INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered July 26 - August 6, 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 Future reports may be included or withdrawn depending on availability of information.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

After a slow start to the 2021 European milk season, strong Q2 milk production pushed YTD milk levels above those of the previous year. Industry contacts say milk production in May and June helped manufacturers catch up on dairy processing needs. Much of the milk moved toward cheese production as opposed to milk powder/butter production. However, preliminary estimates of milk production in Germany, France and the Netherlands suggest July weekly collections are once again lagging behind collections from the previous year. Industry analysts forecast milk collections in the UK, Ireland and Italy to stay ahead of collections from last year for the next few months.

The devasting floods that hit Western Germany, Benelux and some of the surrounding areas a few weeks ago disrupted milk and cream collection and distribution. Several processing facilities had to alter processing schedules. With roads and streets flooded and damaged, some cream and milk was not able to get processed readily and had to be discounted heavily to find a home for processing. Industry contacts report that milk and cream prices are returning to normal.

Industry contacts describe dairy ingredient markets as quiet. With many Europeans on summer holiday, the level of sales activity is subdued, especially for SMP and dry whey. Dairy marketers are anxious to see how markets respond to increased activity once summer holidays end. They are also hopeful that market uncertainty caused by COVID concerns can subside, and challenges tied to shipping congestion and cost can ease.

EU milk production January – May 2021, 61,895,280 MT, increased 0.4 percent from January – May 2021 according to Eurostat data reported by Eucolait. May 2021 milk production increased 1.6 percent from May 2020. Among some of the leading Western European milk producing countries the milk production percentage change for January – May 2021 compared with January – May 2020, and the May 2021 YOY percentage change are Germany, -1.1 percent, unchanged; France, -1.2 percent, +2.6 percent; Italy, +2.8 percent, +2.1 percent; Netherlands -1.0 percent, unchanged; Ireland +8.7 percent, +6.1 percent.

EASTERN EUROPE

Milk production gains are supporting the growth of dairy product production in a few leading Eastern European countries. Much of the milk is getting processed into cheese and other dairy products for domestic consumption. However, the export capacities of these countries are growing.

For Eastern EU27 countries, according to Eurostat data reported by Eucolait, January – May 2021 milk production in Poland was 5,309,540 MT, up 1.1 percent from January – May 2020. May production, 1,127,620 MT, is up 1.5 percent from May 2020.

January – June 2021 milk production in Ukraine, 4.319 million tons, decreased 5.6 percent from January - June 2020 according to CLAL data made available to USDA.

January – June 2021 milk deliveries in Belarus, 3.912 million tons, increased 1.4 percent from January - June 2020 according to CLAL data made available to USDA.

BUTTER/BUTTEROIL

Western European butter prices moved up slightly at the bottom of the price range but held steady at the top of the range. Retail packaged butter demand is quiet, in line with typical summer holiday season demand. Buyers are hesitant to take on more butter with the continued uncertainties due to the COVID pandemic. In addition, butter stocks are adequate to meet most needs, and there is no urgency to get sales done. Butter oil prices slid lower.

Industry contacts report that cream prices are returning to normal following a period of low prices due to regional flooding in western Europe. With streets flooded and damaged, some cream was not able to get processed readily and had to be discounted heavily to find a home for processing.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,375 - 4,950

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 5,450 - 6,125

SKIM MILK POWDER

Prices for European skim milk powder are steady to lower. Industry observers note a quiet, subdued market tone presently. While many Europeans are on summer holiday, there are fewer sales taking place. That said, contacts suggest orders are in the book for the next few months, and tighter supplies should lend some price support. Active cheese production, and subsequently lower milk powder production, have kept SMP inventories lean. Current export demand is tentative. Uncertainties have increased along with concerns about the Delta variant affecting markets through Southeast Asia and globally. However, manufacturers are hopeful that sales may pick up as the summer ends.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,850 - 3,050

WHEY

European whey prices are steady to lower, moving slightly down at the top of the price range. There has been little change in whey market conditions over the last few weeks. Market activity is quiet with many workers on summer holidays. Whey supplies are sufficient to meet most market demand. The vigorous demand from the first half of the year has given way, and export buyers have much of their near-term needs covered.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 1,075 - 1,325

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WHOLE MILK POWDER

European whole milk powder prices eased back at the bottom of the price range but held steady at the top of the price range. Industry analysts note that there is currently a slightly weaker market tone. While internal European demand is normal, demand from China, the world's largest importer of WMP, has slowed through the summer months. WMP inventories are in good balance with this current demand. Manufacturers have reduced WMP production accordingly, diverting some of the available milk supply to cheese production. Processors are eager to see if the appetite for WMP will return in the next few months.

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

Price Range - 26% Butterfat; $/MT:	3,625 - 3,875

Secondary Sourced Information:

Chinese whey powder imports for January – June 2021, 396,387 MT, increased 44.7 percent from January – June 2020 according to Trade Data Monitor and Eucolait. Shipments from the EU27 make up 38 percent, and shipments from Belarus make up 10 percent of the total whey imports.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Australian milk production is starting the season off well, with good pasture conditions and plentiful feed stuffs. The main dairy regions have received normal to above-normal rainfall so far this year. In addition, farmers are optimistic that milk pay prices may remain at profitable levels for the coming year. According to the Dairy: World Markets and Trade report by the USDA Foreign Agricultural Service, the 2021 milk production forecast is revised down to 9.2 million tons, a decrease of 2 percent over 2020. Much of the change is attributed to a decrease in dairy cow numbers.

NEW ZEALAND: Calving is well underway across much of New Zealand. New season milk production is coming in with the North Island leading the way and contributing to the preliminary seasonal YOY increases in milk production. Aside from regional flooding in parts of the island nation, weather has been favorable for pasture growth. Early forecasts suggest rainfall to be at normal or slightly above normal levels for the next few months, which will give shape to what the season will be. In New Zealand, 60 percent of the annual milk production is produced between August and December. According to the Dairy: World Markets and Trade report by the USDA Foreign Agricultural Service, the 2021 milk production forecast is revised up to 22.4 million tons, an increase of 1 percent over 2020. The current forecast for the 2021-22 milk season is +1.6 percent. That said, a lot can change so early in the season.

Falling prices at the GDT are putting pressure on milk price forecasts. In particular, whole milk powder prices have fallen the last two trading events following reductions in volumes offered. The reduced WMP volumes were intended to provide some support to GDT market prices. Current milk price forecasts following the latest GDT event are NZ$7.47-$8.05/kgMS and depend on the NZ/US exchange rate and potential changes in commodity prices. The emerging dairy season will have a dramatic effect on shaping milk prices moving forward and how aggressive buyers will need to be. While demand for dairy products is currently present, buyers are hesitant to pay premium prices right now.

June 2021 New Zealand milksolids reported by DCANZ and NZX are 20.642 million kg, compared to 20.321 million kg in June 2020.

January – June 2021 bulk and packaged milk exports from New Zealand 133,000 MT, increased 21.9 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, 101,090 MT, +38.06 percent; Taiwan, 7,297 MT, +6.71 percent; and Philippines, 6,751 MT, -33.00 percent.

BUTTER/BUTTEROIL

Oceania butter prices moved higher, buoyed by gains on the GDT and steady sales reported by manufacturers. The lift in prices seems to suggest that near term demand is present in the market. Retail demand is steady, and food service sales are improving. However, increasing numbers of new COVID cases across the region create uncertainty within some market channels. That said, the overall market tone is stable, with butter prices supported at current levels.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,450 - 4,625

SKIM MILK POWDER

The price range for Oceania skim milk powder narrowed. Small gains on the GDT lifted the bottom of the price range, while sales prices reported by manufacturers eased back the top of the price range. Globally, skim milk powder market sales are a bit subdued. After aggressive purchases to assure coverage in Q1 and Q2, buyers are willing to wait and see what the new Oceania milk season produces. As the Oceania milk production season takes off and the milk production season in the northern hemisphere wanes, some market observers think SMP market prices may converge across the major supply regions.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,975 - 3,100

CHEESE

The price range for Oceania cheddar cheese narrowed. Small variations within the latest GDT event and reported sales prices from manufacturers led to the price adjustments. The overall market tone for Oceania cheddar cheese is stable. Buyers seem willing to take on regular contract shipments, but are in no urgency to take on heavier volumes. Cheese supplies are adequate to meet near term needs. In addition, there is the full knowledge that cheese production will grow as the new Oceania milk production season takes shape.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,000 - 4,300

WHOLE MILK POWDER

Oceania whole milk powder prices moved lower at both ends of the price range. Once again, the removal of volumes of Oceania WMP offered on the GDT event was not able to keep prices from falling. Manufacturers suggest strong off-GDT platform demand is present and prompted the reduction of WMP offered at the event. Market observers do not seem overly concerned with the price movements. Seasonal slowdowns are typical for market demand at the initial stages of the Oceania milking season.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,600 - 3,850

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Exchange rates for selected foreign currencies: August 2, 2021

.0103 Argentina Peso	.0135 India Rupee
.7363 Australian Dollar	.0092 Japan yen
.1934 Brazil Real	.0502 Mexican Peso
.7996 Canadian Dollar	.6971 New Zealand Dollar
.0013 Chile Peso	.2604 Poland Zloty
1.1874 Euro	.0229 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0502) = 19.9203 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

At GDT event 289 on August 3, 2021, the butter all contracts price, $4,589, increased 3.8 percent. The September contract, $4,610, increased 4.1 percent.

January – June butter exports from New Zealand 224,000 MT, decreased 2.8 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, 59,344 MT, +39.05 percent; Philippines, 15,124 MT, -1.59 percent; and, Australia, 14,630 MT, -18.67 percent.

Secondary Sourced Information:

At GDT event 289 on August 3, 2021, the SMP all contracts price, $3,020, increased 1.5 percent. The September contract, $2,989, was unchanged.

January – June 2021 SMP exports from New Zealand 172,000 MT, decreased 13.3 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, 66,801 MT, +28.62 percent; Indonesia, 17,367 MT, -11.02 percent; and Thailand, 13,739 MT, -6.64 percent.

At GDT event 289 on August 3, 2021, the cheddar all contracts price, $4,065, increased 0.7 percent. The September contract, $4,180, was unchanged.

January – June 2021 cheese exports from New Zealand 198,000 MT, increased 19.8 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, 52,788 MT, +70.58 percent; Japan, 30,154 MT, -9.67 percent; and Australia, 22,231 MT, -0.31 percent.

At GDT event 289 on August 3, 2021, the WMP all contracts price, $3,598, decreased 3.8 percent. The September contract, $3,819, decreased 6.6 percent.

January – June 2021 WMP exports from New Zealand 883,000 MT, increased 15.0 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 China, 413,117 MT, +61.58 percent; United Arab Emirates, 48,952 MT, -13.11 percent; and Sri Lanka, 47,289 MT, +11.97 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Spring like climate conditions are lingering in the main dairy basins of Argentina and Uruguay. Milk output continues to increase off farms. Market participants report milk prices are fairly good. The higher prices farmers are receiving for their milk is alleviating some pressures from current operating costs. However, there is some concern that prices on grain used in feed may return to the higher prices of early May 2021. Industry contacts note UHT milk markets are more negotiable than other dairy products at this time. Whole milk powder and skim milk powder markets are wide ranging. There are reports México is experiencing cooler weather conditions.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. prices are steady to a bit higher in the Southern Cone of South America. Market participants note SMP markets vary. Some industry contacts relay SMP demands are somewhat soft at this time. Other market participants report SMP markets have been steady and price supportive. Manufacturers are scheduling additional SMP drying time. Inventory levels are becoming more available in the market. Current demands and fairly in line with available supplies.

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

Price Range - 1.25% Butterfat; $/MT:	2,975 - 3,025

WHOLE MILK POWDER

Whole milk powder (WMP) current pricing is steady to a bit lower in the Southern Cone of South America. Trading activities are fairly mixed. Some buyers are purchasing WMP supplies for their immediate needs. However, some market participants note buying demands are trending slightly downward at various offshore markets. Available milk supplies are flourishing in areas. WMP manufacturers are receiving additional milk loads. Some plants are operating on strong WMP production schedules. Inventory levels are currently stable. Market participants relay WMP markets are mixed. The whole milk powder market undertone is unsettled.

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

Price Range - 26% Butterfat; $/MT:	3,400 - 3,700

Secondary Sourced Information:

At the GDT Event 289 on August 3, skim milk powder (SMP) prices across all contract periods averaged $3,020 per metric ton, up 1.5 percent from the last event.

SKIM MILK POWDER PRODUCTION

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - MAY 2021		
Argentina	19.0	+ 34.8

SKIM MILK POWDER EXPORTS HS 040210

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN – JUNE 2021		
Argentina	5.1	+ 65.2

SKIM MILK POWDER STOCKS

	Metric Tons (x1,000 MT)	% Change From May 2020
MAY 2021		
Argentina	3.8	+ 7.6

Source: CLAL, Subsecretaría de Lechería - Ministerio de Agroindustria

At the GDT Event 289 on August 3, whole milk powder (WMP) prices across all contract periods averaged $3,598 per metric ton, down 3.8 percent from the last event.

WHOLE MILK POWDER PRODUCTION

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - MAY 2021		
Argentina	88.0	+ 28.0

WHOLE MILK POWDER EXPORTS HS 040221+040229

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN – JUNE 2021		
Argentina	54.0	+ 26.7

WHOLE MILK POWDER STOCKS

	Metric Tons (x1,000 MT)	% Change From May 2020
MAY 2021		
Argentina	14.6	-34.7

Source: CLAL, Subsecretaría de Lechería - Ministerio de Agroindustria