

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered July 12 - 23, 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 Future reports may be included or withdrawn depending on availability of information.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

In contrast to the last five hot dry summers, market observers suggest the 2021 European milking season has had a little of everything. After a slow start, due to cool rainy weather, milk production levels picked up and then were quelled by hot weather and now heavy rains. While the major flooding in parts of western Germany, the Netherlands, Belgium, France and Luxembourg may not have been in the primary dairy regions, the loss of life and damage caused by the flood waters cannot be understated. Dairy contacts say damaged roads, power outages and communication disruptions have delayed some milk collection and taken a few milk processing facilities offline. It may be some time before the full impact of the storms and flooding is known. The heavy rains extend across a wide path of central Europe. Areas that did not flood should have good pasture quality and healthy feed grain crops into fall.

Markets for dairy products are quiet as much of the continent is on summer holidays. Common for this time of year, sales transaction volumes are lower, and retail demand is subdued. While food service demand for dairy products has increased thanks to restaurants reopening, increased COVID cases in some locations has infused the market with a lingering feeling of uncertainty. Buyers are hesitant to take on more dairy product inventories for fear of new lockdowns or weakened export opportunities.

EASTERN EUROPE

With increasing volumes of milk used in cheese making, Belarus and Poland are growing their export capacity for dairy products. Exports of cheese and butter from Belarus are finding their way into many Eastern European countries, especially Russia, while significant amounts of Polish cheese are moving into other EU countries. Both Poland and Belarus have increased the shipments of whey powder to China.

BUTTER/BUTTEROIL

Western European butter prices moved lower at both ends of the price range, while the price range for butteroil narrowed. Industry contacts suggest a few manufacturers and some traders looked to sell off part of their butter stocks. The challenge, they found, is that there is plenty of butter on hand and buyers are not too eager to take on more volumes. There is no urgency to make butter purchases.

Food service demand has grown as restaurants have reopened in some areas, but with many European workers going on holiday, retail butter demand has dried up. In addition, renewed lockdowns in other areas, challenges accessing export markets and market uncertainty have created a weaker market tone for the European butter market. Industry contacts hope activity will pick up once summer holidays end.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,350 - 4,950

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 5,475 - 6,250

SKIM MILK POWDER

Skim milk powder prices moved lower at both ends of the price range. While current market tones are subdued and demand is quiet, it seems reasonable that prices may settle lower without lively market activity to keep them supported. Indeed, some of the export channels seemed to have also gotten satisfied with their earlier purchases.

However, a few industry contacts point to tight supplies of SMP brought about by weak production numbers and lively export activity through the first half of the year. As COVID measures relax and Europeans return from summer holidays, some analysts think SMP sales may pick up.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,850 - 3,100

WHEY

European whey prices moved lower at the bottom of the price range, but held steady at the top. Industry contacts describe the whey market as stagnant. There is plenty of whey available, and demand is present. But with many workers still on holiday, there is no momentum to get deals done. Furthermore, some export buyers have met near-term needs to offset delays in shipping channels. As a result, export demand is less vigorous. The food grade whey market is having difficulty in gaining traction, while the feed grade whey market is slipping.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,075 - 1,350

WHOLE MILK POWDER

European whole milk powder prices slid lower on both ends of the price range. While inventories remain tight for WMP, there just is not much momentum to invoke any price rally. Domestic demand is quiet, especially with many Europeans on summer holidays. And export demand opportunities are limited. Buyers have booked much of the near-term needs. WMP production is adequate to meet current demand.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,650 - 3,875

Secondary Sourced Information:

UK milk production January – May 2021, 6,342 MT, increased 1.6 percent from January – May 2020 according to DEFRA data reported by Eucolait. May 2021 milk production increased 1.5 percent from May 2020.

Milk exports from the UK January – May 2021, 354,273 MT, increased 2.7 percent from January – May 2020 according to Trade Data Monitor and Eucolait. The main destination was the EU27.

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: At only a few weeks into the new Australian milk season, it is hard to tell what the year will hold. But that said, industry participants expect stable domestic dairy demand and relatively supportive global fundamentals in the first half of the year will get the milk season off to a good start. If food service demand can return to pre-pandemic levels, the domestic sales may help further support market prices. In the previous weeks, some dairy cooperatives and processors increased the offering prices made to farmers to assure the supply of milk will be sufficient to meet processing needs.

Farmers and others within the dairy industry expect 2021/22 Australian milk production to be comparable to previous years. With positive opening milk prices and less reliance on purchased feed, farmers may start the year on a better footing. However, strong land values, higher beef prices and difficulty in finding enough farm workers may still persuade some farmers to exit. In addition, increasing COVID cases in some nearby export markets may stymie some of the emergent market optimism.

NEW ZEALAND: The milk season in New Zealand is underway as calving has started in parts of northern New Zealand and is making its way southward. For the most part, dairy regions have had favorable weather leading into the new milk season. However, heavy rains in parts of western New Zealand have led to flooding. Significant losses of cattle and damage to pastures have been reported but it is not clear how much impact this will have on the New Zealand milk shed.

Industry analysts expect a strong milk season with farmgate prices to hold near 8.00 New Zealand dollar/KG milk solids. However, lower results from the recent GDT event may prompt a few analysts to shift the price forecast slightly lower. Although offer volumes were shifted lower in an effort to stabilize commodity prices, contract prices edged lower for most of the commodities. Industry contacts expected a seasonal slowdown, but increased numbers of COVID cases across Southeast Asia have refueled enough uncertainty to give buyers pause.

A number of farmers and farm groups organized protests across New Zealand in efforts to voice their opposition to proposed governmental regulations.

BUTTER/BUTTEROIL

Reversing the movements from two weeks ago, the Oceania butter price range narrowed, moving up slightly at the bottom of the price range and down at the top of the price range. The latest GDT event signaled some pressure on butter prices, but the overall market tone is stable. Buyer interest is present, but there is no urgency to make purchases for immediate delivery, and shoppers are willing to wait for a need to arise or for a deal to surface.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,375 - 4,550

SKIM MILK POWDER

Prices for Oceania skim milk powder (SMP) moved lower at both ends of the price range. Sale prices from manufacturers and prices from the recent GDT event activity both registered lower. Market observers suggest that it is not uncommon that Chinese SMP imports slow at this time of year. However, SMP inventories within China and other Southeast Asian countries may be building to the point where buyers are willing to wait before making more purchases. Buyers that had been making forward purchases in Q1 and Q2 to avoid shipping delays are now more content with their market positions. In addition, increases of COVID cases caused by the Delta variant across Southeast Asia have issued more uncertainty back into dairy markets. Some contacts are concerned that more COVID cases may recharge social restrictions and slow export opportunities.

The Gujarat Government in India announced financial support for the dairy cooperatives in the state to export skim milk powder. While analysts estimate the announced action may provide a subsidy of about 30 cents per pound to Indian dairy manufacturers, the impact on global markets and prices for SMP or nonfat dry milk are not known at this time

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,925 - 3,350

CHEESE

The price range for Oceania cheddar cheese narrowed. At the top of the price range, sale prices for cheese from manufacturers eased back slightly as buyers anticipate production to increase as the Oceania milk season takes shape and the perception that there is plenty of cheese is available. At the bottom of the price range, GDT event activity moved the price upwards slightly.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 3,975 - 4,400

WHOLE MILK POWDER

Oceania whole milk powder prices moved lower at both ends of the price range. While market observers had hoped the shift in offered volumes of WMP on the GDT would stabilize prices on the event, contract prices marched lower for the seventh event in a row. Prices from manufacturers also indicated weaker market conditions. Analysts attribute the decrease in WMP prices to the seasonal slowdown of market demand and an increase of market uncertainty brought about by increasing Delta variant COVID cases across the region.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,725 - 4,000

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**Exchange rates for selected foreign currencies:
July 19, 2021**

.0104 Argentina Peso	.0133 India Rupee
.7345 Australian Dollar	.0091 Japan yen
.1904 Brazil Real	.0498 Mexican Peso
.7845 Canadian Dollar	.6944 New Zealand Dollar
.0013 Chile Peso	.2567 Poland Zloty
1.1800 Euro	.0228 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0498) = 20.0803$ Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

July 2020 - May 2021 seasonal milk production in Australia increased 0.8 percent from July 2019 – May 2020, according to Dairy Australia. May 2021 milk production, 670.6 million liters, was up 2.6 percent from May 2020. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2020 – May 2021

State	Million Percent Change		Percentage	
	Liters	From 1 Year Ago	Milkfat	Protein
New South Wales	988.8	+1.9	4.24	3.43
Victoria	5,243.6	+0.6	4.46	3.49
Queensland	284.9	-2.2	4.21	3.43
South Australia	462.4	+2.1	4.16	3.43
Western Australia	332.2	-0.6	4.14	3.28
Tasmania	919.9	+1.4	4.92	3.85
Australia (Total)	8,231.9	+0.8	4.44*	3.51**

* -0.8 percent from prior year period

** -1.2 percent from prior year period

July 2020 – May 2021 milk exports from Australia 253,707 MT, increased 16.9 percent from July 2019 – May 2020, according to Dairy Australia.

Secondary Sourced Information:

At GDT event 288 on July 20, 2021, the butter all contracts price, \$4,419, decreased 0.8 percent. The August contract, \$4,430, decreased 3.0 percent.

July 2020 – May 2021 butter exports from Australia, 16,731 MT, increased 134.1 percent from July 2019 – May 2020, according to Dairy Australia.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Milk production continues to slightly increase off farms in the main dairy basins of Argentina and Uruguay. In some areas, temperatures have slightly improved output for dairy cows and grain development. However, in Brazil, continued drought conditions are impacting corn yield numbers. The Parana river is at very low water levels, having an impact on exports. There are reports cheese and UHT milk manufacturing are fairly active with the healthy supply of milk availability. Whole milk powder and skim milk powder markets are displaying softer undertones.

Secondary Sourced Information:

At the GDT Event 288 on July 20, skim milk powder (SMP) prices across all contract periods averaged \$2,971 per metric ton, down 5.2 percent from the last event.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. export prices shifted down in the Southern Cone of South America. Market participants are seeing lower spot pricing on various market exchanges. Buying demands are somewhat soft at this time. A few customers are purchasing on the spot market for their immediate and near future needs. There are reports SMP production schedules are very active for some operations. Additional condensed skim supplies are clearing to dryers. SMP inventory levels are fairly available in the market.

The June 2021 Dairy Market News monthly average price for SMP (skimmed milk powder 1.25% butterfat) in South America is \$3,239, compared to \$3,336 in May 2021.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,975 - 3,100

WHOLE MILK POWDER

Whole milk powder (WMP) export prices have decreased in the Southern Cone of South America. Trading activities have been less active at this time. Market participants note additional loads are available from some suppliers. Buying demands are somewhat lighter as many market participants are not purchasing on the spot market. A few customers are purchasing loads for their immediate demands, but some of those purchases are contract-based transactions. Milk output continues to slightly increase off farms. Some manufacturers are operating through a stable milk supply for WMP production schedules. WMP inventories are mostly available for spot/contract needs. The whole milk powder market undertone is somewhat soft.

The June 2021 Dairy Market News monthly average price for WMP (whole milk powder 26% butterfat) in South America is \$3,820, compared to \$3,900 in May 2021.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,400 - 3,800