

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 14 - 25, 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 Future reports may be included or withdrawn depending on availability of information.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

EU milk production during July 2020 was 2.2 percent higher than July 2019, according to Eurostat. January – July 2020 milk production was reported as 2.0 percent higher than January – July 2019.

July 2020 country-based production in contrast with July 2019 production was up for many major milk producers. These countries are Belgium, 4.8 percent; Ireland, 4.4 percent; Italy, 3.3 percent; France, 1.1 percent; Netherlands, 1.1 percent; Spain, 1.1 percent; Denmark, 1 percent; and Germany, 0.8 percent.

Looking at milk production in some of the primary Western European milk producing countries January – July 2020 compared with January – July 2019, the percentage changes are Germany, +1.0 percent; France, +0.9 percent; Ireland, +3.8 percent; and Netherlands, +1.8 percent according to CLAL data provided to USDA.

EU cheese production during July 2020 was 1.5 percent higher than July 2019, according to Eurostat. EU cheese production January - July 2020 was 2.0 percent higher than January - July 2019. July 2020 cheese production in Germany was up 3.4 percent YOY. However, in France July cheese production was -3.1 percent YOY.

In some of the primary Western European cheese producing countries January – July 2020 compared with January – June 2019, the percentage changes are Germany, +3.4 percent; France, -0.5 percent; Netherlands, +3.6 percent; and Ireland, +5.7 percent, according to CLAL data provided to USDA.

January – July 2020 cheese exports from the EU, 547,000 MT, increased 10 percent from the same period in 2019 according to CLAL data made available to USDA. Top importers, quantity imported, and percent change from the same period in 2019 when reported include Japan, 76,515 MT, -14.6 percent; United States, 67,344 MT, -11.9 percent; and Switzerland, 36,890 MT, +12.9 percent.

EASTERN OVERVIEW:

In Poland January – July 2020 milk production was reported as 2.7 percent higher than January – July 2019 according to CLAL data provided to USDA. Production of some dairy commodities in Poland January – July 2020 compared with January – July 2019, are cheese, +4.4 percent; butter, +10.2 percent; SMP, +5.6 percent; and WMP, -10.4 percent.

The top importer of butter, SMP and WMP from Belarus is Russia. January – July 2020 total exports of each from Belarus compared with January – July 2019 and percentage change includes butter, 40,099 MT, -4.4 percent; SMP, 71,770 MT, +3.7; and WMP, 15,706 MT, +17 percent.

BUTTER/BUTTEROIL

Butter prices in Western Europe are stronger. Within the price range, the highest prices tend to be from German manufacturers, followed by France, Belgium and Netherlands. The price movement was generally expected as seasonal milk production declines and cream pricing remains up. Many customers like the brands/plants they regularly patronize. Butteroil pricing is mixed, resulting in a wider price range.

Yes, prices matter, but existing business relationships also matter. Recent price strength may affect the tempo of closing deals, but few manufacturers are experiencing an exodus of good customers to other sources and other continents. Production of butter remains actively scheduled. Production not immediately sold can be added to cold storage stocks for anticipated sale in coming months. There haven't been many people startled by recent price strength in this market.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,000 - 4,225

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 4,850 - 5,075

Secondary Sourced Information:

Butter production in the EU January – July 2020 increased 1.3 percent from January – July 2019, according to CLAL data made available to USDA. In some leading EU butter producing countries, the production percentage change includes Germany, +1.5 percent; France, -0.1 percent; Ireland, +2.3 percent; and Netherlands, -10.7 percent.

January – July 2020 butter exports from the EU, 168,000 MT, increased 52.5 percent from the same period in 2019 according to CLAL data made available to USDA. Top importers, quantity imported, and percent change from the same period in 2019 when reported include United States, 27,584 MT, +22.0 percent; Saudi Arabia, 15,508 MT, +102 percent; and China, 10,735 MT, +67.2 percent.

SKIM MILK POWDER

Skim milk powder prices in Western Europe are steady. Within the EU demand is steady to weak, with many buyers covered through the end of the year. No one seems to be clamoring for SMP and what is manufactured readily moves to customers. Some manufacturers report more inquiries, but few new deals have been closed. These signs of buying interest, coupled with seasonally declining milk production, may lead to slight price increases into January 2021. This would not surprise many buyers. The emphasis is on slight.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,525 - 2,725

Secondary Sourced Information:

SMP production in the EU January – July 2020 increased 2.2 percent from January – July 2019, according to CLAL data made available to USDA. In some leading EU SMP producing countries, the production percentage change includes Germany, +6.4 percent; France, +0.2 percent; Ireland, +4.8 percent; and Netherlands, +6.3 percent.

January – July 2020 SMP exports from the EU, 519,000 MT, decreased 14.3 percent from the same period in 2019 according to CLAL data made available to USDA. Top importers, quantity imported, and percent change from the same period in 2019 when reported include Algeria, 93,022 MT, +44.2 percent; China, 70,620 MT, -12.0 percent; and Egypt, 32,548 MT, -15.3 percent.

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CONTINUED FROM PAGE 8**DRY WHEY**

Western European whey are mixed. There is a slight increase in the low end of the price range, but prices remain steady at the top. The highest prices are earned by plants in Germany from customers with strong source preferences. Lower prices are from some plants in Netherlands. As always, there is variance in prices between plants within countries and among countries.

Current export demand is varied. There has been a slight slowing from part of Southeast Asia. That has affected some prevailing prices within the price range at certain plants. Future sales are still expected. Many manufacturers believe the slowing of interest is more about pacing than seasonal outcomes. Hence, production schedules remain quite active. Whey prices have been pretty steady for awhile and little change is expected moving toward the end of the year.

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

Price Range - Non-Hygroscopic; \$/MT: 825 - 1,025

Secondary Sourced Information:

January – July 2020 whey exports from the EU, 457,000 MT, increased 14.0 percent from the same period in 2019 according to CLAL data made available to USDA. Top importers, quantity imported, and percent change from the same period in 2019 when reported include China, 152,536 MT, +34.8 percent; South Korea, 40,903 MT, +19.2 percent; and Indonesia, 39,660 MT, -12.7 percent.

WHOLE MILK POWDER

Whole milk powder prices in Western Europe crept up at each end of the price range, but not very much. WMP is overall a steady market. Moreover, most deals are not priced at the extremes of the price range. Day in and day out most sellers and buyers did not experience price fluctuation for their transactions over the last two weeks.

Most sales activity is within the EU. The global dominance in WMP exports by New Zealand, coupled with relatively higher Western European prices than in Oceania, keeps European WMP manufacturers focused on internal EU sales. Pricing is expected to remain generally steady through the year.

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

Price Range - 26% Butterfat; \$/MT: 3,200 - 3,400

Secondary Sourced Information:

WMP production in the EU January – July 2020 increased 5.3 percent from January – July 2019, according to CLAL data made available to USDA. In some leading EU WMP producing countries, the production percentage change includes Germany, +0.8 percent; France, +26.2 percent; and Netherlands, +8.7 percent.

January – July 2020 WMP exports from the EU, 204,000 MT, increased 18.3 percent from the same period in 2019 according to

CLAL data made available to USDA. Top importers, quantity imported, and percent change from the same period in 2019 when reported include Oman, 29,965 MT, +1.5 percent; Algeria, 26,229 MT, +210 percent; and Nigeria, 15,052 MT, +92.2 percent.

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July 2020 milk production in Australia, the first month of the new season, increased 2.9 percent from July 2019, according to Dairy Australia. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2020

State	Million Liters	Percent Change From 1 Year Ago	Percentage	
			Milkfat	Protein
New South Wales	88.1	+2.0	4.00	3.39
Victoria	417.1	+3.8	4.14	3.46
Queensland	26.3	7.4	4.08	3.38
South Australia	34.8	+4.3	3.87	3.35
Western Australia	30.3	+3.8	3.82	3.32
Tasmania	23.8	+0.8	4.48	3.50
Australia (Total)	620.4	+2.9	4.10*	3.40**

* +2.3 percent from prior year period

** +1.0 percent from prior year period

Many dairy producing areas have experienced rain throughout much of September. While helpful, some areas feel there has been too much of a good thing. There have been reports of barn collapses attributed to the weight of wet hay put into storage.

NEW ZEALAND: August 2020 New Zealand milksolids reported by DCANZ, 124.6 million kg, over five times more than July 2020, are up 4.6 percent from August 2019 milksolids, 119.1 million kg. August 2020 milk production, 1.47 million MT, over five times more than July 2020, is up 5.8 percent from August 2019, 1.19 million MT.

Spring weather has been very favorable to milk production. Current projections are for a year with higher production than last year. There has been good rainfall in recent weeks leaving many pastures in healthy condition.

China continues to be a significant dairy export customer for New Zealand. January – July 2020 China bought more butter, WMP and SMP than any other nation. It was narrowly the second largest customer for cheese, behind Japan. Current expectations are for continuing strong export demand from China through this milk season.

A large New Zealand dairy cooperative closed the books on the 2019 - 2020 year last week, announcing finances are back in the black. Returning to profitability following some poor years helped to maintain the projected seasonal milk pay price. Unlike last year, dividends will now be paid to shareholders for the fiscal year.

BUTTER/BUTTEROIL

Butter prices in Oceania moved slightly lower. Some New Zealand dairy observers believe this was partly a blow back from higher prices two weeks ago at a level that many people had not expected -- a trading correction in that sense. So the current pricing movement is not viewed as any trend shift, just continuation of ebbs and flows often driven by factors such as whether larger export buyers get the urge to buy sooner than had been expected, or conversely decide not to buy when had been expected. Pricing near the current level is ex-

pected to register in coming months. Most butter plants are running heavy production schedules.

Oceania, 82% Butterfat, Free on Board - Port Butter Price Range - \$/MT: 3,250 - 3,400

Secondary Sourced Information:

New Zealand butter exports January – July 2020, 263,000 MT, decreased 9.7 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were China, 48,771 MT, +22 percent; Australia, 19,979 MT, +1.1 percent; and Philippines, 17,539 MT, -8.8 percent.

Butter exports from Australia January – July 2020, 7,200 MT, decreased 43 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were Thailand, 1,445 MT, -42.9 percent; China, 1,190 MT, -13.2 percent; and United States, 519 MT, -73.5 percent.

At GDT event 268 on September 15, 2020, the butter all contracts price, \$3,282, decreased 1.4 percent. The October contract, \$3,315, decreased 9.7 percent.

SKIM MILK POWDER

Skim milk powder pricing showed strength in Oceania driven by near term contracts. During recent price cycles SMP prices have vacillated stronger and weaker within a range, often defying expectations. This has been frequent enough that some analysts, for now, just accept that what will be will be. Near the peak of the production season plants maintain heavy schedules. Current orders are being filled, SMP is being stored to meet future orders when milk production is lower, and profitability is decent.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder Price Range - 1.25% Butterfat; \$/MT: 2,875 - 3,025

Secondary Sourced Information:

New Zealand SMP exports January – July 2020, 219,000 MT, decreased 5.1 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were China, 58,608 MT, -12 percent; Philippines, 19,051 MT, -7.7 percent; and Malaysia, 15,855 MT, -18.8 percent.

SMP exports from Australia January – July 2020, 74,000 MT, decreased 11.2 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were China, 22,785 MT, -15.4 percent; Indonesia, 17,849 MT, +6.8 percent; and Vietnam, 2,191 MT, -73.2 percent.

At GDT event 268 on September 15, 2020, the skim milk powder all contracts price, \$2,889, increased 8.4 percent. The October contract, \$3,015, increased 9.4 percent.

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CHEESE

Cheddar prices in Oceania increased. The price strength is driven by late year contracts and demand. Cheese plants are in good shape for current sales but a degree of buying uncertainty concerning conditions in late 2020 is leading to some willingness to pay slightly more to be assured of deliveries.

Good spring weather in New Zealand has comforted concerns some buyers had about the milk supply there moving forward. But recent years have demonstrated that weather events can spring up and become impediments to previous expectations. That risk factor is still present with some buyers. Another uncertainty is whether major export customers, such as Japan and China, might find a need to increase ordering, especially if the retail and food service sectors gain more strength.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 3,625 - 3,725

Secondary Sourced Information:

New Zealand cheese exports January – July 2020, 192,000 MT, decreased 8.3 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were Japan, 38,771 MT, -10.5 percent; China, 37,876 MT, -3.3 percent; and Australia, 25,465 MT, -13.4 percent.

Cheese exports from Australia January – July 2020, 89,000 MT, decreased 3 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were Japan, 43,459 MT, -5.2 percent; China, 10,978 MT, +7.7 percent; and South Korea, 4,922 MT, -2.9 percent.

At GDT event 268 on September 15, 2020, the cheddar all contracts price, \$3,674, increased 7.2 percent. The October contract, \$3,636, decreased 0.3 percent.

WHOLE MILK POWDER

Prices for whole milk powder in Oceania firmed. Recent prices have been up and down to a degree, so price strength as peak production is near at hand is encouraging. Some dairy analysts have expected recent price ups and downs.

China is the dominant customer for New Zealand WMP exports. Some analysts believe China is more inclined to close deals with New Zealand for WMP when it needs products, than some Mid-Eastern countries that are at times more price cautious. China is believed to feel as if COVID is generally controlled there. That has led to more buying activity and thus, some resulting current price strength.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 2,950 - 3,050

Secondary Sourced Information:

New Zealand WMP exports January – July 2020, 875,000 MT, decreased 3.1 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were China, 291,590 MT, +1.4 percent; Algeria, 58,410 MT, -22.4 percent; and Sri Lanka, 48,628 MT, -4.6 percent.

WMP exports from Australia January – July 2020, 20,000 MT, decreased 21.8 percent from January – July 2019, according to CLAL data made available to USDA. The main export destinations January - July 2020, quantities, and percent change YTD, were China, 9,998 MT, -9.9 percent; Thailand, 4,105 MT, -3.6 percent; and Singapore, 1,863 MT, -7.1 percent.

At GDT event 268 on September 15, 2020, the whole milk powder all contracts price, \$2,985, increased 3.2 percent. The October contract, \$3,039, increased 3.6 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

As the southern hemisphere transitions from winter to spring season, farm milk production is generally improving throughout the main dairy basins of South America. Temperatures are becoming more comfortable for dairy cows, enhancing their productivity. After a long period of drought, Brazil is experiencing wet conditions, improving soil moisture for soybean planting. Some contacts say that the anticipated rainy effects of la Niña are currently taking in place. In Argentina and Uruguay, climate conditions have been variable, ranging from wet to dry, but its impact on milk production seems to be minimal. So far, raw milk volumes are above previous years, particularly in Argentina. Due to the perishable condition of raw milk, milk processing has not stopped since COVID-19 sanitary measures were implemented across the continent. Bottled milk, especially UHT milk, continues to be one of the most demanded dairy items during these times of social isolation. Having said this, UHT milk manufacturing is on the raise, while cheese and milk powder manufacturing has been curtailed in some cases. In Brazil, for example, cheese stocks are limited, and the market is expected to firm anytime soon. In Argentina and Uruguay, milk powder inventories are low, while export prices are generally inching up.

Secondary Sourced Information:

At the GDT Event 268 on September 15 whole milk powder (WMP) prices across all contract periods averaged \$2,900 per metric ton, up 3.2 percent from the last event.

SKIM MILK POWDER

Free on board export prices for skim milk powder (SMP) shifted up across the main ports of the Southern Cone region of South America. However, the SMP market is very elastic, and prices could change very quickly during the next couple of weeks, according to some contacts. Currently, most processing plant managers are prioritizing the production of UHT milk over dairy powders. In this way, SMP demand is above its current supply and the market tone is firmer. Drying schedules of condensed skim milk are limited and stringently dedicated to cover contractual needs.

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 - 2,950

Secondary Sourced Information:

At the GDT Event 268 on September 15, skim milk powder (SMP) prices across all contract periods averaged \$2,889 per metric ton, up 8.4 percent from the last event.

WHOLE MILK POWDER

In the South American Southern Cone region, free on board export prices for whole milk powder (WMP) shifted upward, but only in the low end of the pricing range. The top end of the range remained unchanged. The market undertone is firmer as WMP supply is beneath the immediate need from buyers. The production of WMP is less active as processors are prioritizing bottled milk and UHT milk prompted by its high retail demand during this pandemic prolonged period. So far, WMP inventories are well below regional and international buyers' needs.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 2,950 - 3,150