

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 11 - 22, 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 Future reports may be included or withdrawn depending on availability of information.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

Western Europe sources report that 2021 began with milk production lower than one year earlier. In Germany the seasonal increase slowed, with estimates that first week January milk production dipped slightly lower than the prior week.

EU milk production January – November 2020 increased 1.7 percent from January – November 2019 according to CLAL data made available to USDA. Among some of the top milk producers, the percentage changes January – November 2020 compared with January – November 2019 are Germany, +0.5 percent; France, +0.6 percent; and Netherlands, +1.3 percent.

Cheese demand in Western Europe is stronger than most manufacturers had expected. Especially high retail demand for cheese is noted, fueled by store promotions of cheese. Equally surprising is that food service demand is higher than had been expected, notwithstanding COVID-19. Strong contracting will keep cheese production active and stocks low. Cheese manufacturers would take on extra milk as it was available, but they are mostly relegated to contracted volumes.

EU cheese production January – November 2020 increased 1.6 percent from January – November 2019 according to CLAL data made available to USDA. Among some of the top cheese producers, the percentage changes January – November 2020 compared with January – November 2019 are Germany, +2.4 percent; France, -1.9 percent; and Netherlands, +2.8 percent.

EU cheese exports January – November 2020, 862,000 MT, increased 6.6 percent from January – November 2019 according to CLAL data made available to USDA. The United States is the second largest importer of EU cheese during this period.

EASTERN EUROPE

Polish milk production January – November 2020 increased 2.4 percent from January – November 2019 according to CLAL data made available to USDA. Among other dairy products, Polish percentage changes January – November 2020 compared with January – November 2019 are butter, 8.0 percent; SMP, 5.7 percent; WMP, -11.9 percent; and cheese, +3.4 percent.

BUTTER/BUTTEROIL

The Western European butter price range is steady to higher. The upper range price bump results from sales at a small number of plants within Western Europe. Butteroil prices are slightly lower, but well above butter prices. Sources expect butteroil to remain within a narrow range in coming weeks, with some trading fluctuation.

Manufacturers report that inquiries from Western European retailers and manufacturers, as well as from export customers, have been increasing this week. Many sellers expect price firming in coming weeks based on these inquiries, partly because Western European

butter pricing is competitive globally. Butter is nicely profitable at current pricing so any increases will be especially pleasing to manufacturers.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,000 - 4,250

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 4,700 - 4,950

Secondary Sourced Information:

EU butter production January – November 2020 increased 2.4 percent from January – November 2019 according to CLAL data made available to USDA. Among some of the top butter producers, the percentage changes January – November 2020 compared with January – November 2019 are Germany, +1.8 percent; France, +0.7 percent; and Netherlands, -3.7 percent.

European Union butter exports January – November 2020, 232,000 MT, increased 19.0 percent from January – November 2019 according to CLAL data made available to USDA. Top export destinations January - November 2020, quantities, and percent change YTD, were the United States, 39,276 MT, +16.42 percent; Saudi Arabia, 20,359 MT, +66.46 percent; and China, 15,678 MT, +38.89 percent.

SKIM MILK POWDER

The Western European skim milk powder price range moved higher. Manufacturers report demand increasing from dealers with short term needs, as well as from export customers. This is also ascribed to higher prices for skim milk concentrate. Firming demand is expected to sustain in coming weeks. SMP supplies are described as limited because some contracted buyers were able to receive delivery on an accelerated schedule. Plant managers are happy to acquire any extra milk they can. SMP/butter profitability is very good relative to other dairy products.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,700 - 2,875

Secondary Sourced Information:

EU SMP production January – November 2020 increased 4.2 percent from January – November 2019 according to CLAL data made available to USDA. Among some of the top SMP producers, the percentage changes January – November 2020 compared with January – November 2019 are Germany, +5.2 percent; France, +2.9 percent; and Netherlands, +9.2 percent.

European Union SMP exports January – November 2020, 767,000 MT, decreased 15.2 percent from January – November 2019 according to CLAL data made available to USDA. Top export destinations January - November 2020, quantities, and percent change YTD, were Algeria, 117,797 MT, +28.56 percent; China, 111,572 MT, -6.63 percent; and Egypt, 44,061 MT, -23.38 percent.

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CONTINUED FROM PAGE 8**WHEY**

The Western European dry whey price range is steady to higher. Early 2021 demand has been increasing. Export business is brisk. Export customers have been locking in contracts with little price hesitancy. Q2 2021 contracting is quite busy. Some customers are turning to whey concentrate although that pricing is increasing as well.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey

Price Range - Non-Hygroscopic; \$/MT: 1,000 - 1,075

Secondary Sourced Information:

European Union whey exports January – November 2020, 692,000 MT, increased 7.3 percent from January – November 2019 according to CLAL data made available to USDA. Top export destinations January - November 2020, quantities, and percent change YTD, were China, 231,295 MT, +28.97 percent; Indonesia, 63,915 MT, -19.12 percent; and South Korea, 57,585 MT, +15.01 percent.

WHOLE MILK POWDER

Whole milk powder in Western Europe held the top end of the price range. The low end weakened. Manufacturers and dealers describe WMP markets as calm. Some have noticed that prospective Western European buyers are more hesitant. Export interest is more cautious yet. These factors are believed to have led to some sales which contributed to the low range price movement. WMP exports during 2020 were more active than in prior years. Early indicators are favorable that many new 2020 export customers, or customers purchasing increased volumes, may remain active customers in 2021.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder

Price Range - 26% Butterfat; \$/MT: 3,325 - 3,475

Secondary Sourced Information:

EU WMP production January – November 2020 increased 0.2 percent from January – November 2019 according to CLAL data made available to USDA. Among some of the top WMP producers, the percentage changes January – November 2020 compared with January – November 2019 are Germany, -7.2 percent; France, +21.8 percent; and Netherlands, +1.1 percent.

European Union WMP exports January – November 2020, 308,000 MT, increased 11.6 percent from January – November 2019 according to CLAL data made available to USDA. Top export destinations January - November 2020, quantities, and percent change YTD, were Oman, 43,687 MT, +14.54 percent; Algeria, 40,153 MT, +107 percent; and Nigeria, 20,196 MT, +21.49 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Australia struggled during 2020 to maintain export volumes of dairy powders, butter, and cheese. Internal Australian demand was one factor. But simmering political tensions with China, a significant export customer, are believed to have led to China looking for more sourcing elsewhere during the latter part of 2020. Current dry conditions have strained pasture growth. Uncertainty about weather impacts in coming weeks remains a concern. There will be some unease among dairy producers due to the uncertainty.

NEW ZEALAND: New Zealand milk production is moving lower seasonally. However, adverse weather concerns have abated. South Island sources describe soil moisture as better than normal. Pasture growth on both the North and South Islands is very healthy. Recent rains and expected rain in the coming week, give further confidence that pastures will remain healthy for grazing for some time. This bodes well for milk production. Yes, there will continue to be seasonal declines. But the decline will be moderated by decent weather.

BUTTER/BUTTEROIL

The Oceania butter price range moved up. Regional butter price increases, even with a price range well higher than for Western European butter, speaks to the challenge in producing enough butter to satisfy customers. Most dairy sources in New Zealand attribute strong butter buying to China. Australian exports have slowed, in substantial part due to the exigencies of domestic demand. Some export deals are made with a premium to induce exporters to commit. Seasonally declining regional milk intakes leave buyers disinclined to adopt a wait and see approach to butter buying. Buyers are closing deals to lock in supplies. Contracted volumes are being readily taken.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,700 - 4,825

Secondary Sourced Information:

At GDT event 276 on January 19, 2021, the butter all contracts price, \$4,735, increased 4.6 percent. The February contract, \$4,821, increased 6.7 percent.

Butter exports from Australia January – November 2020, 14,000 MT, decreased 12.2 percent from January – November 2019, according to CLAL data made available to USDA. The main export destinations January - November 2020, quantities, and percent change YTD, were China, 3,044 MT, +90.25 percent; Thailand, 2,069 MT, -39.22 percent; and United States, 1,237 MT, -42.69 percent.

SKIM MILK POWDER

Skim milk powder prices in Oceania increased at each end of the price range. Even with pricing well above Western European pricing, and active production, Oceania SMP is a seller's market. Buyers have little ability to haggle over pricing. Other buyers are always in the wings, so wiser minds just move ahead and take steps to finalize commitments from manufacturers.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,250 - 3,375

CHEESE

Oceania cheese pricing did not keep pace with increases in dairy powders and butter. The Oceania cheese price range is mixed, decreased at the low end of the price range but steady at the top. In a number of plants pricing within the range is slightly lower, as manufacturers work to induce buyers to commit. Cheese is available and buying interest is not as hurried as with some other regional dairy products. Buyers are mostly not worried that they must buy now to be assured of getting cheese when they need it.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,000 - 4,100

Secondary Sourced Information:

Cheese exports from Australia January – November 2020, 138,000 MT, decreased 4.5 percent from January – November 2019, according to CLAL data made available to USDA. The main export destinations January - November 2020, quantities, and percent change YTD, were Japan, 61,512 MT, -12.24 percent; China, 16,711 MT, +7.51 percent; and Malaysia, 11,763 MT, +58.56 percent.

At GDT event 276 on January 19, 2021, the cheddar all contracts price, \$4,082, decreased 0.3 percent. The February contract, \$4,072, decreased 1.2 percent.

WHOLE MILK POWDER

In Oceania the whole milk powder price range strengthened. Manufacturers are very pleased with how 2021 has opened. Many manufacturers and buyers expect pricing to remain near the current level at for several months. Some sources note that increased contracting has reduce volumes expected to be offered at GDT events. Seasonal milk intakes available to make WMP will be progressively lower through the season. Competition for milk going to butter and SMP remain a factor. Export business is very active and expected to remain so. This general situation is expected to continue in coming weeks and months.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,350 - 3,400

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Secondary Sourced Information:

WMP exports from Australia January – November 2020, 33,000 MT, decreased 12.6 percent from January – November 2019, according to CLAL data made available to USDA. The main export destinations January - November 2020, quantities, and percent change YTD, were China, 17,928 MT, -4.79 percent; Thailand, 4,159 MT, -17.37 percent; and Singapore, 2,423 MT, -22.99 percent.

At GDT event 276 on January 19, 2021, the WMP all contracts price, \$3,380, increased 2.2 percent. The February contract, \$3,366, increased 2.1 percent.

**Exchange rates for selected foreign currencies:
January 18, 2021**

.0116 Argentina Peso	.0137 India Rupee
.7683 Australian Dollar	.0096 Japan yen
.1888 Brazil Real	.0507 Mexican Peso
.7839 Canadian Dollar	.7112 New Zealand Dollar
.0014 Chile Peso	.2663 Poland Zloty
1.2079 Euro	.0236 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0507) = 19.7239$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

After a few weeks of dryness, moderate rains returned to the main dairy basins and agriculture zones of Brazil, Argentina, Paraguay, and Uruguay. These showers were beneficial to the development of corn and soybean, boosting soil moisture. This rainy climate hindered milk yields in a few farms mainly due to sanitary issues for milking herds. Nevertheless, cases of mastitis are minimal in most dairy farms. Several tambos are running operations with less milk than usual, but most of the raw milk has been shipped on time. Higher summer temperatures, which have been very discomfoting to dairy herds, are also diminishing milk production. Attractive beef prices have encouraged some dairy farm operators to sell some heads into the meat industry, shrinking the size of their dairy herds. With most educational institutions closed, more manufacturing milk intakes have been moving into cheese, yogurt, and milk caramel production. However, at a continental level, milk/cream volumes are less than adequate to meet all processing needs. Supplies remain very limited, while butterfat demands strengthen among the cream-based dairy markets, particularly from ice cream/frozen dessert makers. Within the food processing sector, demands for milk and cream are limited and driven by the COVID-19 lockdowns. On the other hand, at a retail level, demands for dairy products remain hearty.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder

Price Range - 26% Butterfat; \$/MT: 3,350 - 3,450

Secondary Sourced Information:

At the GDT Event 276 on January 19, whole milk powder (WMP) prices across all contract periods averaged \$3,380 per metric ton, up 2.2 percent from the last event.

SKIM MILK POWDER

During the past two weeks, in the Southern Cone of South America, free on board spot prices inched up. Following global trends at the regional and international level, the skim milk powder (SMP) market continues to strengthen. In some instances, these higher prices have been slowing the SMP trading activity, within and outside the Mercosur bloc. At this moment, most balancing plant managers are focusing on WMP production in lieu of SMP. In general, demand for SMP is strong, but supplies are limited, therefore the market tone remains on a bullish status.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder

Price Range - 1.25% Butterfat; \$/MT: 3,150 - 3,350

Secondary Sourced Information:

At the GDT Event 276 on January 19, skim milk powder (SMP) prices across all contract periods averaged \$3,243 per metric ton, up 7.0 percent from the last event.

WHOLE MILK POWDER

In the main ports of the Southern Cone of South America, free on board export prices for whole milk powder (WMP) shifted up on moderate trading. The current prices are the reflection of the bullish pricing trends of the regional butterfat market and the global protein markets. Driven by seasonally lower farm milk intakes, WMP manufacturing is less active compared to one or two months ago. WMP requests within and outside the Mercosur bloc are reported as strong.