

**INTERNATIONAL DAIRY MARKET NEWS - EUROPE**

Information gathered April 19 - 30, 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 Future reports may be included or withdrawn depending on availability of information.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**

It is expected that seasonal peak milk production in the primary Western European milk producing countries will occur in a few weeks. German sources believe that milk production is up from last week and slightly higher than this week last year. However, observers also believe that France registered weekly lower milk production due to weather impacts.

Cheese prices in Germany and France are reported as steady. Balanced and steady demand is cited for this. Germany remains under a COVID lock down. Thus, food service cheese demand is lower than normal. COVID restrictions in Italy are loosening. Italian cheese varieties are showing some price strength. Export demand remains strong and shipments of cheese to non-European countries is very active.

UK sources are looking toward increased post Brexit cheese and yogurt production in coming years. Sources mention that the UK currently turns to cheddar imports to meet internal demand. A focus going forward will be increasing capacity to make cheddar in hopes of being more self-sufficient.

**EASTERN EUROPE**

Poland is a leader in Eastern European milk production. January - March 2021 milk production increased 0.7 percent from January - March 2020 according to ZMB. Butter production January - March 2021 increased 0.4 percent from January - March 2020. Cheese production January - March is up 3.6 percent.

**BUTTER/BUTTEROIL**

The butter price range in Western Europe weakened at the low end. Butteroil prices firmed at the low end but weakened at the top. Current packaged butter demand is called restrained and slow to develop. Seasonal increases in packaged butter demand are expected in coming weeks. Butter prices are expected to firm in coming months. Even so, not many buyers seem to be aggressively buying very far forward.

Bulk butter buyers are actively shopping around. Finalizing contracts is slowed because many sellers are holding firm for higher prices. Sellers are slow to accept the higher prices. Export volumes are expected to be mostly steady until June. Beginning in July, manufacturers expect export demand to move higher.

Western Europe, 82% Butterfat, Free on Board - Port Butter  
Price Range - \$/MT: 4,700 - 5,000

Western Europe, 99% Butterfat, Free on Board - Port Butteroil  
Price Range - \$/MT: 5,000 - 6,225

**SKIM MILK POWDER**

The skim milk powder price range in Western Europe diverged. Low range prices declined while high range prices firmed. There was a variety of pricing in some countries. Prices in Netherlands and Germany generated the low range price decline. Yet prices in Germany also generated the high range price strength. No conclusions are drawn from the price movement except that increased numbers of smaller deals have led to divergent pricing within countries and among countries. Available SMP stocks are low.

The production outlook in coming months remains uncertain. Many regular buyers are currently contracted. That has left some buyers to look harder to get stocked. Export volumes are expected to be steady for the next several months.

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

**WHEY**

The Western European whey powder price range moved higher, reaching the highest level of 2021. Demand is brisk. Buyers may not like to pay the higher prices, but to get deals done many are doing so. Few buyers feel that there is a point in holding back and hoping for price weakness.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey  
Price Range - Non-Hygroscopic; \$/MT: 1,200 - 1,400

**WHOLE MILK POWDER**

In Western Europe the whole milk powder price range declined at the low end but remained steady at the top. The low-end price movement reflects prices in Netherlands. The market tone is considered to be calm. Most new contracts are easily finalized at current pricing. Many buyers feel that compared with WMP pricing in Oceania, Western European pricing is a bargain.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder  
Price Range - 26% Butterfat; \$/MT: 3,750 - 4,000

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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## OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July 2020 - March 2021 seasonal milk production in Australia, increased 0.7 percent from July 2019 - March 2020, according to Dairy Australia. March 2021 milk production, 628.4 million liters, decreased 1.8 percent from March 2020. More detailed production data are in the table which follows.

## AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2020 - March 2021

| State             | Million Liters | Percent Change From 1 Year Ago | Percentage Milkfat | Percentage Protein |
|-------------------|----------------|--------------------------------|--------------------|--------------------|
| New South Wales   | 824.4          | +2.0                           | 4.14               | 3.35               |
| Victoria          | 4,446.4        | +0.4                           | 4.55               | 3.52               |
| Queensland        | 237.3          | -3.4                           | 4.16               | 3.43               |
| South Australia   | 383.6          | +2.5                           | 4.02               | 3.37               |
| Western Australia | 273.5          | -0.9                           | 4.08               | 3.20               |
| Tasmania          | 772.3          | +1.7                           | 4.72               | 3.71               |
| Australia (Total) | 6,937.5        | +0.7                           | 4.44*              | 3.49**             |

• -0.1 percent from prior year period

\*\* -0.8 percent from prior year period

Australian dairy producers continue to struggle with labor shortages. The recent opening of the so-called trans-Tasman travel bubble allows quarantine free flights between Australia and New Zealand. In response, a new online advertising campaign seeks to recruit workers from New Zealand to go to Australia to work on farming operations. Free airfare and good wages are promised. The reaction in New Zealand is said to be enhanced efforts to retain experienced agricultural workers.

Australian dairy producers and manufacturers continue to express apprehension over the downward cycle of trade relations between China and Australia. Recent action by the government in Australia cancelling Victoria's Belt and Road deal with Beijing has been viewed in Beijing as provocative. The deal was intended to promote trade activity by infrastructure improvements. Some Australian dairy officials are concerned that Beijing may retaliate in ways that make exporting Australian dairy products to China more difficult.

NEW ZEALAND: March 2021 New Zealand milksolids reported by NZX are up 8.7 percent from March 2020 milksolids. March 2021 milk production on a tonnage basis is up 9.8 percent from March 2020. Season to date through March 2021 milk solids increased 1.8 percent from last season through March 2021. Seasonal milk tonnage is up 1.6 percent through March 2021.

New Zealand dairy officials certainly welcome the March milksolids increase. Nevertheless, some caution as to excessive exuberance regarding the monthly increase compared with one year ago. March milk production in New Zealand is quite diminished from the peak month, October. The typical low month for production, June, is not far off. The key point is that so late in the milk season a monthly YOY increase is not likely to significantly change the annual results very much.

New Zealand commodity exchange sources attribute the March 2021 milk production increase to favorable pasture conditions during Feb-

ruary into March. The increase was skewed toward the North Island. Another factor making March 2021 look good is that during March 2020 the North Island was suffering from drought, which suppressed milk production.

Some Waikato dairy producers on the upper North Island are said to have reported twice as much milk production during this season through March 2021 as last season through March. Some Taranaki dairy producers on the west side of the North Island also report quite positive increases. Waikato and Taranaki are the two primary milk producing areas on the North Island.

Recent rain on both the North island and South Island has helped maintain pasture conditions. Heavy rain is forecast for all areas in the coming week. That will help the South Island, in particular, even up with the North Island as to soil moisture.

Dairy trading in New Zealand is off to a delayed start this week. Anzac Day is officially celebrated Monday. This is the day of remembrance of losses sustained by New Zealand in various wars. For some people the three-day holiday weekend is stretched further into last week Friday.

A large dairy cooperative in New Zealand has invested in a foodservice application center in southern China. This initiative reflects efforts to develop innovative dairy products to supply coffee shops, restaurants, and food stores. Sales of value added dairy based products into China have been very profitable.

## BUTTER/BUTTEROIL

The Oceania butter price range moved lower, more at the top range price than the bottom range price. Oceania sources view this decline as minor considering current butter supply pressure on pricing. More butter was made available for contracting the next two months and that decision had been expected to lower prices. The downward price movement in this circumstance was a nonevent for many buyers and sellers. Making butter remains profitable. In fact, SMP and butter are the most profitable for processors at current price levels. Plants focused on butter would make more if they had more milk available.

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

5,700 - 5,750

Secondary Sourced Information:

At GDT event 282 on April 20, 2021, the butter all contracts price, \$5,736, decreased 0.6 percent. The May contract, \$5,720, decreased 0.7 percent.

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## SKIM MILK POWDER

The Oceania skim milk powder price range contracted, with the low range price increasing and the high range price declining. SMP demand in Oceania remains strong. Most production is bought or contracted as it becomes available. Buyers from Southeast Asia have been less active in this cycle. China has dominated purchasing Oceania SMP available for export.

Even with the buying interest, buyers showed greater resistance to high range prices. This was a factor in the price weakness. SMP from Western Europe and the United States offered better bargains and that became a negotiating factor as buyers shopped Oceania.

While SMP and butter present the most profitable use of milk in Oceania, more milk is going to WMP, which is perceived as offering more steady demand. Thus, SMP production has a ceiling that is likely to help maintain prices in the declining milk production season.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder  
Price Range - 1.25% Butterfat; \$/MT: 3,400 - 3,425

## Secondary Sourced Information:

At GDT event 282 on April 20, 2021, the SMP all contracts price, \$3,365, was essentially steady. The May contract, \$3,410, decreased 0.1 percent.

## CHEESE

The Oceania cheddar price range increased at each end, taking already strong prices even higher. With Oceania cheddar prices typically topping prices in the EU and USA, this reflects the strength of buying interest from Asian countries as seasonal production decreases. Price strength is also reflective of lower cheddar offerings from New Zealand as available milk is shifted toward WMP. While Oceania cheddar export activity tends to be relatively steady moving toward August, even as milk production has declined, some buyers have expressed greater interest in securing contracts now for coming months to assure availability.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,  
Price Range - \$/MT: 4,350 - 4,575

## Secondary Sourced Information

At GDT event 282 on April 20, 2021, the cheddar all contracts price, \$4,436, increased 1.2 percent. The only contracts that traded were September 2021, closing at \$4,495, up 1.9 percent; and October 2021, closing at \$4,380, up 0.8 percent.

## WHOLE MILK POWDER

Oceania whole milk powder prices pushed the range top higher. Low range prices remained steady. Almost all available WMP was purchased at the last GDT event. WMP buyers were also making deals at some manufacturing plants at prices different from the GDT price range. China was a significant buyer this period. New Zealand WMP manufacturers believe stocks of WMP in China are a bit low because milk produced there is tending to go toward fluid milk. That has increased demand for milk powder imports.

WMP buyers from many other regions are also in the fray. With WMP prices being considered high, New Zealand manufacturers have increased WMP manufacturing schedules. While a mix of SMP and butter may be more profitable than WMP, demand for WMP from New Zealand is more certain. That was the decisive factor in increasing WMP production at the expense of butter and SMP.

The typical annual pattern is for New Zealand WMP export volumes to trend lower from now until the seasonal low in August. Then WMP exports begin to increase in September. It may not be until November that WMP export volumes exceed April volumes. That fact of life is keeping contracting activity quite active and leading to deals closing quite readily when a buyer still needs WMP coverage.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder  
Price Range - 26% Butterfat; \$/MT: 4,075 - 4,125

## Secondary Sourced Information:

At GDT event 282 on April 20, 2021, the WMP all contracts price, \$4,097, increased 0.4 percent. The May contract, \$4,083, increased 0.1 percent.

Exchange rates for selected foreign currencies:  
April 26, 2021

|                         |                          |
|-------------------------|--------------------------|
| .0107 Argentina Peso    | .0134 India Rupee        |
| .7799 Australian Dollar | .0093 Japan yen          |
| .1840 Brazil Real       | .0504 Mexican Peso       |
| .8067 Canadian Dollar   | .7237 New Zealand Dollar |
| .0014 Chile Peso        | .2652 Poland Zloty       |
| 1.2088 Euro             | .0227 Uruguay Peso       |

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0504) = 19.8413$  Mexican Pesos. Source: "Wall Street Journal"

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**INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA**

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**SOUTH AMERICA OVERVIEW**

Dry weather lingers in parts of South America. In Argentina, drier conditions are increasing farmers' soybean harvests. In parts of Mexico, very dry/drought weather conditions are taking a toll on milk output. In addition, these dry conditions are affecting some lakes in Mexico. There are positive forecasts of production increases in corn, barley and wheat. Moreover, there are expected increases in production and planting areas for soybeans and rice. WMP and SMP markets are displaying solid undertones. Buying demands have heightened at this time. Some WMP manufacturers are sold out of supplies. There is some continued pressure on margins for dairy operators with higher feed costs emerging. In Venezuela, farmers are faced with diesel shortages.

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**SKIM MILK POWDER**

Skim milk powder (SMP) F.O.B. prices are steady to higher. In the Southern Cone of South America, spot trading activities are moderate. At this time, buyers' demands have heightened, with several market participants purchasing for their immediate needs. Industry contacts are waiting to see where SMP regional/EU pricing leads. Manufacturers' SMP production schedules are steady to light with most available drying time planned for whole milk powder. SMP inventory levels are declining. There are reports of continued shipping challenges for several dairy contacts. The SMP market tone is stable for the near term.

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 - 3,450

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**WHOLE MILK POWDER**

Whole milk powder (WMP) prices are higher on fairly active trading activity. Currently, market participants report a strong uptick in buying demands. Available WMP supplies are limited. Several industry contacts are seeing very few offers on the spot market. There are anticipations WMP availability will remain low for the near term. Market participants note regional WMP pricing is nearing European pricing on various market exchanges. Some buyers are waiting to see what happens with supply/demand before making spot purchases. Manufacturers' WMP inventories are very tight. WMP production schedules are somewhat stable as some are working through committed contracts. The WMP market tone is firm.

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

Price Range - 26% Butterfat; \$/MT: 3,800 - 4,050