 3,044 MT, +90.25 percent; Thailand, 2,069 MT, -39.22 percent; and United States, 1,237 MT, -42.69 percent.

SKIM MILK POWDER

The Oceania skim milk powder price range sagged this reporting period. New Zealand sources cite a trifecta of factors which many buyers have focused on. First, production has increased. Second, export interest is weaker. The result is increasing inventories. Third, the price premium of Oceania pricing over Western European pricing has led to some buyers to shift their focus to Western Europe. This further pads inventories. Nevertheless, some manufacturers hope the price dip might be viewed as a buying opportunity by some export customers capable of placing large orders, which could change the SMP dynamics quickly. For now, buyers have the upper hand.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,100 - 3,250

Secondary Sourced Information:

At GDT event 277 on February 2, 2021, the SMP all contracts price, \$3,198, decreased 1.5 percent. The March contract, \$3,249, decreased 3.8 percent.

New Zealand calendar year 2020 SMP production, 400,000 MT, increased 6.7 percent from calendar year 2019, according to CLAL data made available to USDA.

New Zealand calendar year 2020 SMP exports, 356,330 MT, decreased 4.4 percent from calendar year 2019, according to Euclait. The main export destinations January - November 2020, (the most recent Euclait data), quantities, and percent of the total, were China, 102,833 MT, 32.5 percent; Indonesia, 31,538 MT, 10.0 percent; and Thailand, 22,675 MT, 7.2 percent.

CHEESE

Oceania cheese notched increases at each end of the price range. Some observers were surprised by the degree of upward spring in prices. Last week there was a feeling that cheese was a bit sleepy and stable. Manufacturers had slowed production schedules. This week renewed export buying interest developed and moved pricing higher. Stocks are in generally good shape but the jolt of interest helped sellers notch higher pricing to close deals.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,125 - 4,250

Secondary Sourced Information:

At GDT event 277 on February 2, 2021, the cheddar all contracts price, \$4,178, increased 2.3 percent. The March contract, \$4,239, increased 4.2 percent.

New Zealand calendar year 2020 cheese production, 350,000 MT, decreased 4.1 percent from calendar year 2019, according to CLAL data made available to USDA.

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New Zealand calendar year 2020 cheese exports, 326,903 MT, decreased 2.4 percent from calendar year 2019, according to Eurolait. The main export destinations January - November 2020, (the most recent Eurolait data), quantities, and percent of the total, were China, 63,046 MT, 21.8 percent; Japan, 56,483 MT, 19.6 percent; and Australia, 38,098 MT, 13.2 percent.

WHOLE MILK POWDER

The Oceania whole milk powder price range is mixed, with higher top end prices. Price strength during this week moved the range higher. Pricing early last week weighed on the lower end of the bi-weekly price range.

Export volumes during 2020 were nearly steady. China was the primary export destination. This year begins with very good export contracting with China, as well as elsewhere. Current price strength is partly ascribed to strong current demand. A developing influence is concern with dry conditions, especially on the North Island in dairy areas, which has increased focus on whether this will push back on milk production and ultimately, WMP production.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,300 - 3,475

Secondary Sourced Information:

At GDT event 277 on February 2, 2021, the WMP all contracts price, \$3,458, increased 2.3 percent. The March contract, \$3,449, increased 2.3 percent.

New Zealand calendar year 2020 WMP production, 1,500,000 MT, increased 0.7 percent from calendar year 2019, according to CLAL data made available to USDA.

New Zealand calendar year 2020 WMP exports, 1,532,756 MT, decreased 0.2 percent from calendar year 2019, according to Eurolait. The main export destinations January - November 2020, (the most recent Eurolait data), quantities, and percent of the total, were China, 551,416 MT, 41 percent; United Arab Emirates, 79,517 MT, 5.9 percent; and Sri Lanka, 76,516 MT, 5.7 percent.

**Exchange rates for selected foreign currencies:
February 1, 2021**

.0114 Argentina Peso	.0137 India Rupee
.7622 Australian Dollar	.0095 Japan yen
.1841 Brazil Real	.0491 Mexican Peso
.7779 Canadian Dollar	.7158 New Zealand Dollar
.0014 Chile Peso	.2674 Poland Zloty
1.2061 Euro	.0236 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0491) = 20.3666$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

In the main dairy basins and agricultural zones of Brazil, Argentina, Paraguay, and Uruguay, weather conditions have been around the 70s to 80s. Higher summer temps and humidity have been uncomfortable for dairy herds currently. Moderate rainfalls continue to aid soil moisture for corn and soybean growth. Milk production is down. Operations are receiving lower milk volumes. There are reports raw milk has been traveling to all immediate locations on time. Some dairy farm operators are decreasing the number of cattle moving into slaughter. Butterfat interests are firm in the cream-based dairy markets, especially from ice cream/frozen dessert manufacturers. Educational institutions continue to be closed. Demands for milk and dairy products are healthy.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. spot prices are higher in the Southern Cone of South America. Trading activities within and outside the Mercosur bloc are mixed. There are buyers purchasing loads for their immediate needs. However, some buyers are not purchasing on various spot markets due to the current price increases. Although on other market exchanges, prices are currently lower. Market participants relay buyers' demands are slightly outweighing manufacturers' available supplies. SMP production schedules are decreased, as balancing operations are scheduling the majority of drying time to whole milk powder production. The SMP market holds a stable tone at this time.

Prices for: South America, All First Sales, Free on Board - Port,
Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,200 - 3,475

Secondary Sourced Information:

At the GDT Event 277 on February 2, skim milk powder (SMP) prices across all contract periods averaged \$3,198 per metric ton, down 1.5 percent from the last event.

WHOLE MILK POWDER

In the Southern Cone of South America, free on board export prices for whole milk powder (WMP) shifted higher on moderate to light trading. On various market exchanges, a few buyers are purchasing loads at higher prices. However, trading activities are seasonally slower for several buyers. In general, current price points are mirroring bullish price trends of the regional butterfat market and the global protein markets. WMP production is decreased at this time in the year. On the farms, milk output is lower. WMP requests within and outside the Mercosur bloc are reportedly lighter.

Prices for: South America, All First Sales, Free on Board - Port,
Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,450 - 3,650

Secondary Sourced Information:

At the GDT Event 277 on February 2, whole milk powder (WMP) prices across all contract periods averaged \$3,458 per metric ton, up 2.3 percent from the last event.