INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered August 9 - 20, 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 Future reports may be included or withdrawn depending on availability of information.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

Cooler temperatures across northern Europe have aided cow comfort, but milk collections are seasonally declining. Milk production in some of the major dairy regions are well behind last year. Sources attribute the milk decline to poor weather at the start of the year and lower quality forages. However, industry contacts also note a reduction in cow numbers and farms. Milk prices have not kept up with higher feed costs. As a result, contacts say they have seen some farms exit due to the squeeze on farm financials.

The European Commission extended the implementation deadline of new health certificate requirements for the imports of milk and milk products to January 2022. The new certificate requirements would require animal health monitoring, veterinarian signoffs, a 3-month residency of cows prior to milk shipments and other requirements. The delay of implementation gives dairy officials from the United States and Europe more time to put plans in place that can better serve the industry and avoid possible disruptions to international trade.

Western European Secondary Data:
U milk production January – June 2021 is estimated at 74,539,000 MT, unchanged when compared to January – June 2020 EU milk production, according to CLAL data made available to USDA.

Among some of the top Western EU milk producers, the percentage changes January-June 2021 compared with January-June 2020 are Germany, -1.7 percent; France, -1.5 percent; Netherlands, -1.3 percent; Italy, +3.2 percent; and Ireland, +7.2 percent. UK milk production during January-June 2021 increased 0.9 percent from January-June 2020.

According to Eurostat data, among some of the leading Western European milk producing countries, the monthly milk production percentage change for June 2021 compared with June 2020 and May 2021 are Germany, -1.3 percent, -5.8 percent; France, +0.8 percent, -9.0 percent; Italy, +5.0 percent, -7.9 percent; Netherlands +0.4 percent, -4.5 percent; and Ireland +3.7 percent, -9.5 percent.

EASTERN EUROPE

Dairy growth is continuing across eastern European countries, such as Poland. The country has realized year over year growth in milk production. Milk components are also strong, with milksolid collections ahead of previous years as well.

Eastern European Secondary Data:
For Eastern EU27 countries, according to CLAL data made available to USDA, January - June 2021 milk production in Poland was 6,387,000 MT, up 0.5 percent from January - June 2020. According to Eurostat data, June 2021 milk production in Poland was 1,077,530 MT, up 0.7 percent from June 2020, but down 4.4 percent from May 2021.

BUTTER/BUTTEROIL

The European butter price range narrowed, moving up at the bottom and down at the top of the range. Industry contacts suggest that as Europeans end their summer holidays, demand for packaged butter has become more active. Buyers want to refill their stocks for near term needs. However, commercial butter buyers are also anxious to see how the emerging Delta variant COVID cases may affect market demand before committing to more purchases. European butteroil prices moved lower, presumably as shoppers take a wait and see approach. Market observers note that cream prices are lifting; as such, the price expectations for butter buyers and sellers may diverge.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,500 - 4,850

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 4,800 - 5,950

SKIM MILK POWDER

Prices for European skim milk powder are largely steady but moved slightly lower at the top of the price range. Industry sources suggest SMP is less available as milk production seasonally declines in Europe, and milk handlers divert more milk into cheese vats. As summer holidays end, market activity has picked up. Buyers are seeking out available loads to fill short term needs and have engaged manufacturers into discussions for Q4 business and beyond. Some export demand is present, but freight costs and logistical challenges are making business more difficult.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,850 - 3,025

WHEY

European whey prices are steady to lower, moving down slightly at the top of the price range and holding steady at the bottom. While the prices are a little weaker, demand for sweet whey powder has picked up a bit. Inventories are still in generally good balance with demand. And similar to other parts of the world, European manufacturers are opting to make more higher whey protein concentrations when they can.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 1,075 - 1,300

CONTINUED ON PAGE 8A

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CONTINUED FROM PAGE 8

WHOLE MILK POWDER

Whole milk powder prices in Europe are lower. WMP manufacturers have eased back on production, partly to keep pace with the slower demand from markets, and partly because milk production is seasonally declining, and more milk is moving into cheese vats. WMP stocks are in good balance with demand. While some market observers indicate activity has picked up, there are still plenty of buyers taking a wait and see approach to the WMP market. Concerns over increasing numbers of COVID cases in Southeast Asia and around the world, high shipping costs, and how the milk production season in the southern hemisphere develops may each have an impact on the WMP market.

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

Price Range - 26% Butterfat; $/MT:	3,600 - 3,825

Secondary Sourced Information:

EU butter production during January-June 2021 is estimated at 1,103,550MT, a decrease of 1.0 percent from January-June 2020 according to CLAL data made available to USDA. Among some of the top butter producers, January -June 2021 butter production and the percentage change compared with January-June 2020 are Germany, 255,030 MT, -5.0 percent; France, 215,320 MT, -3.8 percent; Ireland, 137,490 MT, +5.7 percent; and Poland, 118,960 MT, -4.8 percent.

EU SMP production January – June 2021 is estimated at 769,440 MT, a decrease of 6.4 percent from January – June 2020 according to CLAL data made available to USDA. Among some of the leading European SMP producing countries, the January – June 2020 quantity and percentage change compared with January – June 2020 are France, 218,790, -0.7 percent; Germany, 199,400 -8.3 percent; and Poland, 85,950, -7.9 percent.

Whey exports from the EU27 January – June 2021, 425,000 MT, increased 2.9 percent from January – June 2020 according to CLAL data made available to USDA. Main destinations from January – June 2021, the quantity, and percent change form January-June 2020 are China, 142,288 MT, +16.66 percent; Indonesia, 45,482 MT, +37.21 percent; and Malaysia, 31,636 MT, +4.29 percent.

EU WMP production January – June 2021 is estimated at 388,991 MT, a decrease of 9.3 percent from January – June 2020 according to CLAL data made available to USDA. Among some of the leading European WMP producing countries, the January – June 2021 quantity and percentage change compared with January – June 2020 are Germany, (estimate) 143,241 MT, -1.8 percent; Netherlands, 66,800, -30.9 percent; and France, 63,060, -4.5 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Through the early stages of the Australian milk production season, farmers have been able to maintain a level of optimism. Farmers have relatively good weather, reasonable input costs, and favorable opening milk prices as the season kicks into gear. While still early in the milk season, market analysts expect that Australian milk production may grow for the 2021-22 milk season. However, higher beef prices may slow the rebuild of dairy herds. And currently, farmers face the challenge of finding enough trained workers.

The Australian government has awarded funding to the dairy industry to work to reduce technical trade barriers, such as product testing, shelf life and labeling. The government and industry stakeholders will work to expand opportunities in Southeast Asia with the funding.

July 2020 – June 2021 milk exports from Australia 280,224 MT, increased 14.8 percent from July 2019 – June 2020, according to Dairy Australia.

January – June 2021 bulk and packaged milk exports from Australia, 128,000 MT, increased 13.8 percent from January – June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January – June 2020, were China, 58,241 MT, +43.39 percent; Singapore, 23,937 MT, +1.14 percent; and Malaysia, 11,009 MT, -4.14 percent.

NEW ZEALAND: New Zealand market observers are beginning to get a view of how the 2021-22 milk season may take shape. Farmers on the North Island indicate that milk production appears to be ahead of last year. Cows and pastures are both in good condition as the milk harvest begins. So far, the weather has been favorable for pasture growth and cow comfort, however farmers also recognize that a stretch of cold weather could set the emerging milk harvest back. On the South Island, pasture conditions are average, but with the later calving dates, it is still too early to tell how milk production will build.

As Delta variant COVID cases increase, there are renewed concerns of the potential impacts on dairy markets. New Zealand is once again under a level 4 lockdown, the highest alert level. And outbreaks across Southeast Asia are creating other regional lockdowns. Industry contacts expect these new outbreaks and health safety measures may impede dairy demand and distribution, but it is hard to tell to what extent. The last time New Zealand entered into a level 4 lockdown was as the 2020-21 milking season was winding down.

Trade officials from New Zealand and the United Kingdom are working to develop a free trade agreement between the two countries. Kiwi dairy officials suggest the goal is to have an agreement in place that is similar to the recently concluded FTA between Australia and the UK. That agreement eliminates tariffs as the end goal. While it may be a few months before and agreement can be reached, both sides indicate negotiations have been promising.

BUTTER/BUTTEROIL

Oceania butter prices increased, pushed forward by a strong showing on the latest GDT event. Analysts say there was more butter sold on this event than in the last event, and bidder activity was strong. Northern Asian and African buyers bought heavily at the event. Industry contacts suggest steady, supportive sales by manufacturers are also contributing to a bullish view of butter and cream products. Retail demand has been steady and food service demand improving, but there are some concerns with how the latest level 4 lockdown in New Zealand will affect markets over the weeks to come.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,600 - 4,850

SKIM MILK POWDER

Prices for Oceania skim milk powder moved higher at both ends of the price range. Small price gains from manufacturer sales and the latest GDT event contributed to the price shift. Price points for EU SMP and NZ SMP have converged over the last few GDT events. Analysts expect SMP prices to strengthen as the Oceania milk production season builds to its apex. Demand is currently in good balance with supply.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,000 - 3,150

CHEESE

Prices for Oceania cheddar cheese moved upwards at the bottom of the price range and held steady at the top. At the latest GDT auction, cheddar cheese prices moved upwards. Manufacturer sales prices are steady. The Oceania cheese market has a good balance between supply and demand. Both supply and demand have room to grow through the upcoming Oceania milking season.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,025 - 4,300

WHOLE MILK POWDER

Oceania whole milk powder prices continued their descent. Lower prices prevailed from manufacturers' sales and on the latest GDT event. That said, Oceania WMP prices are still well above the price levels of a year ago. Industry contacts suggest the market is still in the initial stages of the Oceania milk season, and, as a result, buyers have yet to engage fully. Demand is present but subdued this early in the season.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,525 - 3,725

CONTINUED ON PAGE 8C

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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CONTINUED FROM PAGE 8B

Exchange rates for selected foreign currencies: August 16, 2021

.0103 Argentina Peso	.0135 India Rupee
.7337 Australian Dollar	.0092 Japan yen
.1901 Brazil Real	.0503 Mexican Peso
.7953 Canadian Dollar	.7021 New Zealand Dollar
.0013 Chile Peso	.2582 Poland Zloty
1.1777 Euro	.0231 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0503) = 19.8807 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

At GDT event 290 on August 17, 2021, the butter all contracts price, $4,771, increased 4.0 percent. The September contract, $4,835, increased 4.9 percent.

July 2020 – June 2021 butter exports from Australia 18,095 MT, increased 119.9 percent from July 2019 – June 2020, according to Dairy Australia.

January – June 2021 butter exports from Australia, 13,000 MT, increased 158.2 percent from January – June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January – June 2020, were China, 3,845 MT, +346 percent; Thailand, 1,161 MT, +15.14 percent; and Singapore, 1,125 MT, +100 percent.

At GDT event 290 on August 17, 2021, the SMP all contracts price, $3,052, increased 1.1 percent. The September contract, $3,035, increased 1.8 percent.

July 2020 – June 2021 SMP exports from Australia 123,415 MT, increased 14.7 from July 2019 – June 2020, according to Dairy Australia.

January – June 2021 SMP exports from Australia, 85,000 MT, increased 26.4 percent from January – June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January – June 2020, were China, 40,657 MT, +107 percent; Indonesia, 14,774 MT, -9.56 percent; and Yemen, 3,835 MT, +283 percent.

At GDT event 290 on August 17, 2021, the cheddar all contracts price, $4,184, increased 2.8 percent. The September contract, $4,150, decreased 0.7 percent.

July 2020 – June 2021 cheddar exports from Australia 30,545 MT, decreased 14.5 percent from July 2019 – June 2020, according to Dairy Australia.

July 2020 – June 2021 other cheese exports from Australia 124,690 MT, increased 2.3 percent from July 2019 – June 2020, according to Dairy Australia.

January – June 2021 cheese exports from Australia, 80,000 MT, increased 3.0 percent from January – June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January – June 2020, were Japan, 30,676 MT, -21.81 percent; China, 15,150 MT, +55.35 percent; and Malaysia, 5,432 MT, +9.07 percent.

At GDT event 290 on August 17, 2021, the WMP all contracts price, $3,552, decreased 1.5 percent. The September contract, $3,670, decreased 3.4 percent.

July 2020 – June 2021 WMP exports from Australia 55,214 MT, increased 18.6 percent from July 2019 – June 2020, according to Dairy Australia.

January – June 2021 WMP exports from Australia, 29,000 MT, increased 61.9 percent from January – June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January – June 2020, were China, 11,939 MT, +43.95 percent; Thailand, 4,690 MT, +14.26 percent; and Singapore, 2,750 MT, +51.95 precent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Throughout the main dairy basins of Argentina and Uruguay, milk production continues to increase off farms. There are reports milk output is expected to grow as the spring season approaches. Market participants report milk prices for farmers remain good and the current pricing is helping alleviate some operating cost pressures. UHT processors are working through strong production schedules. There are reports whole milk powder markets are mixed, while skim milk powder markets are seasonally stable. Some cheese manufacturers are working through stronger production schedules. Pizzerias/restaurants are ordering additional cheese/dairy product supplies, as the foodservice sector remains stable.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. prices are mixed this reporting week. Although the SMP price range is more wide ranging, trading activities are seasonally stable. Some market participants note there are no major changes to SMP markets in South America. Manufacturers are scheduling additional SMP drying time prompted by higher condensed skim milk volumes. Inventory levels are fairly balanced with buyers' spot and contract demands.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,800 - 3,025

WHOLE MILK POWDER

Whole milk powder (WMP) prices in South America are lower this week. A few buyers are purchasing WMP supplies for their immediate needs. However, market participants relay buying demands are slightly softening at various offshore markets. Current milk supplies continue to be readily available. WMP manufacturers are receiving additional milk loads on a week to week basis. Various plants are operating on strong WMP production schedules. Inventory levels are stable to growing. The whole milk powder market tone remains mixed.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,275 - 3,575

Secondary Sourced Information:

At the GDT Event 290 on August 17, skim milk powder (SMP) prices across all contract periods averaged $3,052 per metric ton, up 1.1 percent from the last event.

Updated table with corrected percentage change
SKIM MILK POWDER EXPORTS HS 040210

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN – JUNE 2021		
Argentina	5.1	+ 69.2**

Source: CLAL, Subsecretaría de Lechería - Ministerio de Agroindustria

At the GDT Event 290 on August 17, whole milk powder (WMP) prices across all contract periods averaged $3,552 per metric ton, down 1.5 percent from the last event.