

**INTERNATIONAL DAIRY MARKET NEWS - EUROPE**

Information gathered November 23 - December 4, 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 Future reports may be included or withdrawn depending on availability of information.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**

German observers report that the seasonal valley of milk production has been passed through and production is increasing. Components are also reported to be increasing. A trend of generally increasing milk production is expected to continue until about May 2021. This general pattern is also expected in most of the primary Western European milk producing nations.

EU-UK Brexit negotiations remain ongoing. If no further agreement is reached soon, on January 1, 2021, products entering the EU from the UK will be subject to full customs as well as sanitary and phytosanitary (SPS) procedures, according to Eucolait. Requirements for EU products entering the UK will be phased in over a 6-month period from January to July 2021 (in accordance with the UK 'Border Operating Model').

Last week, agreement was reached to bridge the current Common Agricultural Policy (CAP) with the future CAP. The current policy expires at the end of 2020. The agreement extends existing rules to the end of 2022. Essentially the extension allows EU member nations to continue making direct payments to rural development participants.

Cheese demand from retail stores has been very strong. This is attributed to more in-home meals resulting from COVID-19 impacts. In some cases manufacturers have had to decline to accept new orders for lack of milk or capacity, or both.

**EASTERN EUROPE**

Ukraine exports of primary dairy products January – September 2020 were below January – September 2019. Results include butter, -43.7 percent; SMP, -27.0 percent; WMP, -59.6 percent; and cheese, -21.1 percent, according to CLAL data made available to USDA.

**BUTTER/BUTTEROIL**

The butter price range in Western Europe is steady. Some plants with pricing within the range notched prices higher in sales this period. The highest butter prices are reported in Belgium, followed by Germany, Italy, France, then Netherlands. The butteroil price range is steady to higher.

Normal seasonal holiday retail demand for packaged butter is boosted this year by more home consumption related to COVID-19. Bulk butter demand comes mostly from within the EU. Most sales interest is short term delivery dates. New export interest to the rest of the world is currently slow. COVID-19 and Brexit uncertainties are matters of concern as to how butter pricing may be affected.

Western Europe, 82% Butterfat, Free on Board - Port Butter  
Price Range - \$/MT: 3,900 - 4,200

Western Europe, 99% Butterfat, Free on Board - Port Butteroil  
Price Range - \$/MT: 4,600 - 4,950

**SKIM MILK POWDER**

The Western European skim milk powder price range strengthened. The highest prices tend to be found in Germany, followed by Belgium, France, then Netherlands. Demand from manufacturers increased toward the end of November. Earlier in November more buying had been focused on dealers because they were more price flexible than many manufacturers. Some internal EU buyers had been holding back but recently found it necessary to lock in new deals with manufacturers.

Export interest has also picked up. Western European SMP continues to hold a price advantage over Oceania SMP. That is a factor in some deals with buyers who do not have strong source preferences where transport is not an issue.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder  
Price Range - 1.25% Butterfat; \$/MT: 2,550 - 2,700

**WHEY**

Dry whey pricing in Western Europe is steady. Volumes of liquid whey available for drying and dryer schedules have kept dry whey supplies at a level called sufficient by observers. Some manufacturers report increased demand through late November but production and stocks on hand have kept prices steady. Contracting for Q1 2021 is proceeding at an expected pace.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey  
Price Range - Non-Hygroscopic; \$/MT: 850 - 1,000

**WHOLE MILK POWDER**

The whole milk powder price range in Western Europe is higher. Low range pricing firmed more than top range pricing. Manufacturers cite some pent-up demand that had developed through earlier November as helping them hold out for higher prices which more buyers are now willing to pay to get stocked. This buying interest is expected to continue in the near term.

This year has been a pleasant surprise for Western European WMP manufacturers in terms of export demand. In the past, exports have been an afterthought for many manufacturers who focused on the internal EU market. Now some manufacturers have begun to get acclimated to export relationships which have developed through 2020.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder  
Price Range - 26% Butterfat; \$/MT: 3,250 - 3,400

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## OCEANIA DAIRY MARKET OVERVIEW

**AUSTRALIA:** Dairy producers in Australia are concerned with the heat wave which has covered much of the country. With summer about to begin, sources note that temperatures in some interior areas have reached 113 degrees already. Typically, the hottest temperatures are recorded in January. Hundreds of wildfires have already been reported in New South Wales, Victoria and Queensland. Recalling the massive fires last year which generated smoke that circled the earth there is great apprehension as to whether this early extreme heat is a harbinger of things to come.

**NEW ZEALAND:** October 2020 New Zealand milksolids reported by DCANZ and CLAL, 267,666 million kg, are up 0.28 percent from October 2019 milksolids, 266,907 million kg. October 2020 milk production, 3,240 million MT, is up 0.84 percent from October 2019, 3,213 million MT. Seasonal milksolids (June – October 2020) are up 1.84 percent YOY. Total seasonal milk production through October leads last season by 2.07 percent.

Unusually dry New Zealand weather is causing increasing concern about adverse impacts on milk production moving through summer. Observers believe relief from rain is needed to maintain higher milk output than last season.

## BUTTER/BUTTEROIL

The Oceania butter price range moved higher, continuing a recent trend. Buyers are stepping up to lay claim to butter for coming months. There does not seem to be much reason to hold back and hope for significantly weaker prices. The Oceania milk production season is in the waning phase. With some concerns about dryness and heat, the only consideration now is how fast butter production will decline.

Oceania, 82% Butterfat, Free on Board - Port Butter  
Price Range - \$/MT: 3,875 - 4,025

Secondary Sourced Information:

At GDT event 273 on December 1, the butter all contracts price, \$3,986, increased 3.8 percent. The January contract, \$4,005 increased 4.4 percent.

Butter exports from New Zealand January – October 2020, 337,000 MT, decreased 8.2 percent from January – October, 2020, according to CLAL data made available to USDA.

## SKIM MILK POWDER

The Oceania skim milk powder price range firmed. Recent demand from export customers has picked up. Many Asian buyers are motivated to execute contracts to lock in supply, even into Q2 2021. It is hoped that current export interest, if it continues, will overcome slower export activity earlier in 2020. So far, heightened COVID-19 related factors do not seem to have slowed shipments. New Zealand manufacturing plants have maintained active schedules to keep the SMP flowing.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder  
Price Range - 1.25% Butterfat; \$/MT: 2,825 - 2,925

Secondary Sourced Information:

At GDT event 273 on December 1, the SMP all contracts price, \$2,889, increased 3.6 percent. The January contract, \$2,901 increased 2.1 percent.

SMP exports from New Zealand January – October 2020, 271,000 MT, decreased 4.9 percent from January – October, 2020, according to CLAL data made available to USDA.

## CHEESE

Following recent weakness in Oceania cheddar prices, the Oceania cheddar price range moved higher this period. There has been a recent increase in year end buying interest. A source noted that while cheddar prices followed the general trend of higher dairy prices, there was also a noticeable increase in buying interest from some customers who had recently slowed their buying pattern. Whatever factors were in play, cheese manufacturers are pleased with the renewed late year interest and sales.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,  
Price Range - \$/MT: 3,700 - 3,850

Secondary Sourced Information:

At GDT event 273 on December 1, the cheddar all contracts price, \$3,734, increased 2.4 percent. The January contract, \$3,775 increased 4.3 percent.

Cheese exports from New Zealand January – October, 2020, 254,000 MT, decreased 6.3 percent from January – October, 2020, according to CLAL data made available to USDA.

## WHOLE MILK POWDER

The Oceania whole milk powder price range moved higher, as well as prices at many individual plants within the range. Producers and dairy manufacturers are heartened by the strong upward market movement. The magnitude of the price increases was something of a surprise. While WMP production is seasonally declining, there is still a lot of seasonal production ahead. With WMP being the leading contributor to milk prices received by producers, hope for a good season remains strong.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder  
Price Range - 26% Butterfat; \$/MT: 3,050 - 3,175

Secondary Sourced Information:

At GDT event 273 on December 1, the WMP all contracts price, \$3,182, increased 5.0 percent. The January contract, \$3,179 increased 4.4 percent.

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WMP exports from New Zealand January – October 2020, 1,128,000 MT, decreased 1.1 percent from January – October, 2020, according to CLAL data made available to USDA.

**Exchange rates for selected foreign currencies:  
November 30, 2020**

.0123 Argentina Peso	.0135 India Rupee
.7342 Australian Dollar	.0096 Japan yen
.1875 Brazil Real	.0496 Mexican Peso
.7688 Canadian Dollar	.7013 New Zealand Dollar
.0013 Chile Peso	.2662 Poland Zloty
1.1926 Euro	.0235 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0496) = 20.1613$  Mexican Pesos. Source: "Wall Street Journal"

**INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA**

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**SOUTH AMERICA OVERVIEW**

At the farm level, milk production in South America is seasonally declining as high early summer temperatures are diminishing dairy herds' comfort. Nevertheless, milk volumes are described as adequate to meet most needs within the food processing industry, particularly in Argentina and Uruguay. On the other hand, in Brazil, milk volumes are well below the strong demands from domestic dairy processors. At the continental level, albeit there are relatively more lockdowns due to COVID-19, the consumption of dairy products has been resilient and strong, which in turn is preventing any large over-supply of raw milk. Therefore, less milk intakes have been clearing into balancing plants compare to a few month ago. The trading activity of milk powders, and cheese to Brazil, Algeria and Russia remain hearty, but inventories are limited.

In terms of weather, La Niña is bringing mixed climate conditions across the continent, but the quantity and quality of forage has been marginally affected, at least at this time. That said, so far, the planting of soybeans and corn has been delayed due to very dry or very rainy weather across the main agriculture zones.

**SKIM MILK POWDER**

Throughout the main ports of the South American Southern Cone region, skim milk powder (SMP) free on board export prices are inching up on moderate trading. This niche market is transitioning from unsettled to bullish territory as supply is limited while demand is steady to strong. In the last two weeks, drying schedules for skim milk have been reduced since most processors focus on WMP production. According to some industry stakeholders, SMP supplies are expected to be short, at least during the summer, when farm milk output is typically at the lowest seasonal point.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder  
Price Range - 1.25% Butterfat; \$/MT: 2,850 - 2,925

Secondary Sourced Information:

At the GDT Event 273 on December 1, skim milk powder (SMP) prices across all contract periods averaged \$2,889 per metric ton, up 3.6 percent from the last event.

**WHOLE MILK POWDER**

Export prices for whole powder (WMP) shifted up throughout the Southern Cone of South America. For some contacts, the WMP market is transitioning from weak to strong status. With the active processing of bottled milk, UHT, and cheese, less milk is flowing to dryers. Therefore, WMP inventories are below the current regional and international demands. The market undertone is strong as this point.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder  
Price Range - 26% Butterfat; \$/MT: 3,150 - 3,225  
Secondary Sourced Information:

At the GDT Event 273 on December 1, whole milk powder (WMP) prices across all contract periods averaged \$3,182 per metric ton, up 5.0 percent from the last event.