INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered December 27, 2021 - January 7, 2022

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WESTERN OVERVIEW

As 2022 opens, dairy analysts in Western Europe foresee: continuing firm dairy markets; production and transportation challenges resulting from labor shortages; uncertainty related to COVID factors; and cost pressures. In short, similar factors to those dominant during 2021. Looking ahead, 2022 milk production is expected to continue to be lower than desired. Decisions will have to be made regarding allocating available milk among dairy products. Currently cheese continues to be high on the priority list.

German dairy analysts suggest that even with the recent change in government, following sixteen years of the previous governing coalition, no significant changes in agricultural policy are expected in the near term. The new coalition government has selected a Green Party official to be Minister of Agriculture. Yet, it is noted that agriculture is typically a lower profile policy focus in Germany, than for example, making cars and trucks. So, the initial focus of the new governmental coalition is not expected to be on agricultural policy.

That should leave the largest dairy economy in Western Europe continuing on a similar trajectory as before. While there is an EU wide effort to reduce carbon emissions, which has led some member countries to undertake actions to reduce cow numbers, Germany has noted declining cow numbers for other reasons during the last several years. So, no new abrupt governmental measures targeting cows are anticipated in the near term.

As 2021 ended, so did many contracts for Western European cheese. New contracts now beginning generally specify higher pricing. Manufacturers are enforcing higher prices, which brings higher revenues. Little potential for any significant increase in cheese availability in coming months is expected.

EASTERN EUROPE

Poland continues to lead other Eastern European milk producing countries in dairy output. As with Western Europe, cheese production remains a priority. Internal demand for cheese has restricted availability for export markets.

BUTTER/BUTTEROIL

In Western Europe the butter price range decisively increased, continuing recent stronger price trends. The butteroil price range is also stronger.

Butter pricing had increased into the week of December 20, then slowed, then increased again last week into this week. This price strength is difficult to interpret. Western European dairy sources note that some uncertainty often overtakes butter markets at the end of a year. Then the business often normalizes in mid-January.

Bulk butter production last week was reported to be lower than typical for the end of a year. Additionally, continuing challenges in arranging shipping yielded less product movement than hoped for. This week, buyers who often have found bargain lots from holiday bulk production in recent years have been disappointed this year. High prices for industrial cream are supporting high butter prices. This has some buyers pulling back, to wait and see.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 6,425 - 6,925

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 6,375 - 7,925

SKIM MILK POWDER

The Western European skim milk powder price range increased at the low end. The market for SMP opens 2022 very firm. The last two weeks of 2021 were characterized by little new happening. Few new deals were finalized. Sales activity had slowed. Many buyers and sellers were ending 2021 at home or away from plants and offices. A number of SMP plants were not operating at capacity, even with tight stocks on hand. Milk was not available to produce near plant capacity.

This year opens with production schedules in many plants already set for coming months. Thus, potential new customers are finding this week that they will have to step in line and endeavor to lock in SMP to be produced down the road. Pricing will remain firm.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,750 - 3,900

WHEY

The Western European whey price range is steady to higher. Current stocks are tight. Looking ahead, most buyers and sellers see low availability in coming months. Much of that seems to have been factored into current pricing. This leaves expectations of continuing supply tightness with overall relatively stable prices.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 1,250 - 1,425

WHOLE MILK POWDER

Western European whole milk powder prices pushed higher at each end of the price range. This price strength contrasted with a much lower WMP price range in Oceania, which was steady to lower. This exemplifies the current non-fungibility of Western European and Oceania produced WMP.

Many customers for Western European WMP would be happy to secure lower Oceania pricing. The continuing WMP price differential illustrates challenges in global shipping, logistics, and production – at least for WMP. Low supply is expected to characterize Western European WMP markets at least for early 2022.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,675 - 4,925

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Secondary Sourced Information:

Western European milk production January – October 2021 decreased 0.1 percent from January – October 2020 according to data supplied by the European Commission.

United Kingdom milk production January – October 2021 increased 0.4 percent from January – October 2020 according to CLAL data supplied to USDA.

Western European cheese production January – October 2021 increased 1.9 percent from January – October 2020 according to data supplied by the European Commission. This is the only increase for the period among primary dairy products except for cream, which also increased.

Western European exports of cheese January – October 2021 increased 0.3 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to the United Kingdom, followed by the United States, then Japan.

United Kingdom cheese production January – October 2021 was steady with January – October 2020 according to CLAL data supplied to USDA.

United Kingdom exports of bulk milk January – October 2021, almost all of which goes to Ireland, decreased 1.3 percent from January – October 2020 according to CLAL data made available to USDA. United Kingdom imports of bulk milk January – October 2021 increased 2.1 percent from January – October 2020 according to CLAL data made available to USDA. The largest import volumes are mostly from Ireland, followed by Germany, then Sweden. The United Kingdom is a net exporter of bulk milk.

United Kingdom exports of cheese January – October 2021 decreased 20.2 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to Ireland, followed by Belgium, then France. United Kingdom imports of cheese January – October 2021 decreased 18.2 percent from January – October 2020. The largest import volumes come from Ireland, France, and Denmark. The United Kingdom is a net importer of cheese.

Milk Production in Poland January – October 2021 increased 0.3 percent from January – October 2020 according to CLAL data made available to USDA. Butter production for the period was -5.2 percent. Cheese recorded the greatest increase of primary dairy products, up 3.0 percent. Among the powders, WMP was +2.8 percent and SMP was -6.6 percent.

Western European butter production January – October 2021 decreased 1.9 percent from January – October 2020 according to data supplied by the European Commission.

Western European exports of butter January – October 2021 decreased 17.6 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to the United Kingdom, followed by the United States, then China.

United Kingdom butter production January – October 2021 was steady with January – October 2020 according to CLAL data supplied to USDA.

United Kingdom exports of butter January – October 2021 decreased 13.1 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to Netherlands, followed by Belgium, then Italy. United Kingdom imports of butter January – October 2021 decreased 27.1 percent from January – October 2020 according to CLAL data made available to USDA. The largest import volumes are from Ireland, followed by Netherlands, then Denmark. Butter import and export volumes are close to equal.

Western European SMP production January – October 2021 decreased 4.4 percent from January – October 2020 according to data supplied by the European Commission.

Western European exports of SMP January – October 2021 decreased 3.3 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to China, followed by Algeria, then Indonesia.

United Kingdom exports of SMP January – October 2021 decreased 28.2 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes in nearly equal volumes, go to Ireland, and Netherlands, followed by Algeria. United Kingdom imports of SMP January – October 2021 decreased 29.5 percent from January – October 2020. The largest import volumes come from Ireland, Denmark, and Netherlands. The United Kingdom is a net exporter of SMP.

Western European exports of whey January – October 2021 increased 2.3 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to China, followed by Indonesia, then Malaysia.

United Kingdom exports of whey January – October 2021 decreased 31.0 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to Netherlands, followed by Ireland, then China. United Kingdom imports of whey January – October 2021 decreased 23.4 percent from January – October 2020. The largest import volumes come from Ireland, Netherlands, and Germany. Whey import and export volumes are nearly equal.

Western European WMP production January – October 2021 decreased 10.5 percent from January – October 2020 according to data supplied by the European Commission.

Western European exports of WMP January – October 2021 decreased 12.7 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to Oman, followed by Nigeria, then China.

United Kingdom exports of WMP January – October 2021 decreased 47.0 percent from January – October 2020 according to CLAL data made available to USDA. The largest export volumes go to Netherlands, followed by China, then Cote d Ivoire. United Kingdom imports of WMP January – October 2021 decreased 2.7 percent from January – October 2020. The top sources of WMP imports are Ireland, Netherlands, and Germany. The United Kingdom is a net exporter of WMP.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: A wet spring in Australia has helped with feed growth. More recent heavy rain has complicated harvesting feed. Higher costs for fertilizer cause some concern for profitability. Farm labor shortages persist. Cow milk yields are noted to be adversely affected by wet and cold weather. As the current milk season moves forward, seasonal production is considered less likely to increase over last season.

NEW ZEALAND: One of the larger New Zealand dairy processors has increased the milk pay price to what is categorized as a record level for that processor. Strong demand for milk is what is said to have resulted in the increased price. The current demand is also reflected in farm sale prices. The median price per hectare for New Zealand dairy farm sales has been reported to be rising.

BUTTER/BUTTEROIL

The butter price range in Oceania strengthened at the bottom while remaining steady at the top. Sales into February sustain the highest prices. The forward price curve for later contract periods is quite flat. Buyers were noted to be actively closing deals to lock in butter, but with some reluctance to bid the upper range prices higher. Generally level pricing across contract periods is believed to indicate general acceptance by sellers and buyers of current pricing.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 5,850 - 5,950

SKIM MILK POWDER

The Oceania skim milk powder price range advanced at the low end while remaining steady at the top. Contracts for February and March achieved the greatest percentage price increases. New Zealand sources have noted that tight global SMP stocks have brought more interest from buyers who normally shop in other regions. This has led to more acquiescence to paying higher prices for Oceania SMP – at least to a point. Now the low end of the Oceania and Western Europe SMP price ranges are equal. An observer summed things up by saying that SMP buyers are more willing to pay higher prices anywhere that they can source SMP to keep their wheels turning.

It has also been noted that a recent announcement of additional AMF volumes added to future GDT events may signal a shift to making more SMP on the New Zealand South Island, made possible by reducing WMP production. It is believed that stream returns of AMF and SMP are now greater than WMP. That leads to speculation that the announcement of higher AMF offerings will lead to future announcements of more SMP becoming available, reflecting the strong global demand.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,750 - 3,800

CHEESE

Cheese prices moved higher at each end of the Oceania price range. Demand for near term sales generated the highest price increases. Uncontracted Oceania cheese is in very short supply. Both sellers and buyers affirm that in this marketplace, buyers need to accept and pay firming cheese prices to close sales.

Recent transactions have closed after sellers fielded increasing bid prices from competing buyers. Some of the strongest bidding interest for Oceania cheese comes from Africa as buyers there, who are frustrated at not getting cheese from Western Europe, their normal source, scramble to now source from Oceania. This rather intense demand is expected to continue into coming weeks.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 5,450 - 5,575

WHOLE MILK POWDER

The whole milk powder price range in Oceania opens 2022 steady to lower than the last period. New Zealand sources have characterized the situation as a stalled market that seems to have hit a price ceiling. Looking across contract periods, pricing is mostly level. This further supports the ceiling concept. It is also noted that buying interest does not seem sufficient to absorb volumes of WMP currently available.

However, make no mistake, WMP at current prices is profitable for manufacturers. But there are indications that some milk may be diverted away from WMP to make more AMF and SMP. Those returns are now believed to be better than WMP, according to some manufacturers. It is also noteworthy that with substantially higher Western European prices for WMP, available Oceania WMP remains ahead of buying interest.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,850 - 3,875

Exchange rates for selected foreign currencies:
January 3, 2022

.0097 Argentina Peso	.0134 India Rupee
.7192 Australian Dollar	.0087 Japan yen
.1760 Brazil Real	.0488 Mexican Peso
.7845 Canadian Dollar	.6788 New Zealand Dollar
.0012 Chile Peso	.2468 Poland Zloty
1.1299 Euro	.0224 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0488) = 20.4918 Mexican Pesos. Source: "Wall Street Journal"

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INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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Secondary Sourced Information:

Seasonal milk production in Australia on a liters basis July-November 2021 decreased 0.8 percent from July-November 2020 and decreased 0.9 percent from July-November 2019 according to DCANZ and CLAL. November 2021 liters registered 2.45 percent below November 2020. Annual milk production in Australia on a liters basis January-November 2021 decreased 0.8 percent from January-November 2020 and decreased 0.9 percent from January-November 2019 according to Dairy Australia and CLAL.

Australian exports of bulk and packaged milk January-October 2021 increased 26.5 percent from January-October 2020 according to CLAL data made available to USDA. The greatest increase during the period was bulk and packaged milk exports to China, which increased 73.3 percent, and are greater than total exports to the next nine export destinations combined.

Seasonal milk production in New Zealand on a tonnage basis June-November 2021 decreased 1.5 percent from June-November 2020 and decreased 4.0 percent from June-November 2019 according to DCANZ and CLAL. November 2021 tonnage was 2.92 percent below November 2020. Seasonal milk solids production in New Zealand on a kg basis June-November 2021 decreased 1.2 percent from June-November 2020 and decreased 3.9 percent from June-November 2019.

New Zealand exports of bulk and packaged milk January-November 2021 increased 13.5 percent from January-November 2020 according to CLAL data made available to USDA. The largest export customer for bulk and packaged milk is China, increasing 21.91 percent.

At GDT event 299, on January 4, 2022, the butter all contracts price, $5,868, increased 0.3 percent. The February contract, $5,945, increased 0.2 percent.

Australian exports of butter January-October 2021 increased 60.9 percent from January-October 2020 according to CLAL data made available to USDA. The greatest increase during the period was butter exports to China, which nearly doubled, and are greater than total exports to the next three export destinations combined.

New Zealand exports of butter January-November 2021 decreased 6.7 percent from January-November 2020 according to CLAL data made available to USDA. Butter exports to China, the largest export customer, increased 15.58 percent.

At GDT event 299, on January 4, 2022, the SMP all contracts price, $3,773, increased 1.0 percent. The February contract, $3,788, decreased 0.3 percent.

Australian exports of SMP January-October 2021 increased 14.5 percent from January-October 2020 according to CLAL data made available to USDA. The top destination during the period was SMP exports to China, which were about equal to SMP total exports to the next nine destinations.

New Zealand exports of SMP January-November 2021 decreased 7.1 percent from January-November 2020 according to CLAL data made available to USDA. The largest export customer for SMP is China, increasing 23.08 percent.

At GDT event 299, on January 4, 2022, the cheddar all contracts price, $5,487, increased 4.9 percent. The February contract, $5,553, increased 7.7 percent.

Australian exports of cheese January-October 2021 increased 2.6 percent from January-October 2020 according to CLAL data made available to USDA. The top destination during the period was cheese exports to Japan, which were about double total cheese exports to China, the number two destination.

New Zealand exports of cheese January-November 2021 increased 13.8 percent from January-November 2020 according to CLAL data made available to USDA. The largest export customer for cheese is China, increasing 32.63 percent, which is also the greatest percentage increase among top customers.

At GDT event 299, on January 4, 2022, the WMP all contracts price was $3,866. The February contract, $3,868, increased 0.3 percent.

Australian exports of WMP January-October 2021 increased 54.8 percent from January-October 2020 according to CLAL data made available to USDA. The top destination during the period was WMP exports to China, which were greater than total WMP exports to the next nine destinations.

New Zealand exports of WMP January-November 2021 increased 7.1 percent from January-November 2020 according to CLAL data made available to USDA. The largest export customer for WMP is China, increasing 34.48 percent, which is also the greatest percentage increase among top customers.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Dairy production on the continent was mixed throughout 2021, but one consistency is being reported from South to North: increasing logistical costs, with an emphasis on growing feed prices, are expected to impact on-the-farm milk production near term. Recent reports for end-of-year milk production point to growth in Argentina, while other large South American producing countries, such as Brazil and Uruguay, continue to see declining output figures. Undoubtedly, economic uncertainties across the region due to pandemic impacts at the retail/consumer level and currency devaluations have left the dairy sector in choppy waters moving into 2022. Trade agreements, and disagreements alike, have export sellers seeing growth in some cases, such as a surge in Uruguay's shipment of whole milk powder into Southeast Asia. Whereas, the Algerian government's recent pushes to limit imports on milk powders, among other agricultural commodities, has negatively impacted Argentina's powder exports to one of their largest trading partners.

SKIM MILK POWDER

Skim milk powder (SMP) prices in the region are unchanged. There is a general uncertainty on dairy commodity markets, namely whole milk powder (WMP) and SMP markets. In the larger dairy production countries in South America, SMP exports are lagging last year's figures, in some cases by notable percentages. Additionally, contacts in the region continue to point out consumer uncertainty due to flu and COVID pandemic resurgences during the hot months. Farm milk production on the continent also varies widely from one country to the next, as dairy operations are facing a growing number of logistical/cost-related hurdles. Therefore, early 2022's outlook for SMP markets is foggy.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,900 - 3,400

WHOLE MILK POWDER

South American whole milk powder prices are unwavering, as market tones vary widely across the continent. Trading of dairy powders from Uruguay into Southeast Asia continues to move the needle higher for total whole milk powder (WMP) exports from Uruguay. WMP exporting has increased there, despite labor shortages and global shipping hurdles. Global competition and competitive prices from regions in South America and elsewhere have not given Brazilian WMP exports a helping hand, as they are down both year-over-year and year-to-date by a clear margin. WMP inventory levels vary widely among the busier trading countries on the continent. Global demand, though, is expected to keep trading active in early 2022, though logistical difficulties on the processing and shipping/freight sides are an overarching concern.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,450 - 3,750

Secondary Sourced Information:

At the GDT Event 299, skim milk powder (SMP) prices across all contract periods averaged $3,773 per metric ton, up one percent from the last event.