

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 6 - 17, 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 Future reports may be included or withdrawn depending on availability of information.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

Industry contacts in Europe report milk output is seasonally declining. After recovering in parts of Europe in July, summer heat and humidity has pressed milk volumes lower later in the summer. Contacts suggest milk deliveries are shrinking week to week and are below levels from last year. Cream and skim milk concentrate supplies are also tight. Prices for raw milk and cream have risen through the last couple months. In many cases, milk handlers are moving milk into cheese production at the expense of fluid milk, butter and milk powder production.

Tighter milk supplies have had an impact on production and available stocks of manufactured dairy goods. While manufacturers can fill contractual obligations, the ability to fill added inquiries is limited. Processors that can fill added requests are finding logistical challenges to moving goods. Like much of the world, shipping containers are scarce, and vessel space is costly. Most product demand originates from within Europe, and export opportunities are quiet. However, limited trucks and drivers on the continent add to the logistical challenges.

EASTERN EUROPE

Like much of Europe, milk production in Eastern Europe is also in seasonal decline. Contacts report milk output is decreasing in a typical pattern. Manufacturers are reshuffling milk supplies to fill cheese production needs above other processing channels.

BUTTER/BUTTEROIL

European butter prices are firming. Industry sources say packaged butter orders are increasing because of summer holidays ending and favorable consumer prices in retail markets. Block butter manufacturers are also moving prices higher to cover the increased cost of cream supplies. Cream availability has diminished along with seasonal milk output declines, and, as a result, cream prices have increased. Butter production and supplies are more limited, but some buyers have yet to commit to making purchases beyond immediate needs. The price range for European butteroil has expanded.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,750 - 4,975

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 5,600 - 6,075

SKIM MILK POWDER

Prices for European skim milk powder moved higher at both ends of the reported price range. SMP supplies are tight. Strong exports in the first half of the year created a situation of depleted SMP stocks, and manufacturers have not been able to replenish SMP inventories because of weak milk supplies. Demand is growing,

with most of the inquiries coming from inside Europe. Export demand is limited and difficult to fill because of SMP supply issues and shipping challenges. Manufacturers are trying to fill commitments but are cautious to not overextend themselves. There is some uncertainty about how much milk may be available for processing in the near term.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,950 - 3,250

WHEY

The European whey price range is unchanged. While demand and prices for feed grade whey has picked up, food whey is trading at stable prices. Industry sources suggest whey demand from Asia has increased. Whey supplies are adequate to fill most industry contractual needs, but not much else. Whey powder production is subdued. As milk output declines seasonally, lowering cheese production, there are less whey solids available for whey production.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,100 - 1,325

WHOLE MILK POWDER

European whole milk powder prices moved slightly higher. While demand is present within Europe, export demand is quiet. Industry sources report inventories are tight. Manufacturers can fill most customer needs, but extra loads take additional time and effort to fill. WMP production is hindered by seasonally lower milk output volumes. In addition, WMP production must compete for available raw milk supplies with other dairy products.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,750 - 3,975

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CONTINUED FROM PAGE 8**WESTERN EUROPEAN SECONDARY DATA:**

According to Eurostat data, among some of the leading Western European milk producing countries, the monthly percentage change of raw cows' milk delivered to dairies for July 2021 compared with July 2020 and June 2021 are Germany, -1.2 percent, +2.0 percent; France, -1.9 percent, -3.0 percent; Netherlands -3.1 percent, +0.9 percent; Ireland +3.3 percent, -4.6 percent; and Italy, +6.3 percent, -0.2 percent.

EU raw cows' milk delivered to dairies January – July 2021 is estimated at 87,053,000 MT, down 0.1 percent when compared to January – July 2020 EU milk production, according to CLAL data made available to USDA. Among some of the top Western EU milk producers, the percentage changes January-July 2021 compared with January-July 2020 are Germany, -1.6 percent; France, -1.3 percent; Netherlands, -1.9 percent; Italy, +3.3 percent; and Ireland, +6.4 percent.

According to CLAL data made available to USDA, provisional July 2021 raw cows' milk delivered to dairies in the UK was 1.287 million tons, down 1.1 percent from July 2020. Year-to-date milk deliveries through July 2021 in the UK, 9.329 million tons, increased 0.7 percent compared to year-to-date milk deliveries through July 2020.

EASTERN EUROPEAN SECONDARY DATA:

According to Eurostat data, July 2021 raw cows' milk delivered to dairies in Poland was 1,067,870 MT, down 1.1 percent from July 2020, and down 0.9 percent from June 2021.

According to CLAL data made available to USDA, January - July 2021 raw cows' milk delivered to dairies in Poland was 7,455,000 MT, up 0.3 percent from January - June 2020. July 2021 raw cows' milk delivered to dairies in Ukraine was 871,500 tons, down 8.4 percent from July 2020. Year-to-date milk deliveries through July 2021 in Ukraine, 5.190 million tons, decreased 6.1 percent compared to year-to-date milk deliveries through July 2020.

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July milk production in Australia was weaker than expected to start off the 2021-2022 milk season. However, industry sources suggest plentiful rain, good soil moisture levels and good pasture growth may help support an increase Australian milk output for the upcoming months. The Australian Bureau of Meteorology predicts above average rainfall for September to November in some of the main dairy regions of Australia, promoting strong pasture growth and milk yields. In addition, lower interest rates, solid milk prices and stable dairy product demand may help farm profitability and boost farmer confidence. Current Australian raw milk prices are roughly AU \$7.50/kg MS, up significantly from 2017 and 2018. However, farm exits and lower herd numbers could limit the growth of Australia dairy production.

NEW ZEALAND: In a reversal of fortunes, prices for all commodities offered on the latest GDT event moved higher. Processors had been signaling tighter supplies for dairy products for several weeks, but buyers were slow to respond until now. As a result of the GDT event results, several industry analysts raised their milk price forecasts. They cite the firming market prices, subdued supplies and an uptick in demand as fuel for the upward moving forecasts. However, some other analysts urge caution. Increases in Chinese dairy production and growing dairy product inventories in China could weigh on dairy markets. Current New Zealand milk price forecasts range from NZ \$7.80 to \$8.30 per kg MS.

The New Zealand 2021-2022 milk season is still taking shape, but so far, so good, according to industry contacts. Adequate soil moisture and pasture growth are supportive of solid milk yields. Calving is nearing completion, and initial projections of milk output are favorable. Industry weather watchers are keeping an eye on the potential development of a La Nina event this year. This could lead to warmer, drier conditions in the lead up to the southern hemisphere summer.

BUTTER/BUTTEROIL

Oceania butter prices moved higher at both ends of the price range. Buyers from northern Asia and the Middle East bought significant volumes of butter on the latest GDT event. A strong showing at the GDT prompted robust sales and higher prices from manufacturers. Solid retail demand coupled with increasing opportunities for exports are lending support to market prices. Production and inventories are still a little tight as Oceania is only a few months into the milk production season.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,750 - 5,000

SKIM MILK POWDER

Skim milk powder prices in Oceania moved higher as buyers become more eager to assure coverage. Market participants from Southeast Asia provided a lot of the interest at the latest GDT event, and manu-

facturers are selling loads of SMP at higher prices. There is a sentiment among industry sources that Oceania SMP supplies are tight and may become more so, even as the milk season takes shape. A few Oceania manufacturers plan to divert more milk into cheese and casein production instead of SMP production this year. Some market observers note that SMP offers from other major producing regions are lighter.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,050 - 3,300

CHEESE

Prices for Oceania cheddar cheese are higher. While manufacturer sale prices are relatively stable, cheddar prices at the latest GDT event lifted. The resulting price range is narrow, and market analysts note a flat price curve for future Oceania cheddar cheese contract offerings. Cheese supplies are in balance with demand. Some industry sources expect Oceania manufacturers will produce more cheese within the dairy product mix during the upcoming milk production season.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,300 - 4,350

WHOLE MILK POWDER

Oceania whole milk powder prices are steady to higher. After weeks of prices trending lower, WMP prices at the latest GDT event turned and moved upwards. Market participants suggest lower volumes offered on the GDT and strong off-platform contracting sent signals for potential tightness within WMP markets. Buyers, eager to assure near term coverage, jumped in and made purchases. Manufacturers report higher priced sales since the GDT.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,500 - 3,775

Exchange rates for selected foreign currencies:
September 13, 2021

.0102 Argentina Peso	.0136 India Rupee
.7369 Australian Dollar	.0091 Japan yen
.1917 Brazil Real	.0503 Mexican Peso
.7907 Canadian Dollar	.7120 New Zealand Dollar
.0013 Chile Peso	.2595 Poland Zloty
1.1812 Euro	.0234 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0503) = 19.8807 Mexican Pesos. Source: "Wall Street Journal"

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INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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AUSTRALIA SECONDARY DATA:

According to Dairy Australia, July 2021 milk production, 606.9 million liters, was down 3.5 percent from July 2020.

July 2021 milk exports from Australia 39,593 MT, increased 74.3 percent from July 2020, according to Dairy Australia. According to CLAL data made available to USDA, January – July 2021 bulk and packaged milk exports from Australia, 161,000 MT, increased 19.6 percent from January – July 2020. The main export destinations January - July 2021, quantities, and percent change from January – July 2020, were China, 79,191 MT, +59.56 percent; Singapore, 28,435 MT, +2.27 percent; and Malaysia, 12,331 MT, -7.88 percent.

Secondary Sourced Information:

At GDT event 291, on September 7, 2021, the butter all contracts price, \$4,948, increased 3.7 percent. The October contract, \$4,956, increased 2.5 percent.

July 2021 butter exports from Australia, 1,818 MT, increased 56.3 percent from July 2020, according to Dairy Australia. According to CLAL data made available to USDA, January – July 2021 butter exports from Australia, 15,000 MT, increased 107.0 percent from January – July 2020. The main export destinations January - July 2021, quantities, and percent change from January – July 2020, were China, 4,279 MT, +260 percent; Singapore, 1,395 MT, +79.79 percent; and Philippines, 1,233 MT, +243 percent.

At GDT event 291 on September 7, 2021, the SMP all contracts price, \$3,274, increased 7.3 percent. The October contract, \$3,303, increased 8.5 percent.

July 2021 SMP exports from Australia, 8,951 MT, increased 45.9 percent from July 2020, according to Dairy Australia. According to CLAL data made available to USDA, January – July 2021 SMP exports from Australia, 95,000 MT, increased 27.9 percent from January – July 2020. The main export destinations January - July 2021, quantities, and percent change from January – July 2020, were China, 45,028 MT, +97.82 percent; Indonesia, 16,663 MT, -6.65 percent; and Vietnam, 3,976 MT, +81.47 percent.

At GDT event 291 on September 7, 2021, the cheddar all contracts price, \$4,328, increased 3.6 percent. The October contract, \$4,335, increased 4.5 percent.

According to Dairy Australia, July 2021 cheddar exports from Australia, 3,590 MT, increased 49.9 percent from July 2020. July 2021 other cheese exports from Australia, 10,962 MT, increased 27.8 percent from July 2020. According to CLAL data made available to USDA, January – July 2021 cheese exports from Australia, 93,000 MT, increased 4.6 percent from January – July 2020. The main export destinations January - July 2021, quantities, and percent change from January – July 2020, were Japan, 35,482 MT, -18.28 percent; China, 17,668 MT, +61.19 percent; and Malaysia, 6,168 MT, -0.72 percent.

At GDT event 291 on September 7, 2021, the WMP all contracts price, \$3,691, increased 3.3 percent. The October contract, \$3,763, increased 2.6 percent.

July 2021 WMP exports from Australia, 4,292 MT, increased 51.8 percent from July 2020, according to Dairy Australia. According to CLAL data made available to USDA, January – July 2021 WMP exports from Australia, 32,000 MT, increased 58.4 percent from January – July 2020. The main export destinations January - July 2021, quantities, and percent change from January – July 2020, were China, 13,086 MT, +31.05 percent; Thailand, 5,149 MT, +25.44 percent; and Singapore, 3,024 MT, +62.36 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Farm milk production is improving in areas of the main dairy basins in South America. In Argentina and Uruguay, temperatures are creating more comfortable conditions for dairy herds. Market participants report Brazil has been very dry this winter season. UHT processing continues to work through strong production schedules. Whole milk powder and skim milk powder markets are holding stable undertones. Some ice cream, confectionary and holiday product operations are starting to make negotiations for Q4/seasonal demands. In Uruguay, dairy products/the dairy industry may be benefiting from a potential free trade agreement with China. Currency rates remain a factor in some market participants' positions in international markets.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. prices have widened on the price range. Trading activities are mixed. A few operations are working through buyers' immediate needs, although other industry contacts' buying demands are flat at this time. There are anticipations SMP demands will increase as ice cream and chocolate plants increase production rates ahead of the spring and summer. Milk output is picking up off farms. Some SMP manufacturers are scheduling additional SMP drying time, prompted by higher available condensed skim milk volumes. SMP inventory levels are reportedly available.

The August 2021 Dairy Market News monthly average price for SMP (skimmed milk powder 1.25% butterfat) in South America is \$2,936, compared to \$3,037 in July 2021.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,750 - 3,150

WHOLE MILK POWDER

Whole milk powder (WMP) prices in South America are steady on lighter trading activities. Some manufacturers are quoting confectionary and holiday product processors for Q4 supplies. Market participants note many buyers and traders are on a wait and see approach to the current market. WMP production schedules are currently active. Inventory levels are reportedly available for customers' demands. The whole milk powder market is holding a stable undertone.

The August 2021 Dairy Market News monthly average price for WMP (whole milk powder 26% butterfat) in South America is \$3,453, compared to \$3,605 in July 2021

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,275 - 3,575

Information for the period September 6 - 17, 2021, issued biweekly

Secondary Sourced Information:

MILK DELIVERY

	Million Liters	% Change From Year Over Year
TOTAL, JAN - JULY 2021		
Argentina	5.8	+ 4.0
Chile	1.2	---

MILK DELIVERY TO DAIRIES

	Million Liters	% Change From Year Over Year
TOTAL, JAN - JULY 2021		
Brazil	12.3	+ 0.3

Source: CLAL, FAO and ODEPA

At the GDT Event 291 on September 7, skim milk powder (SMP) prices across all contract periods averaged \$3,274 per metric ton, up 7.3 percent from the last event.

SKIM MILK POWDER PRODUCTION

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - JUNE 2021		
Argentina	21.0	+ 21.6

SKIM MILK POWDER EXPORTS HS 040210

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - JULY 2021		
Argentina	5.9	+ 38.1

SKIM MILK POWDER IMPORTS HS 040221+040229

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - AUG 2021		
Brazil	14.7	+ 30.3

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

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At the GDT Event 291 on September 7, whole milk powder (WMP) prices across all contract periods averaged \$3,691 per metric ton, up 3.3 percent from the last event.

WHOLE MILK POWDER PRODUCTION

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - JUNE 2021		
Argentina	102.0	+ 18.9
TOTAL, JAN - DEC 2021		
Brazil	580.0	+ 1.8

WHOLE MILK POWDER EXPORTS HS 040221+040229

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - JULY 2021		
Argentina	68.0	+ 16.0
TOTAL, JAN - AUG 2021		
Brazil	5.6	+ 395.3

WHOLE MILK POWDER IMPORTS HS 040221+040229

	Metric Tons (x1,000 MT)	% Change From Year Over Year
TOTAL, JAN - AUG 2021		
Brazil	38.2	+2.2

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