

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 4 - 15, 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 Future reports may be included or withdrawn depending on availability of information.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

Milk production naturally declines through mid-November in parts of northern Europe. While milk output is following this typical seasonal pattern, several industry sources report weekly collections in France and parts of Germany were above the previous week. A few sources also indicated spot milk prices may have eased slightly. However, supplies of farm milk intakes, cream and skimmed milk concentrate are tight and are trading at high prices. As a result, dairy product manufacturing is constrained.

The European Commission released the Autumn 2021 Short-term Outlook for the EU earlier this week. In the report, the commission forecasts EU milk production to grow 0.3 percent for the year. They predict stable milk intakes through Q3 and rising milk deliveries in Q4. Continued strong cow slaughtering would result in a smaller milking herd, but that may be offset by an increase in milk production per cow.

EASTERN EUROPE

Farm milk intakes are tight in Eastern Europe. Manufacturers have to allocate available milk among processing channels. Like much of Europe, milk production in eastern parts of the continent is still in seasonal decline, however, unlike some of the other major milk producing countries, Poland's milk output is ahead of the prior year.

BUTTER/BUTTEROIL

European butter prices are significantly higher this week. Industry sources suggest packaged butter demand is at typical seasonal levels, while bulk butter demand has ratcheted higher. Some industry sources say a few end users were short and had to make purchases. Buyers are eager to ensure coverage through the end of the year and are pursuing available supplies. However, butter inventories are tight. Low farm milk output levels and low component levels have limited butter production. Cream prices have risen, and manufacturers have some misgivings regarding the continued availability of affordable cream through the new few months. Butter makers are quoting future business at higher prices. Prices for butteroil are mixed, moving lower at the bottom of the range and upwards at the top of the range. Prices settled slightly lower in week 40 but jumped higher in week 41.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 5,000 - 5,550

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 5,550 - 6,300

SKIM MILK POWDER

Once again, European skim milk powder prices moved up at the top of the price range but down at the bottom. While SMP prices are moving higher across most of Europe, prices moved slightly lower in France last week. Industry sources suggest SMP availability is a primary market driver. Low seasonal milk output has resulted in lower SMP production and lower inventories. Demand is steady and solid. The constant pull from domestic markets is leaving less SMP available for export. Buyers have become more willing to buy SMP at increasing prices to assure near-term coverage.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,850 - 3,400

WHEY

European whey prices are unchanged. Industry sources say demand from both the food and feed sectors are steady and at normal levels for this time of year. Inventories are adequate to meet current demand. Heavier dry whey production in the first half of the year has allowed manufacturers to meet most inquiries. Current production is stable.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,125 - 1,325

WHOLE MILK POWDER

Whole milk powder prices in Europe moved higher. European prices have climbed steadily since mid-August. In the same timeframe, availability has decreased. WMP production is stymied. A few manufacturers are finding the production of WMP less attractive because of limited supplies and higher costs of farm milk intakes. WMP demand is present from within the EU, but with higher prices and higher freight costs, EU WMP is less price competitive than some WMP supplied from other regions of the world.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,900 - 4,125

WESTERN EUROPEAN SECONDARY DATA:

According to CLAL data made available to USDA, January - August 2021 raw cows' milk delivered to dairies in the United Kingdom was 10,577,000 MT, up 0.7 percent from January - August 2020.

EASTERN EUROPEAN SECONDARY DATA:

According to Eurostat data, August 2021 raw cows' milk delivered to dairies in Poland was 1,059,270 MT, up 0.9 percent from August 2020, but down 0.8 percent from July 2021.

According to CLAL data made available to USDA, January - August 2021 raw cows' milk delivered to dairies in Poland was 8,514,000 MT, up 0.3 percent from January - August 2020.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Industry sources expect Australian farm milk production to grow slightly this production season. Favorable milk prices and lower input costs could help farmers maintain profitability. However, a cool, wet spring has been both supportive and a hindrance to growing milk output. While slowing farm milk output the first few months of the new season, farmers think the added moisture will aid in forage production later. Stretches of drier weather have since helped improve milk output volumes.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2021 – August 2021

State	Million Liters	Percent Change		Percentage	
		From 1 Year Ago	Percentage	Milkfat	Protein
New South Wales	190.8	+2.8	4.04	3.40	
Victoria	865.9	- 4.4	4.07	3.44	
Queensland	53.7	- 1.6	4.05	3.37	
South Australia	70.3	- 4.1	3.87	3.41	
Western Australia	58.1	- 4.8	3.85	3.34	
Tasmania	58.7	-10.3	4.44	3.54	
Australia (Total)	1,297.5	- 3.6	4.06*	3.43**	

• +0.2 percent from prior year period

** -0.8 percent from prior year period

July- August 2021 milk exports from Australia, 73,977 MT, increased 51.4 percent from July-August 2020, according to Dairy Australia.

January – August 2021 bulk and packaged milk exports from Australia, 194,000 MT, increased 21.1 percent from January – August 2020, according to CLAL data made available to USDA. The main export destinations January - August 2021, quantities, and percent change from January – August 2020, were China, 100,512 MT, +63.97 percent; Singapore, 38,948 MT, +4.76 percent; and Malaysia, 13,608 MT, -12.91 percent.

NEW ZEALAND: Spring milk output for the new milk production season is below expectations in New Zealand. Wet conditions are still suppressing early season pasture growth and milk production. Industry contacts say cold, rainy weather has reduced the quantity and quality of early season pastures. The rain has also delayed crop planting in some parts of the country. While currently a hindrance, farmers feel the added soil moisture could extend pasture growth and crop growth through late spring and early summer. As temperatures warm and paddocks dry out, milk output volumes should grow, and pasture conditions should improve.

With a slow start to the milk production season, New Zealand milk supplies may be tighter than expected. Industry analysts suggest that with the first three or four months of the milk season behind last year, it may be difficult to make up ground later in the season. With tight milk supplies and strong dairy commodity prices for this time of year, several dairy industry organizations within New Zealand have lifted their milk price forecasts for the season by 25 to 75 cents. Currently, the milk price forecast is between NZ \$8.15 to \$8.62 per kg milk solids. While favorable milk price forecasts look promising,

industry analysts also urge caution. There are still a lot of market uncertainties to work through before the end of the season.

New Zealand farmers continue to face a myriad of challenges. Besides weather and price uncertainties, regulatory conditions and farm labor shortages add to the stress farmers face. Due to COVID restrictions, many farms have not been able to get the international farm workers needed for calving, milking and other essential farm work. Dairy industry leaders are hopeful that recent actions by the New Zealand government may provide a pathway to residency for international farm workers and encourage workers to come to New Zealand.

BUTTER/BUTTEROIL

Oceania butter prices moved higher. While prices from manufacturers were comparable to previous weeks, the GDT event bumped prices up slightly. Industry sources suggest there was strong buying activity from most purchasing regions. Lower than expected milk supplies have cut into production somewhat and are supporting butter prices.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,850 - 4,975

SKIM MILK POWDER

Skim milk powder prices in Oceania are steady to higher. Industry sources suggest manufacturers were making offers at slightly higher price points. In addition, prices made gains at the latest GDT event. With Australian and New Zealand milk production missing the mark for early season output levels, and seasonal milk declines in the northern hemisphere, buyers are willing to seek out SMP to assure coverage. At the latest GDT event, every region significantly increased their SMP purchase volumes compared to last year, except for northern Asia.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,275 - 3,425

CHEESE

Oceania cheese prices moved higher at both ends of the price range. Offers from manufacturers are coming out at slightly higher price points, and there was a strong showing at the latest GDT event. Industry contacts suggest Oceania cheese demand is solid. Supplies are in fairly good balance with demand.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,275 - 4,400

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WHOLE MILK POWDER

Oceania whole milk powder prices are steady to higher, moving up slightly at the top of the price range. While tight milk output in Oceania is leading analysts to believe there is still the potential for prices to firm, the latest GDT event has slowed the lift in prices. Auction volumes were weaker than expected. Some sources suggest that buyers, feeling a little price sensitive, may want to have more market signals before going ahead with purchases. Further development of the Oceania milk production season may need to occur before buyers are confident in price directions.

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

Price Range - 26% Butterfat; \$/MT: 3,675 - 3,900

**Exchange rates for selected foreign currencies:
October 11, 2021**

.0101 Argentina Peso	.0133 India Rupee
.7346 Australian Dollar	.0088 Japan yen
.1805 Brazil Real	.0479 Mexican Peso
.8012 Canadian Dollar	.6937 New Zealand Dollar
.0012 Chile Peso	.2516 Poland Zloty
1.1555 Euro	.0230 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0479) = 20.8768 Mexican Pesos. Source: "Wall Street Journal"

AUSTRALIA SECONDARY DATA:

According to Dairy Australia. August 2021 milk production, 690.6 million liters, was down 3.6 percent from August 2020. Seasonal YTD milk production through August 2021, 1,297.5 million liters, decreased 3.6 percent from July - August 2020. More detailed production data are in the table which follows.

Secondary Sourced Information:

According to Dairy Australia, July 2020-June 2021 Australian butter production, 48,713 tons, increased 15.0 percent from July 2019-June 2020.

At GDT event 293, on October 5, 2021, the butter all contracts price, \$4,878, increased 0.4 percent. The November contract, \$4,970, increased 1.6 percent.

July-August 2021 butter exports from Australia, 3,142 MT, increased 26.5 percent from July-August 2020, according to Dairy Australia.

According to CLAL data made available to USDA, January - August 2021 butter exports from Australia, 16,000 MT, increased 84.0 percent from January - August 2020. The main export destinations January - August 2021, quantities, and percent change from January - August 2020, were China, 4,496 MT, +189 percent; South Korea, 1,708 MT, +250 percent; and Singapore, 1,436 MT, +63.27 percent.

According to Dairy Australia, July 2020-June 2021 Australian SMP production, 153,741 tons, decreased 4.0 percent from July 2019-June 2020.

At GDT event 293 on October 5, 2021, the SMP all contracts price, \$3,315, increased 0.5 percent. The November contract, \$3,401, increased 3.2 percent.

July-August 2021 SMP exports from Australia, 17,108 MT, increased 28.6 percent from July-August 2020, according to Dairy Australia.

According to CLAL data made available to USDA, January - August 2021 SMP exports from Australia, 103,000 MT, increased 22.7 percent from January - August 2020. The main export destinations January - August 2021, quantities, and percent change from January - August 2020, were China, 47,851 MT, +70.04 percent; Indonesia, 18,093 MT, -8.30 percent; and Thailand, 5,065 MT, -10.41 percent.

According to Dairy Australia, July 2020-June 2021 Australian cheese production, 366,236 tons, decreased 1.3 percent from July 2019-June 2020.

At GDT event 293 on October 5, 2021, the cheddar all contracts price, \$4,297, increased 0.7 percent. The November contract, \$4,300, increased 0.7 percent.

According to Dairy Australia, July-August 2021 cheddar exports from Australia, 5,374 MT, increased 5.5 percent from July-August 2020. July-August 2021 other cheese exports from Australia, 18,619 MT, increased 11.9 percent from July-August 2020.

According to CLAL data made available to USDA, January - August 2021 cheese exports from Australia, 103,000 MT, increased 2.7 percent from January - August 2020. The main export destinations January - August 2021, quantities, and percent change from January - August 2020, were Japan, 38,359 MT, -19.46 percent; China, 19,089 MT, +55.88 percent; and Malaysia, 6,583 MT, -9.55 percent.

According to Dairy Australia, July 2020-June 2021 Australian WMP production, 52,458 tons, increased 17.5 percent from July 2019-June 2020.

At GDT event 293 on October 5, 2021, the WMP all contracts price, \$3,749, decreased 0.4 percent. The November contract, \$3,832, increased 0.8 percent.

July-August 2021 WMP exports from Australia, 9,499 MT, increased 55.7 percent from July-August 2020, according to Dairy Australia.

According to CLAL data made available to USDA, January - August 2021 WMP exports from Australia, 36,000 MT, increased 58.8 percent from January - August 2020. The main export destinations January - August 2021, quantities, and percent change from January - August 2020, were China, 14,995 MT, +26.22 percent; Thailand, 5,833 MT, +41.66 percent; and Singapore, 3,286 MT, +75.07 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

In Argentina and Uruguay, farmers' dairy herds continue to produce higher milk volumes off farms during this spring season. Market participants report milk prices have remained at good price points/numbers, although some are wondering if higher operating costs will continue to impact some dairy markets. WMP and SMP market undertones are mostly stable on mixed trading activities. There are reports year-end holiday dairy products are revving up production schedules. Market participants note limited shipping vessels/container capacity at ports is having influences on marketing decisions at this time. In Brazil, milk output is slightly picking up in areas. Drought conditions are still impacting some main farm zones around the country. Milk demands from the food processing industry continues to be strong.

Secondary Sourced Information:

At the GDT Event 293 on October 5, skim milk powder (SMP) prices across all contract periods averaged \$3,315 per metric ton, up 0.5 percent from the last event.

At the GDT Event 293 on October 5, whole milk powder (WMP) prices across all contract periods averaged \$3,749 per metric ton, down 0.4 percent from the last event.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. prices are unchanged on steady to lighter spot trading. A few operations are working through their customers' immediate needs, although port/supply chain challenges are impacting some offshore markets. In addition, milk output is increasing off farms, creating additional condensed skim volumes for dryers. SMP supplies are available for spot and contract commitments.

The September 2021 Dairy Market News monthly average price per metric ton for SMP in the southern Cone of South America is \$2,947, in comparison to \$2,936 from last month.

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 are steady to slightly lower on mixed trading activities. The WMP market tone varies currently. Some buyers/market participants note WMP markets are holding a stable undertone based on customers' immediate demands, although other industry contacts are holding off on spot purchasing and working through limited capacity on shipping vessels/shipping containers off ports. Whole milk powder production is fairly strong. Inventory levels are growing. There are reports the food processing industry is revving up purchasing needs ahead of the upcoming year-end holidays.

The September 2021 Dairy Market News monthly average price per metric ton for WMP in the southern Cone of South America is \$3,440, compared to \$3,453 from last month.

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

Price Range - 26% Butterfat; \$/MT: 3,275 - 3,625