INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered February 21 - March 4, 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 Future reports may be included or withdrawn depending on availability of information.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

Western European milk production is seasonally increasing. In Germany and France, the pace of increase has recently slowed. French milk production during recent weeks was unofficially noted to be below production last year. Nearly 40 percent of Western European milk comes from Germany and France.

The United Kingdom and New Zealand signed a trade deal Monday. There is a five-year period moving to full removal of tariffs on cheese and butter exports from New Zealand. Tariffs are eliminated on all UK exports.

Western European cheese prices are increasing. This results from persistent high demand and tight supplies. Large orders from EU countries are noted. Exports are about as expected. So far the current conflict in Ukraine has not impacted cheese exports except those destined to Ukraine. Orders from Southern Europe are expected to increase to accommodate typical seasonal holiday demand. Manufacturers expect an influx of cheese orders from some Eastern European countries as part of efforts to secure food to feed refugees.

EASTERN EUROPE

During 2021 Polish production of milk, cheese, and WMP increased. SMP production decreased.

European sources report that some Eastern European countries are scrambling to secure food stocks including dairy, for use in feeding war refugees. Inquiries are particularly noted for cheese and butter. So far, most food supply chains seem to be operating satisfactorily.

BUTTER/BUTTEROIL

The Western European butter price range is mixed and narrower. Low range pricing firmed while there was some relaxation in the top of the range, attributed to French butter prices. Butteroil prices are also mixed, up at the low end but lower at the top.

Within the range some butter buyers have noted higher prices being enforced from preferred sources. Retailers are ordering more butter to stock supermarkets. Bulk butter sales for near term demand have also put upward pressure on pricing. Export demand has increased. Perhaps ironically, some manufacturers have attributed stronger butter demand from some oil exporting countries to increased purchasing power from the higher revenues being received for oil sales.

Western European butter production and exports during 2021 both decreased. Germany, France, and Ireland collectively produced over half of Western European butter during 2021.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 6,675 - 7,200

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 6,675 - 8,650

SKIM MILK POWDER

The Western European skim milk powder price range is steady. The market is characterized as stable and balanced. Further evidence of this is that most contract negotiations are now focused on Q3 2022. Very limited activity related to Q2 remains unresolved. While Ukraine developments are said to have dampened the mood of many Western European buyers and sellers, little fall out to pricing has been noted. Energy pricing moving ahead remains a bigger concern. Production and exports of SMP declined during 2021. China remains the largest export customer.

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 Western European whey price range moved gently higher. The overall market tone is stable to slightly tight at some plants. Pricing is expected to hover near current pricing in coming weeks. China was the significantly largest export customer during 2021. Demand from China is expected to remain strong, possibly even higher than during 2021.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 1,500 - 1,675

WHOLE MILK POWDER

Prices at each end of the Western European whole milk powder price range increased. Over half of Western European WMP comes from Germany and France. Manufacturers in each country report sustained buying interest, continuing inquiries, and low supplies. Continuing tight supplies and active interest are expected. Production and exports decreased during 2021.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 5,275 - 5,500

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Secondary Sourced Information:

Western European milk production January – December 2021, 144,423,000 MT, decreased 0.3 percent from January – December 2020 according to CLAL data made available to USDA. The percentage of 2021 EU milk production from some top countries is: Germany, 22 percent; France, 17 percent; Netherlands, 9 percent; Italy, 9 percent; and Ireland, 6 percent.

Western European cheese production January – December 2021, 9,487,000 MT, increased 1.1 percent from January – December 2020 according to CLAL data made available to USDA. The percentage of 2021 EU cheese production from some top countries is: Germany, 26 percent; France, 18 percent; Italy, 13 percent; and Netherlands, 10 percent.

Western European exports of cheese January – December 2021, 1,386,000 MT, decreased 1.2 percent from January – December 2020 according to CLAL data made available to USDA. Top export destinations, volumes and percent change for the period are: United Kingdom, 424,908 MT, -13.83 percent; United States, 132,930 MT, +12.89 percent; and Japan, 118,334 MT, -7.59 percent.

Milk production in Poland January – December 2021, 12,515,000 MT, increased 0.5 percent from January – December 2020 according to CLAL data made available to USDA. Butter production for the period, 231,000 MT, was -4.9 percent. Cheese production for the period, 942,000 MT, increased 3.6 percent. Among the powders, WMP, 31,000 MT, was +2.0 percent and SMP, 153,000 MT, was -7.2 percent. During 2021 Poland generated 10 percent of EU cheese, and 11 percent of EU butter.

Western European butter production January – December 2021, 2,080,000 MT, decreased 2.7 percent from January – December 2020 according to CLAL data made available to USDA. The percentage of 2021 EU butter production from some top countries is: Germany, 23 percent; France, 20 percent; Ireland, 13 percent; and Netherlands, 7 percent.

Western European exports of butter January – December 2021, 263,000 MT, decreased 15.9 percent from January – December 2020 according to CLAL data made available to USDA. Top export destinations, volumes and percent change for the period are: United Kingdom, 53,246 MT, -30.27 percent; United States, 43,317 MT, +10.76 percent; and China, 17,812 MT, +11.91 percent.

Western European SMP production January – December 2021, 1,433,000 MT, decreased 6.3 percent from January – December 2020 according to CLAL data made available to USDA. The percentage of 2021 EU SMP production from some top countries is: France, 28 percent; Germany, 25 percent; Belgium, 11 percent; and Ireland, 9 percent.

Western European exports of SMP January – December 2021, 789,000 MT, decreased 5.1 percent from January – December 2020 according to CLAL data made available to USDA. Top export destinations, volumes and percent change for the period are: China, 125,097 MT, +2.99 percent; Algeria, 89,547 MT, -24.47 percent; and Indonesia, 64,505 MT, +43.20 percent.

Western European exports of whey January – December 2021, 830,000 MT, increased 2.1 percent from January – December 2020 according to CLAL data made available to USDA. Top export destinations, volumes and percent change for the period are: China, 240,639 MT, -3.85 percent; Indonesia, 93,939 MT, +38.46 percent; and Malaysia, 67,455 MT, +5.56 percent.

Western European WMP production January – December 2021, 754,000 MT, decreased 8.1 percent from January – December 2020 according to CLAL data made available to USDA. The percentage of 2021 EU WMP production from some top countries is: Germany, 39 percent; France, 17 percent; Netherlands, 16 percent; and Denmark, 10 percent.

Western European exports of WMP January – December 2021, 298,000 MT, decreased 13.5 percent from January – December 2020 according to CLAL data made available to USDA. Top export destinations, volumes and percent change for the period are: Oman, 39,118 MT, -17.99 percent; Nigeria, 25,766 MT, +20.69 percent; and China, 22,440 MT, +39.51 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Dairy cow numbers continue to decline in Australia. An agricultural lender cites increasing competition for land with beef and sheep producers. This is driving land prices higher and leading some dairy producers to reduce herd sizes.

Dairy producers along Australia's north coast continue to struggle with heavy rain and flooding. Cows are being moved to higher ground. Other cows were saved by wading them through flood waters. Some cattle were lost to flooding. One estimate is that numbers run into the hundreds. For some producers this is the second round of this type of challenge in as many years. In between they struggled with drought and fires. Some sileage has been lost.

NEW ZEALAND: Happiness is present in New Zealand dairy markets. The overall GDT price index for all products is said by some analysts to have reached the highest level ever this week. Prices increased for every dairy commodity traded on the GDT. Dairy manufacturers in Oceania believe that global inflationary trends are weighing on milk supplies. Many dairy buyers agree and are extremely motivated to lock in contracts while they can. Strong price strength has resulted. This is expected to drive New Zealand seasonal milk price forecasts higher before long. The recent milk production results, lower than hoped for, are not now considered likely to sufficiently reverse over the rest of the current season. Lower New Zealand milk production is the likely outcome.

The United Kingdom and New Zealand signed a trade deal Monday. There is a five-year period moving to full removal of tariffs on cheese and butter exports from New Zealand. Tariffs are eliminated on all UK exports.

BUTTER/BUTTEROIL

The Oceania butter price range is up all over. One Oceania source said that butter prices exploded. Sources have stated that butter prices in Oceania are at record high levels. The price strength is attributed to North Asian buyers maintaining the position of top buyer, coupled with Middle Eastern buyers increasing typical purchase volumes. Sellers expect continued sales at high price levels. The bulk of seasonal butter has already been manufactured in New Zealand. Production continues at a low level. Australia, especially, continues to channel more milk into butter but is hampered by seasonal milk being near the low point.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 6,500 - 7,150

SKIM MILK POWDER

Oceania skim milk powder prices increased at each end of the price range. Among the strongest price increases were SMP sales for delivery in coming weeks. Unlike in Western Europe, buyers in Oceania seem to be more motivated to bid up prices for near term deliveries. North Asian buyers seemed to be most active. But even looking a few months ahead, buyers who typically source in Oceania know that Western Europe is an unrealistic alternative, so Oceania SMP buying is likely to remain very active. SMP production has been boosted by the trend of increasing prices. But so late in the milk season, there is little ability to make very much more SMP than has been planned. Most seasonal SMP is already made.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 4,300 - 4,650

CHEESE

Oceania cheese prices drove both ends of the price range higher. The top range price moved much more than the lower range. Price increases for all contract periods is called massive by some sources. A big factor is less cheese being available to sell. Another factor is that Middle Eastern buyers significantly their increased purchase volumes.

Thus an unknown going forward is what Middle Eastern buyers have in mind. The magnitude of the Oceania cheese price increase is such that some United States cheese buyers who typically do little business with Oceania have been asking around to assess what is going on. Cheese manufacturing has become increasingly profitable in both New Zealand and Australia this season. Pricing is now extremely high, so some milk previously intended for other uses is shifting toward cheese if the milk supplies are close enough to cheese plants. Even so, most of the seasonal cheese has already been made.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 5,650 - 6,650

WHOLE MILK POWDER

The Oceania whole milk powder price range is higher at each end. Pricing is stronger through coming months as well as for spot sales now. The heaviest buying interest comes from North Asian buyers, a bit less so from Africa. Southeast Asian buyers were also active. South and Central American buyers were noted to buy more than is typical for that region.

Oceania dairy sources expect the WMP market tone to continue up and up. With WMP prices being the most important dairy product driving milk price forecasts in Oceania, the continuing strength of WMP is considered very likely to lead to increased seasonal milk price forecasts. WMP production in New Zealand is well toward the seasonal low point. Available milk tends to be drawn to WMP production but recent pricing increases for some other dairy products are giving WMP competition for seasonally low milk supplies. Australia is not as focused on WMP, so production there is minimal in the scope of the region.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,450 - 4,775

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Exchange rates for selected foreign currencies: February 28, 2022

.0093	Argentina Peso	.0133	India Rupee
.7262	Australian Dollar	.0087	Japan yen
.1938	Brazil Real	.0489	Mexican Peso
.7889	Canadian Dollar	.6774	New Zealand Dollar
.0013	Chile Peso	.2387	Poland Zloty
1.1220	Euro	.0235	Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0489) = 20.4499 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

At GDT event 303, on March 1, 2022, the butter all contracts price, $7,086, increased 5.9 percent. The April contract, $7,090, increased 5.6 percent.

At GDT event 303, on March 1, 2022, the SMP all contracts price, $4,481, increased 4.7 percent. The April contract, $4,640, increased 7.1 percent.

At GDT event 303, on March 1, 2022, the cheddar all contracts price, $6,394, increased 10.9 percent. The April contract, $6,640, increased 12.4 percent.

At GDT event 303, on March 1, 2022, the WMP all contracts price, $4,757, increased 5.7 percent. The April contract, $4,748, increased 4.9 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

South American crop yields remain bearishly variant, but there are some reports of late season precipitation benefitting parts of southern Brazil and Argentina. As mentioned in previous reports, Brazilian bean projections have been cut by CONAB. They remain lower, but rains may help with what was, until recently, very dry fields. Some of the bean yields that have been harvested were reportedly light due to the lack of moisture. Feed and other production costs grew incrementally in 2021, and South American dairy farmers are facing challenging financial situations early in 2022. The consensus viewpoint is these fiscal hurdles will not end anytime soon. Additionally, reports relay that although the COVID impact has eased in the region, its financial effect is far from easing at the consumer and end user levels. Like the rest of the world, South American contacts are eyeing the Ukrainian situation with unease. Brazilian dairy market participants relay there is a notable concern as to how long the conflict lasts, and markets are clearly uncertain. Regionally, due to supply limitations, dairy powder prices continue to show clear gains. Contacts say despite the uncertainties of local and global situations, dairy powders are globally tight and demand remains steady enough to maintain bullish price movements.

SKIM MILK POWDER

Skim milk powder (SMP) prices showed a marked gain this report cycle, based on continued supply limitations globally and regionally. Sales projections for Q2 are expected to show little to no downside for producers/sellers, regarding prices, despite the port congestion situation. Contacts in the region are concerned over the uncertainties resulting from the Ukraine situation. This is enhanced for larger exporting countries like Uruguay and Argentina, particularly as Brazilian imports continue to decline based on a number of factors, from currency devaluation to hindered consumer demand. All said, markets are uncertain but current and projected limits on milk production and processing are keeping price movements bullish.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,850 - 4,150

WHOLE MILK POWDER

Whole milk powder prices moved up in response to both the continuation of global tightness and global milkfat demands. Regional contacts, like the rest of the world, are closely watching the Ukrainian situation, particularly countries in the region that hold Russia as one of their top trade partners. Latin American contacts say marketers are very concerned over the uncertainty due to the conflict. Still, as milk production, both regionally and internationally, are experiencing external pressures from feed and fertilizer price increases to labor shortages, there remain some bullish tones regarding limits on availability.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,050 - 4,300

Secondary Sourced Information:

From GDT: At event 303, on March 1st, skim milk powder prices across all contract periods averaged $4,481 per metric ton, up 4.7 percent from the previous event.

From GDT: At event 303, on March 1st, whole milk powder prices across all contract periods averaged $4,757 per metric ton, up 5.7 percent from the previous event.