

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered February 7 - 18, 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 Future reports may be included or withdrawn depending on availability of information.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

German and French milk production is increasing seasonally but is persistently lower than last year. This has fed into an unexpected increase in prices for milk, skimmed milk concentrate and industrial cream due to tight supplies.

EU trade issues were topics this week at a meeting in France of EU member state trade and foreign affairs ministers. Some member states feel that the overall EU approach to trade is too defensive, which is believed to have slowed progress in finalizing some deals such as Mexico and Mercosur. The meeting was the beginning of a process so further discussions will be held.

EASTERN EUROPE

There has been concern voiced within the Polish dairy industry about the European Union's Farm to Fork strategy as it may affect Poland dairy producers. An analysis presented by a large Poland dairy industry organization concluded that the strategy would bring high implementation costs for dairy producers in Poland. This is believed to be likely to lead to reducing Polish competitiveness in global markets as well as increasing dairy prices for consumers.

BUTTER/BUTTEROIL

The butter price range in Western Europe followed most every other dairy product higher. Butteroil is steady to higher. Western European butter pricing is higher than in Oceania. Some buyers are uneasy to contract too far ahead. They are hoping for some price easing. Sellers feel that is possible because many regular buyers have stocks on hand a bit ahead of needs. For the coming weeks, no significant deviation from current pricing is expected.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 6,650 - 7,275

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 6,500 - 8,850

SKIM MILK POWDER

The Western European skim milk powder price range firmed. Tight supplies of SMP are driving prices higher. The tight SMP supplies relate back to less milk being available to dry. Sources note the irony that only a few years ago there was so much more SMP than market buyers wanted, that the Intervention Program was dusted off to remove SMP from the market for a while. For now, expect continuing price strength.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 4,100 - 4,325

WHEY

The dry whey price range in Western Europe is higher. Whey availability is very tight. Most buyers see little upside in holding back when their stocks run lower. In fact, some who waited too long are having difficulty getting timely deliveries. Supply tightness is expected to persist.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,475 - 1,625

WHOLE MILK POWDER

Western European whole milk powder prices are higher at each end of the range. Pricing is distinctly higher than in Oceania, which is very unusual. But 2021 and 2022, so far, have been unusual years in many ways. Sources attribute the price strength to tighter milk supplies than had been expected, or even hoped for. Little relief is expected in the coming weeks. WMP will remain a seller's market.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 5,150 - 5,525

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Australia continues to ship higher volumes of bulk and packaged milk to export customers. China was the largest customer during 2021, buying nearly four times as much as number two, Singapore. Drought conditions are reported to be easing in Australia. This has led to mixed feelings among some dairy producers. Easing drought is always welcome. Yet a major supermarket chain in Australia is ceasing a levy payment now made to producers through processors, citing increasing milk pay prices attributed to easing drought conditions as justification.

NEW ZEALAND: New Zealand exports of bulk and packaged milk increased significantly during 2021. China was the largest destination, buying about sixteen times more than number two, Philippines. A large dairy organization says there is a shortage of 4,000-6,000 dairy workers in New Zealand. Efforts continue to bring in workers from abroad. Weather is improving in some areas, but workers are still needed to be able to maximize potential milk production.

BUTTER/BUTTEROIL

As with most Oceania dairy products, the butter price range strengthened. Sellers had more butter to sell but buyers from many global regions came with big orders. Buying interest kept snapping up what was available. Continuing strength is expected in coming weeks. During 2021, China was the largest butter export customer for both New Zealand and Australia. New Zealand butter production declined.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 6,375 - 6,725

SKIM MILK POWDER

Oceania SMP pricing moved the range higher. The increase was robust. Partly this was attributed to lower availability of SMP. The current strong prices are expected to remain, yet buyers are uncertain if there be much more of an increase. This may temper efforts by sellers to hold out for more. China was the largest destination for Oceania exports during 2021.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 4,050 - 4,400

CHEESE

Oceania cheddar prices pushed higher at each end of the price range. Volumes available were a bit lower than recent weeks. Buyers from North Asia and the Middle East were especially active. During 2021, China was the largest export customer for New Zealand cheese. Australia sold the most to Japan, with China being number two.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 5,500 - 5,925

WHOLE MILK POWDER

The Oceania whole milk powder price range strengthened. Some dairy analysts have called the price increase massive. There seems to be good buyer support for pricing because current levels are sustained for coming months as contracts are finalized.

Tight supplies are a big factor driving WMP prices. Two components underlie the tightness, including, of course, lower than hoped for milk production. Additionally, export demand is quite persistent. It is noted that North and Southern Asian buyers seem motivated to close sales, with little price pull back. This is expected to continue. The feeling is that WMP pricing may well continue to increase in coming weeks. Because WMP prices are a big factor in New Zealand milk pay prices, dairy producers are hopeful for continuing increases in seasonal price forecasts.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 4,100 - 4,550

Exchange rates for selected foreign currencies:
February 14, 2022

.0094 Argentina Peso	.0132 India Rupee
.7126 Australian Dollar	.0087 Japan yen
.1917 Brazil Real	.0490 Mexican Peso
.7856 Canadian Dollar	.6617 New Zealand Dollar
.0012 Chile Peso	.2486 Poland Zloty
1.1307 Euro	.0232 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0490) = 20.4082$ Mexican Pesos. Source: "Wall Street Journal"

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Secondary Sourced Information:

Australian exports of bulk and packaged milk January - December 2021, 338,000 MT, increased 33.6 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 194,962 MT, +83.89 percent; Singapore, 49,912 MT, +9.43 percent; and Malaysia, 20,321 MT, -12.26 percent.

New Zealand exports of bulk and packaged milk January - December 2021, 271,000 MT, increased 11.6 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 206,678 MT, +18.96 percent; Philippines, 16,686 MT, -24.92 percent; and Taiwan, 12,444 MT, +29.59 percent.

At GDT event 302, on February 15, 2022, the butter all contracts price, \$6,686, increased 5.1 percent. The March contract, \$6,715, increased 4.8 percent.

New Zealand butter production January - December 2021, 470,000 MT, decreased 6.0 percent from January - December 2020 according to CLAL data made available to USDA.

New Zealand exports of butter January - December 2021, 398,000 MT, decreased 6.5 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 102,851 MT, +13.61 percent; Australia, 29,436 MT, -14.91 percent; and Philippines, 23,656 MT, -11.98 percent.

Australian exports of butter January - December 2021, 25,000 MT, increased 55.6 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 5,684 MT, +78.67 percent; South Korea, 3,318 MT, +1.35 percent; and Thailand, 2,150 MT, -7.38 percent.

At GDT event 302, on February 15, 2022, the SMP all contracts price, \$4,295, increased 6.0 percent. The March contract, \$4,349, increased 7.8 percent.

New Zealand SMP production January - December 2021, 330,000 MT, decreased 8.8 percent from January - December 2020 according to CLAL data made available to USDA.

New Zealand exports of SMP January - December 2021, 326,000 MT, decreased 8.5 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 138,154 MT, +8.13 percent; Indonesia, 29,697 MT, -12.39 percent; and Malaysia, 21,890 MT, -8.69 percent.

Australian exports of SMP January - December 2021, 157,000 MT, increased 22.2 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations,

volumes, and percent change from January - December 2020 to January - December 2021 are: China, 74,810 MT, +60.01 percent; Indonesia, 28,008 MT, -0.36 percent; and Thailand, 7,360 MT, +1.66 percent.

At GDT event 302, on February 15, 2022, the cheddar all contracts price, \$5,881, increased 3.5 percent. The March contract, \$5,917, increased 3.6 percent.

New Zealand cheese production January - December 2021, 390,000 MT, increased 11.4 percent from January - December 2020 according to CLAL data made available to USDA.

New Zealand exports of cheese January - December 2021, 359,000 MT, increased 9.6 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: China, 90,100 MT, +19.93 percent; Japan, 59,942 MT, -3.91 percent; and Australia, 41,052 MT, -4.05 percent.

Australian exports of cheese January - December 2021, 159,000 MT, increased 3.8 percent from January - December 2020 according to CLAL data made available to USDA. The top export destinations, volumes, and percent change from January - December 2020 to January - December 2021 are: Japan, 59,085 MT, -15.35 percent; China, 27,709 MT, +52.19 percent; and Malaysia, 11,432 MT, -8.27 percent.

At GDT event 301, on February 1, 2022, the WMP all contracts price, \$4,324, increased 5.8 percent. The March contract, \$4,311, increased 5.9 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

February yield projections from CONAB (Brazil's public company under the Ministry of Agriculture) for both corn and beans shifted lower than they were in January, as dry weather continues to burden farmers in the country and region. Late in 2021 and so far this year, the dryness of the La Nina phenomenon has incrementally, and negatively, affected southern Brazil's soybean yields, in some cases by notably high percentages. Dryness and heat are expected to affect South America's other large milk producing countries, as well. Argentinian and Uruguayan milk production growth during 2021 is expected to be stymied by feed and production costs this year. Powder prices continue their shifts higher, based on global tightness and despite quieter trading/demand. Logistical concerns remain at the forefront of milk producers' and dairy market traders' minds in the Latin American region.

Secondary Sourced Information:

From CLAL: Annual imports of skim milk powder into Brazil decreased 8.45 percent during 2021, when compared to 2020.

From GDT: At event 302, on February 15th, skim milk powder prices across all contract periods averaged \$4,295 per metric ton, up 6 percent from the previous event.

From CLAL: Annual imports of whole milk powder into Brazil decreased 41.7 percent during 2021, when compared to 2020.

From GDT: At event 302, on February 15th, whole milk powder prices across all contract periods averaged \$4,503 per metric ton, up 4.2 percent from the previous event.

SKIM MILK POWDER

Skim milk powder (SMP) prices rose on globally tight markets, although contacts in the South American region report somewhat slow trading markets. Like with whole milk powder (WMP), SMP inventories are primarily tied up in Q1 contracts. Global indicators are that supplies are currently, and are expected to remain for the near- and mid-terms, tight. That said, within the region, there are some trading and logistical concerns, which may keep SMP stocks within the domestic sphere. All said, due to global tightness, there is some bullish sentiment, but market tones remain uncertain.

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

Price Range - 1.25% Butterfat; \$/MT: 3,350 - 3,750

WHOLE MILK POWDER

Whole milk powder (WMP) prices continue their move up on globally strong/tight markets. That said, some contacts in South America say powder trading is quieter and prices are slower to move up regionally than they are in other parts of the world. Additionally, they say a lot of domestic stocks are tied up in contractual movements, and there are continued reports of regional (and global) port/freight congestion/hurdles. There are growing concerns about milk production throughout the region, primarily due to dry/hot summer weather and the growing costs of production, namely feed. WMP market tones are, at least in the near-term, somewhat firm.

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

Price Range - 26% Butterfat; \$/MT: 3,650 - 3,850