INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered May 11 - 22, 2020

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 Future reports may be included or withdrawn depending on availability of information.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

Milk production in most Western European countries is near the seasonal peak. Early observations peg German milk production last week as being up 0.5 percent from the same week last year. Warmer weather and easing of COVID-19 restrictions are factors motivating more ordering of dairy products from the food service industry.

January – March 2020 milk production in the EU increased 2.9 percent YTD compared with January – March 2019 according to Eurostat. March 2020 production increased 1.7 percent from March 2019. YTD German production increased 1.9 percent; France increased 2.1 percent; Italy increased 4.0 percent; Netherlands increased 3.8 percent; and Ireland increased 3.6 percent.

January – March 2020 cheese production in the EU increased 2.5 percent YTD compared with January – March 2019 according to Eurostat. March 2020 production increased 2.1 percent from March 2019. Cheese production percent changes in some countries YTD and YOY include Germany, +5.7, +6.1 percent; France, +1.8, +0.9 percent; Italy, 0.0. +1.1; and Netherlands, -3.6, -3.6.

January – March 2020 cheese exports from the EU, 232,000 MT, increased 11.0 percent YTD according to CLAL data made available to USDA.

Applications for Private Storage Aid (PSA) for cheese during the second week of the current program, May 11 – 17, 2020, totaled 6,040 MT according to Eucolait. The total amount of cheese in PSA is 34,384 MT, 34 percent of the fill rate.

EASTERN OVERVIEW

Poland, traditionally the largest Eastern European milk producer, had 3.3 percent higher milk production January – March 2020 than the same period of 2019 according to Eurostat. Poland production percent changes YTD and YOY include cheese, +6.9, 2.2; butter, 7.7, 9.9; SMP, -12.9, -15.9; and WMP, +2.2, +13.2.

BUTTER

Western European butter prices moved higher. Butteroil prices are steady to higher. Easing of COVID-19 restrictions in some EU countries, May religious holidays, and asparagus season all combined to spur demand for packaged butter.

Bulk butter demand has also increased through Q2 and Q3. Industrial customers are expanding production of products using butter. Q2 production is increasingly committed. Q3 contracts are under active discussion but are slower to close because sellers and buyers have different pricing expectations.

Applications for Private Storage Aid (PSA) for butter during the second week of the current program, May 11 – 17, 2020, totaled 8,989 MT according to Eucolait. The total amount of butter in PSA is 24,332 MT.

Western Europe, 82% Butterfat, Free on Board - Port Butter Price Range - $/MT: 2,350 - 2,600

Western Europe, 99% Butterfat, Free on Board - Port Butteroil Price Range - $/MT: 3,100 - 4,100

Secondary Sourced Information:

Butter production in the EU increased 2.2 percent January – March 2020 compared with January – March 2019 according to Eurostat. March 2020 butter production increased 5.1 percent YOY. Butter production percent changes in some countries YTD and YOY include Germany, +0.9, +3.7 percent; France, +4.8, +8.8 percent; Italy, +0.2. -0.3; Netherlands, -5.4, -7.1; and Ireland, -1.0, +2.7.

January – March 2020 butter exports from the EU, 68,000 MT, increased 70.5 percent YTD according to CLAL data made available to USDA.

SKIM MILK POWDER

Skim milk powder prices in Western Europe increased at the low end of the price range, but remained steady at the top. Demand for SMP is called constant. Some buyers have decided they would like to secure current pricing in the long run. There are now contracting discussions underway through Q4 2020. In some cases, buyers are seeking to contract into 2021. Of course, sellers are less motivated to lock in current pricing so far in advance. Still, some contracts through this year are finalized with a bit of a premium to current prices for deliveries later in 2020.

Applications for Private Storage Aid (PSA) for SMP during the second week of the current program, May 11 – 17, 2020, totaled 2,177 MT according to Eucolait. The total amount of SMP in PSA is 3,377 MT.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder Price Range - 1.25% Butterfat; $/MT: 1,750 - 1,900

Secondary Sourced Information:

SMP production in the EU decreased 0.1 percent January – March 2020 compared with January – March 2019 according to Eurostat. March 2020 butter production decreased 3.7 percent YOY. SMP production percent changes in some countries YTD and YOY include Germany, +1.6, -2.9 percent; France, +6.0, -0.9 percent; and Netherlands, +26.2, +25.0.

January – March 2020 SMP exports from the EU, 198,000 MT, decreased 24.3 percent YTD according to CLAL data made available to USDA.

CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered May 11 - 22, 2020

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.

CONTINUED FROM PAGE 8

DRY WHEY

Western European whey prices are slightly higher at the bottom of the price range, but steady at the top. Sources note that whey powder availability is more limited recently. This is attributed to a manufacturer preference for drying skim milk powder right now. The overall market for food grade whey is considered stable.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 650 - 825

Secondary Sourced Information:

January – March 2020 whey exports from the EU, 180,000 MT, increased 8.4 percent YOY according to CLAL data made available to USDA.

WHOLE MILK POWDER

Whole milk powder prices in Western Europe are slightly lower. Pricing is inconsistent within the EU. Sources describe the market as moving smoothly. Export demand outside the EU presents few opportunities. The focus of production is sales within the EU.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,300 - 2,475

Secondary Sourced Information:

WMP production in the EU increased 10.5 percent January – March 2020 compared with January – March 2019 according to Eurostat. March 2020 WMP production increased 11.3 percent YOY. WMP production percent changes in some countries YTD and YOY include Netherlands, +20.7, +9.4; Germany, -1.3, +17.7 percent; and France, +17.2, +21.9.

January – March 2020 WMP exports from the EU, 74,000 MT, increased 6.0 percent YTD according to CLAL data made available to USDA.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 11 - 22 , 2020

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.

OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA:

Air freight dairy product exports from Australia to some countries in Asia typically occur on airplanes also carrying passengers. The sharp decline in passenger flights due to COVID-19 has hindered maintaining air freight dairy exports to meet contract obligations. The Australian government has begun a program to subsidize these exports by facilitating wider use of dedicated freight carrying planes. The logistics are still being worked out.

While dairy trade has moved toward normal as COVID-19 concerns abate, a new dispute is developing between Australia and China, a major customer for Australian dairy exports. Sources in Australia express concern with comments from some Chinese officials, suggesting that China may impose tariffs and other restrictive measures on Australian dairy exports to China if Australia does not back down from seeking an investigation into the origins of COVID-19. Discussions are believed to be underway in an attempt to prevent deterioration of trade relationships.

NEW ZEALAND:

The end of the dairy season in New Zealand is looming closer. Milk production is near the expected low point. Dairy producers await the anticipated June 1 announcement from a large dairy cooperative of the 2020/21 seasonal milk pay price. Some agricultural bankers anticipate a reduction in the previously projected price, due to slowing global economic activity.

New Zealand continues to be very dry. Hopes for more rain leading to better conditions to begin the new season are widespread. But many lenders expect struggles to continue.

An annual dairy industry event in New Zealand is Moving Day. That is when many share milkers move cows, equipment, and families, to new farms. This year COVID-19 has led to requiring additional measures to be taken. Records must be kept of everyone involved in moves to permit contact tracing if needed. It is recommended that cows being moved, not be milked during the journey so drying cows is typical.

BUTTER/BUTTEROIL

Butter prices in Oceania are lower. Various factors have converged to weaken prices. The continuing disparity with lower European butter prices has refocused some buying interest to Western Europe, where heavy butter supplies have sent some inventories into government funded Private Storage Aid (PSA) programs. Manufacturers in Western Europe are motivated to make deals. Recent demand from North Asia and Southeast Asia has weakened. Those areas are typically active buyers of Oceania butter. Finally, spot market demand for Oceania butter is low overall.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 3,800 - 3,900

Secondary Sourced Information:

At GDT event 260 on May 19, the butter all contracts price, $3,803, decreased 1.9 percent. The July contract, $3,800, decreased 2.1 percent. The June contract did not trade.

Australian exports of butter July 2019 – March 2020, 6,231 MT, compared with July 2018 – March 2019, decreased 37.5 percent according to Dairy Australia. January – March 2020 exports of butter, 2,700 MT, decreased 51.8 percent YOY according to CLAL data made available to USDA.

SKIM MILK POWDER

Oceania skim milk powder prices for product manufactured in the region strengthened. Dairy manufacturing export buyers are seeking to make up for lower purchases during the height of COVID-19. Renewed economic activity in China and Asia has fueled the stronger late season buying interest.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,550 - 2,650

Secondary Sourced Information:

At GDT event 260 on May 19, the SMP all contracts price, $2,549, increased 6.7 percent. The June contract, $2,644, increased 9.0 percent

Australian exports of SMP July 2019 – March 2020, 77,238 MT, compared with July 2018 – March 2019, decreased 36.2 percent according to Dairy Australia. January – March 2020 exports of SMP, 33,000 MT, decreased 25.2 percent YOY according to CLAL data made available to USDA.

CHEESE

Cheddar prices in Oceania declined. Sources note that more late season Oceania cheddar has recently become available for sale. Oceania cheddar is showing signs of longer stocks due to lower buying volumes from food service accounts.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 3,875 - 4,000

Secondary Sourced Information:

At GDT event 260 on May 19, the cheddar all contracts price, $3,864, decreased 6.0 percent. The June contract, $3,880, decreased 3.0 percent.

Australian exports of other cheese July 2019 – March 2020, 27,958 MT, compared with July 2018 – March 2019, decreased 24.6 percent according to Dairy Australia.

January – March 2020 Australian exports of cheese, 37,000 MT, increased 2.2 percent YOY according to CLAL data made available to USDA.

CONTINUED ON PAGE 8C

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 11 - 22 , 2020

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.

CONTINUED FROM PAGE 8B

WHOLE MILK POWDER

Oceania whole milk powder prices are slightly lower. The decline is considered more of a trading fluctuation, not a new trend. In fact, more New Zealand WMP recently became available in spot markets to move along higher WMP production during the last two months than had been expected. With the milk production season nearing the end, manufacturers wanted to clear uncommitted inventories. Sources view the relatively modest price decline as an indicator of overall steady demand for New Zealand WMP.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,600 - 2,750

Secondary Sourced Information:

At GDT event 260 on May 19, the WMP all contracts price, $2,677, decreased 0.5 percent. The June contract, $2,621, decreased 0.5 percent.

Australian exports of WMP July 2019 – March 2020, 35,719 MT, compared with July 2018 – March 2019, decreased 9.1 percent according to Dairy Australia. January – March 2020 exports of WMP, 11,000 MT, decreased 4.0 percent YOY according to CLAL data made available to USDA.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

Information gathered May 11 - 22, 2020

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.

SOUTH AMERICA OVERVIEW

In Argentina and Uruguay, farm milk production is steadily improving, in line with fall seasonal patterns. Currently, milk intakes are more than enough to meet most manufacturing needs. The cream market remains firm, but butterfat supplies are slowly becoming more accessible in the market. The high price of corn and soybeans, the low value of local currencies, and steady farmgate prices, have not been favorable for small dairy producers without economies of scale.

In Brazil, farm milk production is down. Milk intakes are less than enough to meet processors' demands. COVID-19 cases are peaking up across the country. Nevertheless, the operations for farm milk collection, milk manufacturing, and dairy product distribution have remained relatively normal. Overall, from sellers' perspectives, market conditions for most dairy products have improved as supply is generally below customers' demands. Stock levels for cheese, UHT milk, and milk powder are reported as low, while prices are rising. Meanwhile, yogurt retail sales have been very active for the past two weeks.

SKIM MILK POWDER

In the Southern Cone of South America, skim milk powder (SMP) free on board export prices are higher, in line with upward trends at some offshore auctions. A few export sales within Mercosur, particularly from Argentina/Uruguay to Brazil, pushed up the top of the price range. In the same fashion, moderate export trading to Algeria pulled higher the low-end price of the range. SMP demand has strengthened throughout the past two weeks, but inventories seem committed thru near future contracts. SMP production is very limited as most of the drying time is spent in manufacturing WMP.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,450 - 2,650

Secondary Sourced Information:

At the GDT Event 260 on May 19, skim milk powder (SMP) prices across all contract periods averaged $2,549 per metric ton, up 6.7 percent from the last event.

WHOLE MILK POWDER

In the Southern Cone region of the continent, free on board export prices for whole milk powder (WMP) adjusted higher to reflect the current bullish market conditions inside and outside the Mercosur bloc. The bottom of the pricing range is reflecting moderate exports to Algeria, while the top is mirroring light Brazilian imports mainly from Uruguay and Argentina. Overall, there are some glimpses of optimism among industry participants, as buyers are more confident to buy regardless of COVID-19 pressure in the market. WMP production is limited and inventories are slightly lower.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,750 - 3,100

Secondary Sourced Information:

At the GDT Event 260 on May 19, whole milk powder (WMP) prices across all contract periods averaged $2,677 per metric ton, down 0.5 percent from the last event.