

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered February 22 - March 5, 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 Future reports may be included or withdrawn depending on availability of information.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 European milk production in the primary milk producing countries benefitted from good spring weather, which helped keep seasonal production increasing. Western European dairy manufacturers, especially for cheese, butter and SMP, keep a keen eye on milk production. Those categories would all be interested in higher milk intakes. Seasonal increases help. Sources say that YOY increases would be most welcome as well.

EU annual 2020 production of milk delivered to dairies increased 1.6 percent from 2019 production of milk delivered to dairies according to CLAL data made available to USDA. Among some of the top producers, the percentage changes during 2020 compared with 2019 are Germany, +0.3 percent; France, +0.5 percent; Netherlands, +1.1 percent; Italy +4.4 percent; and Ireland +3.8 percent.

Calendar year 2020 milk exports from the EU, 1,044,311 MT, increased 8.3 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 464,225 MT, 49 percent; United Kingdom, 80,498 MT, 8.5 percent; and Libya, 44,223 MT, 4.7 percent.

Milk Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	1,044,311	+8.3
Australia	237,249	+7.7
New Zealand	231,673	- 8.1

Many cheese plants are not operating at capacity. Semi hard cheese stocks remain low because filling current demand has edged out some aging stock building. Most extra milk is currently going into cheese. The EU is the leading global exporter of cheese. There are widespread export commitments to satisfy as well as internal EU demand.

EU annual 2020 cheese production increased 1.5 percent from 2019 annual cheese production according to CLAL data made available to USDA. Among some of the top cheese producers, the percentage changes during 2020 compared with 2019 are Germany, +2.5 percent; France, -1.8 percent; Netherlands, +2.4 percent; Italy +1.2 percent; and Ireland +3.2 percent.

Calendar year 2020 cheese exports from the EU, 1,355,060 MT, increased 0.5 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include United Kingdom, 403,066 MT, 34.9 percent; Japan, 108,331 MT, 9.4 percent; and United States, 96,529 MT, 8.4 percent.

Cheese Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	1,355,060	+0.5
USA	358,538	- 0.7
New Zealand	326,903	- 2.4
Australia	154,215	- 3.6

EASTERN EUROPE

Comparing calendar year 2020 with calendar year 2019, production of dairy products in Poland was milk deliveries, +2.3 percent; butter, +8.3 percent; cheese, +3.4 percent; WMP, -10.7 percent; and SMP, +5.3 percent.

BUTTER/BUTTEROIL

The butter and butteroil price ranges moved higher. Cream prices are increasing. Butter and butteroil prices within the range at a number of plants also increased. Butter price firming is expected to continue. Manufacturers are finding good interest from buyers in closing contracts with future deliveries. Buyers and sellers typically expect higher prices into the second half of 2021. Seller contracting hesitancy mostly relates to the difficulty of projecting further price development in a rising market.

Current sales are strong within Western Europe. Export inquiries are very active. EU countries are the largest butter exporting source among the primary dairy exporting countries, with increased export volumes during 2020 compared to 2019. Existing customers need to have orders filled. The price differential with Oceania butter is drawing more export customers to shop for butter in Western Europe. That too, is helping to firm prices.

Western Europe, 82% Butterfat, Free on Board - Port Butter

Price Range - \$/MT: 4,375 - 4,850

Western Europe, 99% Butterfat, Free on Board - Port Butteroil

Price Range - \$/MT: 4,825 - 5,475

Secondary Sourced Information:

EU annual 2020 butter production increased 2.3 percent from 2019 annual butter production according to CLAL data made available to USDA. Among some of the top butter producers, the percentage changes during 2020 compared with 2019 are Germany, +1.9 percent; France, -0.3 percent; Netherlands, -3.4 percent; Italy +0.2 percent; and Ireland +4.6 percent.

Calendar year 2020 butter exports from the EU, 259,033 MT, increased 4.7 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include United Kingdom, 45,989 MT, 20.1 percent; United States, 35,557 MT, 15.6 percent; and Saudi Arabia, 15,380 MT, 6.7 percent.

Calendar year 2020 butteroil exports from the EU, 37,656 MT, decreased 14 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include United Kingdom, 11,834 MT, 35 percent; Saudi Arabia, 3,588 MT, 10.6 percent; and Philippines, 2,637 MT, 7.8 percent.

Butter Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	259,033	+ 4.7
New Zealand	233,339	-13.8
USA	21,623	+ 0.8
Australia	11,372	+ 2.1

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SKIM MILK POWDER

The Western European skim milk powder price range moved higher. Various factors are considered to be in play. SMP production is lagging expectations. Most current SMP production is already sold. Buyers are taking delivery in a timely way. Most contracting activity for internal EU customers is focused on Q2 2021. As the leading global SMP exporter, the EU is well connected with regular export customers. Those customers also continue to step up as in some instances shipping from Western Europe is reported to be faster than from some other regions. Buyers with immediate needs have little leverage and they end up accepting higher price quotes.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,850 - 3,000

Secondary Sourced Information:

EU annual 2020 SMP production increased 2.5 percent from 2019 annual SMP production according to CLAL data made available to USDA. Among some of the top SMP producers, the percentage changes during 2020 compared with 2019 are Germany, +5.8 percent; France, -2.1 percent; Netherlands, +6.0 percent; and Ireland +10.8 percent.

Calendar year 2020 SMP exports from the EU, 827,043 MT, decreased 12.5 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include Algeria, 105,776 MT, 15 percent; China, 101,506 MT, 14.4 percent; and Nigeria, 38,875 MT, 5.5 percent.

SMP Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	827,043	- 12.5
USA	818,731	+16.2
New Zealand	356,330	- 4.4
Australia	129,712	+ 1.7

WHEY

The dry whey price range increased in Western Europe. Manufacturers report steady demand development, both within Western Europe and for export. Dry whey manufacturers are working to try and keep pace with increasing demand, struggling with simultaneous good demand for whey concentrate and not quite enough milk flowing into cheese plants as would be desirable.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,100 - 1,250

Secondary Sourced Information:

Calendar year 2020 whey powder exports from the EU, 685,444 MT, increased 6.0 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and per-

cent of calendar year 2020 exports include China, 201,252 MT, 35.1 percent; Indonesia, 60,131 MT, 10.5 percent; and Malaysia, 49,671 MT, 8.7 percent.

WHOLE MILK POWDER

In Western Europe the whole milk powder price range firmed. Export demand in particular is quite active. During 2020 there were increased export volumes compared to 2019. The current price differential with Oceania, where stocks are tighter, is leading to more inquiries from new potential export customers. Western European sources note that the increasing global demand for fat has resulted in higher prices being demanded and enforced. Some sources also point to the euro weakening against the New Zealand dollar.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,575 - 3,725

Secondary Sourced Information:

EU annual 2020 WMP production decreased 1.2 percent from 2019 annual WMP production according to CLAL data made available to USDA. Among some of the top WMP producers, the percentage changes during 2020 compared with 2019 are Germany, -11.5 percent; France, +19.4 percent; and Netherlands, +0.6 percent.

Calendar year 2020 WMP exports from the EU, 342,075 MT, increased 8.5 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include Oman, 40,433 MT, 13.7 percent; Algeria, 36,197 MT, 12.2 percent; and United Kingdom, 25,241 MT, 8.5 percent.

WMP Export Volumes and Percent Change 2019/2020
WMP (FAS codes 040221 + 040229)

Country	Volume MT	Percent Change
New Zealand	1,532,756	- 0.2
EU	342,075	+ 8.5
USA	38,638	- 2.1
Australia	36,860	-11.7

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Recent soaking rain in parts of Australia have been welcome. Pasture growth is expected to respond, helping to sustain milk production and reduce the need to supplement feed.

Calendar year 2020 milk exports from Australia, 237,249 MT, increased 7.7 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 91,007 MT, 38.4 percent; Singapore, 45,281 MT, 19.1 percent; and Malaysia, 24,420 MT, 10.3 percent.

Milk Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	1,044,311	+8.3
Australia	237,249	+7.7
New Zealand	231,673	- 8.1

NEW ZEALAND: January 2021 New Zealand milksolids reported by DCANZ and CLAL, 212,222 million kg, are up 0.4 percent from January 2020 milksolids, 212,222 million kg., according to Dcanz and CLAL data made available to USDA. January 2021 milk production, 2,474 million MT, is up 0.8 percent from January 2020, 2,454 million MT.

Calendar year 2020 milk exports from New Zealand, 231,673 MT, decreased 8.1 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 162,706 MT, 70.2 percent; Philippines, 22,890 MT, 9.9 percent; and Taiwan, 9,828 MT, 4.2 percent.

Milk Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	1,044,311	+8.3
Australia	237,249	+7.7
New Zealand	231,673	- 8.1

BUTTER/BUTTEROIL

The Oceania butter price range increased far more than most Oceania dairy sources had expected. The low end of the price range reflects prices of butter last week which are eclipsed by suddenly much higher prices this week. The price strength comes from export purchasers, mostly seeking butter from New Zealand. The purchasers are generally from North Asia seeking New Zealand butter. Australian butter is mostly committed to domestic markets. Moreover, annual New Zealand butter export volumes are tens of times greater than from Australia, which is not a significant player in butter exports compared with New Zealand.

Now there is uncertainty as to whether the current price level can stand. It is well above prices of the leading global butter exporter, the European Union, where milk production is seasonally increasing. Moreover the surprising price increase has some potential buyers feeling that there may not be much more upward price potential, thus contemplating stepping back in case there are weaker prices ahead.

Oceania, 82% Butterfat, Free on Board - Port Butter

Price Range - \$/MT: 5,075 - 5,950

Secondary Sourced Information:

At GDT event 279 on March 2, 2021, the butter all contracts price, \$5,826, increased 13.7 percent. The April contract, \$5,925, increased 14.4 percent.

Calendar year 2020 butter exports from Australia, 11,372 MT, increased 2.1 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 3,181 MT, 28 percent; Singapore, 1,430 MT, 12.6 percent; and Malaysia, 1,344 MT, 11.8 percent.

Calendar year 2020 butter exports from New Zealand, 233,339 MT, decreased 13.8 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 62,094 MT, 26.6 percent; Australia, 28,524 MT, 12.2 percent; and Russia, 17,984 MT, 7.7 percent.

Butter Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	259,033	+ 4.7
New Zealand	233,339	-13.8
USA	21,623	+ 0.8
Australia	11,372	+ 2.1

SKIM MILK POWDER

Oceania SMP prices increased but more modestly than some other Oceania dairy prices. Oceania prices are above EU prices. With the EU and US being larger SMP exporters than New Zealand and Australia, there are other options for many buyers. That is believed to help constrain current price increases in Oceania. Moreover, frequent SMP buyers in Oceania tend to be pretty well contracted for current needs. Expected seasonal production increases of SMP for export elsewhere is also noted by dairy sources.

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

Price Range - 1.25% Butterfat; \$/MT: 3,250 - 3,400

Secondary Sourced Information:

At GDT event 279 on March 2, 2021, the SMP all contracts price, \$3,302, increased 3.5 percent. The April contract, \$3,384, increased 3.5 percent.

Calendar year 2020 SMP exports from Australia, 129,712 MT, increased 1.7 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China 46,753 MT, 36 percent; Indonesia, 28,509 MT, 22 percent; and Thailand, 7,240 MT, 5.6 percent.

Calendar year 2020 SMP exports from New Zealand, 356,330 MT, decreased 4.4 percent from calendar year 2019 according to Eucolait.

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Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 127,765 MT, 35.9 percent; Indonesia, 33,896 MT, 9.5 percent; and Malaysia, 23,974 MT, 6.7 percent.

SMP Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	827,043	- 12.5
USA	818,731	+16.2
New Zealand	356,330	- 4.4
Australia	129,712	+ 1.7

CHEESE

The Oceania cheese price range is steady to higher. The primary factor at work is believed to be expectations of lower cheese production as the season moves toward the end. Cheese is available but many buyers are contracted for current needs. Export interest is the principal factor helping to move prices higher. However, export volumes from New Zealand and Australia declined slightly last year. In coming weeks not much price fluctuation is expected.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,250 - 4,425

Secondary Sourced Information:

At GDT event 279 on March 2, 2021, the cheddar all contracts price, \$4,280, increased 1.3 percent. The April contract, \$4,320, increased 1.9 percent.

Calendar year 2020 cheese exports from Australia, 154,214 MT, decreased 3.6 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include Japan, 69,953 MT, 45.4 percent; China, 18,242 MT, 11.8 percent; and Malaysia, 12,666 MT, 8.2 percent.

Calendar year 2020 cheese exports from New Zealand, 326,903 MT, decreased 2.4 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 75,129 MT, 23 percent; Japan, 62,328 MT, 19.1 percent; and Australia, 42,786 MT, 13.1 percent.

Cheese Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
EU	1,355,060	+0.5
USA	358,538	- 0.7
New Zealand	326,903	- 2.4
Australia	154,215	- 3.6

WHOLE MILK POWDER

Few dairy sources can recall the magnitude of an Oceania Whole Milk Powder firming price range as was recorded this week. Prices are at a multiyear high. The low range prices occurred last week and are no longer available. A rule of thumb often recited is that Oceania WMP prices above \$3,000 are nicely profitable. With a range top price of \$4,400 there is a lot of profit in WMP now. As WMP is the biggest driver of farm milk prices in Oceania, this also excites many dairy producers.

Now the uncertainty is whether this price level can hold moving forward. A factor not to be overlooked is that Oceania WMP prices are not too much higher than in the EU, which may mitigate buyer over-reaction. Seasonal milk production is declining in New Zealand as it is increasing in Western Europe. Sources cite unexpectedly strong buying interest from North Asia as a big factor in current Oceania prices. Part of the higher buying interest is said to be COVID-19 factors slowing some deliveries from other global sources of WMP. New Zealand, as the global leader of WMP exports, supplies nearly 4 1/2 times as much as number 2, the European Union. However, the EU increased WMP export volumes last year, compared to 2019, in contrast to declining volumes from New Zealand, the USA, and Australia.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,650 - 4,400

Secondary Sourced Information:

At GDT event 279 on March 2, 2021, the WMP all contracts price, \$4,364, increased 21.0 percent. The April contract, \$4,368, increased 21.3 percent.

Calendar year 2020 WMP exports from Australia, 36,860 MT, decreased 11.7 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 20,920 MT, 56.8 percent; Thailand, 4,437 MT, 12 percent; and Bangladesh, 2,791 MT, 7.6 percent.

Calendar year 2020 WMP exports from New Zealand, 1,532,756 MT, decreased 0.2 percent from calendar year 2019 according to Eucolait. Top 2020 export destinations, quantity exported, and percent of calendar year 2020 exports include China, 652,914 MT, 42.6 percent; United Arab Emirates, 87,339 MT, 5.7 percent; and Sri Lanka, 84,760 MT, 5.5 percent.

WMP Export Volumes and Percent Change 2019/2020

Country	Volume MT	Percent Change
New Zealand	1,532,756	-0.2
EU	342,075	+8.5
USA	38,638	-2.1
Australia	36,860	-11.7

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**Exchange rates for selected foreign currencies:
March 1, 2021**

.0111 Argentina Peso	.0136 India Rupee
.7772 Australian Dollar	.0094 Japan yen
.1772 Brazil Real	.0484 Mexican Peso
.7907 Canadian Dollar	.7266 New Zealand Dollar
.0014 Chile Peso	.2658 Poland Zloty
1.2049 Euro	.0232 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0484) = 20.6612$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

For the start to March, additional rain showers are adding to pasture growth. There are reports milk production is slightly up in parts of southern Brazil, Argentina, and Uruguay. Some dairy operations are decreasing cattle numbers. Market participants report feed prices are affecting cost of milk production. Bottlers are clearing available milk supplies for strong retail demands. Manufacturers are receiving fewer milk loads for dryers. Some chocolate operations have been pushing strong production schedules for their customers' seasonal demands. Market participants report butterfat demands are healthy in the cream-based dairy markets, especially from ice cream/frozen dessert processors.

SKIM MILK POWDER

In the Southern Cone of South America, skim milk powder (SMP) F.O.B. spot prices are steady to slightly higher. Market participants relay SMP markets are currently stable. Buyers' demands are steady to moderate. Some buyers are purchasing supplies for their immediate needs. SMP production remains lighter with fewer milk loads clearing to dryers. Whole milk powder production schedules are receiving the majority of available drying time. Manufacturers' SMP supplies are steady to a bit lower. The SMP market tone is balanced.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,200 - 3,400

Secondary Sourced Information:

At the GDT Event 279 on March 2, skim milk powder (SMP) prices across all contract periods averaged \$3,302 per metric ton, up 3.5 percent from the last event.

WHOLE MILK POWDER

Free on board (F.O.B) export prices for whole milk powder (WMP) are higher in the Southern Cone of South America. This week on the GDT Event, WMP contract prices increased markedly. Many market participants did not expect the significant increase in pricing. Some buyers are holding off on spot purchases to see where prices lead. Industry contacts note manufacturers have limited WMP supplies to offer. Milk volumes remain limited for WMP production, as warmer weather takes a toll on seasonally low milk output. There are reports feed prices are also affecting cost of milk production. The whole milk powder market tone is currently firm.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,500 - 3,875

Secondary Sourced Information:

At the GDT Event 279 on March 2, whole milk powder (WMP) prices across all contract periods averaged \$4,364 per metric ton, up 21.0 percent from the last event.