

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered February 8 - 19, 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 Future reports may be included or withdrawn depending on availability of information.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

Siberian winds blowing through Germany, France, Italy and other countries brought extremely cold weather, lots of snow, and ice. Even Greece experienced enough snow to ski, which is quite unusual. There are reports of less milk from cows that were struggling with the extreme cold. The weather conditions led to trucking disruptions. Some milk was dumped because milk haulers could not move it from farms to plants. This will be reflected in a dip in milk production, slowing the seasonal trend upward. Additionally, the potential for being assessed for exceeding quota levels has prompted some dairy producers to take steps to curtail production increases. In the immediate future this is expected to lead to tighter supplies of butter, SMP, and WMP.

COVID-19 control measures are cited for recent slowing of dairy product cross border movements within the EU. Significant delays and traffic jams have resulted, especially on the border between Germany, Austria, and The Czech Republic. Continuing delays are expected to impact dairy product prices.

EASTERN EUROPE

During calendar year 2020 Russian imports of butter increased 6 percent according to Trade Data Monitor as reported by Eucolait. Imports of cheese increased 15 percent. Dairy powder imports decreased, SMP -31 percent. WMP -33 percent, and whey -17 percent.

BUTTER/BUTTEROIL

Both ends of the Western European butter price range moved higher. Current pricing of cream carries into higher butter pricing. Butteroil prices also increased.

With less than two months until spring holiday celebrations begin, domestic buyers are beginning to place new butter orders. Heavier ordering is expected to continue in coming weeks. Recent weather-related slowing of seasonal milk production increases has made cream a little harder to get. Recent expectations of strengthening butter prices have hastened contracting activity. In turn, that increases interest from other buyers in securing commitments. This fuels the upward spiral of expectations resulting in actions that contribute to the expectations being realized: firming prices.

There is more price uncertainty for contracts after April, which has slowed contracting beyond then. Deals for butter through April find sellers and buyers in reasonable price agreement. After April, both sides are more comfortable in assessing the situation and not getting too committed right now.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,275 - 4,475

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 4,800 - 5,225

SKIM MILK POWDER

Western European skim milk powder prices moved higher at each end of the price range. This results from several factors according to sources. SMP stocks have been tight during most of 2021 as new European customers step forward. Most customers are prepared to close deals rather than watching prices for a while. Very harsh weather in recent weeks has reduced anticipated milk production and stalled shipments of milk to dryers. European SMP prices are far enough below Oceania prices that some Asian buyers have turned toward Europe. An additional factor is reports of some customers who usually buy NDM from the U.S, who cite slower delivery. Some of those buyers are now turning to Western European SMP suppliers. The market is described as firm.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,825 - 2,975

WHEY

The food grade dry whey price range in Western Europe is mixed, with a steady low range price, but a higher price at the top. Much of the price strength is attributed to strong interest from China coupled with tight dry whey stocks. Tightness does not mean unavailability. It means having to check varied sources and paying more for whey from preferred sources.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,075 - 1,200

WHOLE MILK POWDER

Each end of the Western European whole milk powder price range strengthened. Manufacturers report that buying interest has increased from European customers. More foreign buyers have stepped up looking for export commitments. This has left sellers with some price leverage, which they have exercised. Persistent buyers find that there is seller price inconsistency in primary manufacturing countries. Scouting sometimes yields better pricing. Pricing is quite close between Oceania and Western Europe.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,500 - 3,650

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: July - December 2020 seasonal milk production in Australia, increased 0.7 percent from July - December 2019, according to Dairy Australia. December 2020 milk production, 846 million liters, decreased 2.0 percent from December 2019. Calendar year 2020 milk production increased 2.8 percent from calendar year 2019. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July - December 2020

State	Million Liters	Percent Change From 1 Year Ago	Percentage	
			Milkfat	Protein
New South Wales	561.7	+1.2	3.95	3.22
Victoria	3,236.6	+0.6	4.12	3.35
Queensland	164.8	- 3.8	3.90	3.25
South Australia	261.4	+3.0	3.84	3.22
Western Australia	189.5	- 0.3	3.89	3.21
Tasmania	505.9	+2.0	4.24	3.45
Australia (Total)	4,920.0	+0.7	4.09*	3.34**

- +0.3 percent from prior year period
- ** -1.8 percent from prior year period

NEW ZEALAND: The New Zealand dairy industry has recently increased efforts to export fluid packaged milk to China, along the model of Germany which has already developed a robust export relationship with China. This upends the expectation that dairy exports are typically manufactured dairy products.

While China continues to make efforts to increase dairy production internally, the demand in China for fluid milk has expanded. New Zealand dairy observers believe that China is open to increasing fluid milk imports from New Zealand to supplement other existing milk sources. The profitability of exporting fluid milk for New Zealand dairy producers is very attractive.

BUTTER/BUTTEROIL

The Oceania butter price range strengthened. There is no doubt that less Oceania butter will be available in coming months. The question is what the pacing of declining production and stocks will be. This tends to help deals close when buyers have resolved their needs.

Oceania pricing continues to be higher than in Western Europe. The most significant butter making area of New Zealand is the Waikato region of the upper North Island. Regardless of weather factors, the remoteness of that region within New Zealand tends to increase the cost of making and shipping butter out. Additionally, with increasing concern over dryness and heat in that area, beyond seasonal milk production declines, concern with the potential for diminished butter production related to weather is increasingly of concern. That also pushes on prices.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,925 - 5,200

Secondary Sourced Information:

At GDT event 278 on February 16, 2021, the butter all contracts price, \$5,129, increased 2.0 percent. The March contract, \$5,180, increased 3.2 percent.

Seasonal butter exports from Australia July - December 2020, 7,994 MT, increased 88.1 percent from July - December 2019 according to Dairy Australia.

SKIM MILK POWDER

Both ends of the Oceania skim milk powder price range increased. While increases are not as great as with WMP, they are increases, nevertheless. The normal factor of the declining seasonal milk production typical of February is a factor. A secondary factor beginning to be mentioned is buyer concern that NDM shipments from the U.S. West coast might be slowed if container shortages persist. This has increased interest in near term purchasing from Oceania to assure supplies and make delivery more certain, according to some manufacturers.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,175 - 3,275

Secondary Sourced Information:

At GDT event 278 on February 16, 2021, the SMP all contracts price, \$3,207, increased 0.3 percent. The March contract, \$3,271, increased 0.8 percent.

Seasonal SMP exports from Australia July - December 2020, 51,149 MT, increased 9.5 percent from July - December 2019 according to Dairy Australia.

CHEESE

Each end of the Oceania cheese price range increased. The overriding focus in New Zealand and Australia is that seasonal milk production is declining, cheese production is declining, and cheese stocks are tighter. Early year interest from export customers has further pressured pricing. Cheese is available but some buyers are looking a bit harder to find available cheese for near term needs.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,250 - 4,300

Secondary Sourced Information:

At GDT event 278 on February 16, 2021, the cheddar all contracts price, \$4,268, increased 2.4 percent. The March contract, \$4,282, increased 1.2 percent.

Seasonal cheddar exports from Australia July - December 2020, 14,880 MT, decreased 24.7 percent from July - December 2019 according to Dairy Australia.

CONTINUED ON PAGE 8B

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CONTINUED FROM PAGE 8A

Seasonal other cheese exports from Australia July - December 2020, 61,023 MT, increased 2.0 percent from July - December 2019 according to Dairy Australia.

WHOLE MILK POWDER

The Oceania whole milk powder price range moved higher. Manufacturers feel good about 2021 price trends. Expectations looking forward are also positive. Buyers expect WMP availability will tighten as the milk production season moves toward lower and lower milk output. That will keep upward pressure on prices. In turn that will increase manufacturers' profits and help producers by keeping upward pressure on seasonal milk pay prices. With all of this, buyers tend to close deals when they can and contract as far ahead as they can. Within Oceania, more WMP will come from New Zealand than Australia.

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

Price Range - 26% Butterfat; \$/MT: 3,575 - 3,625

Secondary Sourced Information:

At GDT event 278 on February 16, 2021, the WMP all contracts price, \$3,615, increased 4.3 percent. The March contract, \$3,614, increased 4.6 percent.

Seasonal WMP exports from Australia July - December 2020, 22,206 MT, decreased 7.6 percent from July - December 2019 according to Dairy Australia.

Exchange rates for selected foreign currencies:**February 16, 2021**

.0113 Argentina Peso	.0137 India Rupee
.7752 Australian Dollar	.0094 Japan yen
.1862 Brazil Real	.0496 Mexican Peso
.7881 Canadian Dollar	.7208 New Zealand Dollar
.0014 Chile Peso	.2692 Poland Zloty
1.2106 Euro	.0235 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0496) = 20.1613$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

In the main agricultural regions of Brazil, Argentina, Paraguay, and Uruguay, summer weather continues to affect cow comfort. Milk output is seasonally lower off farms. Some dairy operations are decreasing cattle numbers. Market participants report that due to current drought conditions in some areas farmers are not producing as much silage as usual for the winter season. In addition, there are reports corn and soybean feed prices have increased. Market participants report soybean harvesting in Brazil is behind schedule compared to past harvesting seasons. Manufacturers continue to receive seasonally lower milk volumes. 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 lower. Current prices are settling on a narrower price range this reporting period. Market participants relay buying demands are stable. However, there are reports some purchasing interests are slowing at this time. SMP production schedules remain on the lighter side, as operations are scheduling available drying time to whole milk powder production. Inventory levels are balanced with buyers' immediate needs. The SMP market tone is somewhat mixed.

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 - 3,350

Secondary Sourced Information:

At the GDT Event 278 on February 16, skim milk powder (SMP) prices across all contract periods averaged \$3,207 per metric ton, up 0.3 percent from the last event.

WHOLE MILK POWDER

Free on board (F.O.B) export prices for whole milk powder (WMP) are steady to higher in the Southern Cone of South America. Market participants note available supplies are outweighed by buyers' healthy demands. Milk volumes are seasonally tight at this time. WMP production schedules are mirroring shorter milk supplies. Manufacturers' inventories are lighter. The whole milk powder market tone is firm.

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

Price Range - 26% Butterfat; \$/MT: 3,450 - 3,675