

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered August 23 - September 3, 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 Future reports may be included or withdrawn depending on availability of information.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 deliveries across Europe continue their seasonal decline. Besides the natural wind down of the milk season, industry contacts say that high feed costs are placing financial pressures on farmers. In the first half of the year, dairy farmers have culled cows at a higher rate than in 2020. In addition, contacts suggest farmers are retiring without the next generation taking over the farm.

Dairy markets are becoming more active as Europeans return from summer holidays and school terms resume. Dairy product consumption is recovering, and market demand is slowly increasing as buyers recognize the need to refill supplies and prepare for the next few months. Retail, food service and food manufacturing markets are creating more opportunities for sales of dairy products. Currently, dairy supplies are not keeping up with the demand. Some contacts anticipate an upward movement of dairy product prices due to increased buyer activity and seasonal milk declines.

EASTERN EUROPE

Milk deliveries in Eastern Europe are slowing seasonally. Industry sources suggest that although less milk is making its way to processors, dairy product manufacturing is well balanced with demand. Eastern European cheese sales are stable.

Eastern European Secondary Data:

January – July 2021 milk production in Belarus, 4.606 million ton, increased 0.9 percent from January - July 2020 according to CLAL data made available to USDA.

BUTTER/BUTTEROIL

European butter and butteroil prices are mixed. Butter prices moved higher at the bottom of the range but held steady at the top of the range. Butteroil prices moved up at the bottom of the range, but inched lower at the top of the price range. Market activity has picked up as buyers return from summer holidays. Industry contacts say retail and food service butter orders have both slightly increased. In addition, buyers from food manufacturing are making their butter and butteroil purchases to prepare for the next few months. As seasonal milk production slows, so does cream availability. With lower cream supplies, higher cream prices, and the subsequently higher butter prices, negotiations have taken a while to evolve. Buyers and sellers had differing price expectations but are coming to terms as the weather cools.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,625 - 4,850

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 5,800 - 5,925

SKIM MILK POWDER

European skim milk powder prices moved higher. As market activity has increased, raw milk supplies moving into the dryers have dwindled. Higher condensed skim milk prices are keeping some manufacturers from pursuing additional milk supplies. Industry contacts suggest there is enough SMP to meet contractual needs, but limited supplies for more sales. Demand from food manufacturers has increased.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,900 - 3,100

WHEY

European whey prices moved higher at both ends of the price range. Industry contacts suggest that as the summer holidays are ending, market activity has increased. Whey demand from food manufacturers has picked up. End users are more intent on getting the whey coverage needed to fill their ingredient needs for the next few months. Recent whey production has not kept dry whey inventories sufficiently stocked to meet current demand. This is partly due to lower milk volumes clearing into cheese vats and less resulting whey solids available for drying. Also, some manufacturers are making more whey protein concentrates in lieu of sweet whey powder.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 1,100 - 1,325

WHOLE MILK POWDER

European whole milk powder prices moved higher. Earlier in the month, manufacturers worked to hold back on production due to light demand. However, as market activity has picked up, WMP demand is increasing across Europe. Some manufacturers will have to work to catch up. Industry contacts suggest WMP inventories are tight and with less milk to work with, restocking WMP supplies will be more difficult.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,625 - 3,950

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Secondary Sourced Information:

Butter and other fats exports from the EU27 January – June 2021, 129,000 MT, decreased 25.8 percent from January – June 2020 according to CLAL data made available to USDA. Main destinations January – June 2021, quantity, and percent of the total are United States, 20,920 MT, -8.40 percent; United Kingdom, 20,358 MT, -39.86 percent; and China, 11,427 MT, +41.09 percent.

SMP exports from the EU27 January – June 2021, 420,000 MT, decreased 2.3 percent from January – June 2020 according to CLAL data made available to USDA. Main destinations January – June 2021, quantity, and percent change from January – June 2020 are China, 70,844 MT, +26.70 percent; Algeria, 48,039 MT, -36.43 percent; and Indonesia, 38,571 MT, +91.47 percent.

January - June 2021 whey powder exports from Belarus, 73,000 MT, increased 8.3 percent from January - June 2020, according to CLAL data made available to USDA. The main export destinations January - June 2021, quantities, and percent change from January - June 2020, were China, 36,423 MT, +36.61 percent; Russia, 21,871 MT, -18.08 percent; and Philippines, 2,600 MT, -11.11 percent.

WMP exports from the EU27 January – June 2021, 153,000 MT, decreased 10.3 percent from January – June 2020 according to CLAL data made available to USDA. Main destinations January – June 2021, quantity, and percent change from January – June 2020 are Oman, 25,827 MT, +3.47 percent; China, 11,508 MT, +66.89 percent; and Nigeria, 10,803 MT, -19.42 percent.

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: At several months into the new milk production season, Australian dairy farmers are still optimistic for a strong year. So far, milk volumes are meeting expectations. Much of Australia started the 2020-2021 milk production season with adequate rainfall and good pasture conditions. In addition, meteorologists are forecasting above average rainfall and warm temperatures for the next few months. Dairy farmers have plenty of forages on hand and feed costs have been under control.

Like much of the world, shipping delays and port congestion have hampered some dairy export opportunities. Some shipping companies are omitting the ports of Brisbane, Sydney and Melbourne from their shipping schedules due to port congestion and the need for schedule recovery. The news is unsettling as Oceania begins peak milk and dairy production seasons.

July 2020 - June 2021 seasonal milk production in Australia increased 0.6 percent from July 2019 - June 2020, according to Dairy Australia. June 2021 milk production, 621.4 million liters, was down 1.1 percent from June 2020. More detailed production data are in the table which follows.

AUSTRALIA MILK PRODUCTION, MILKFAT and PROTEIN

July 2020 - June 2021

State	Million Liters	Percent Change From 1 Year Ago	Percentage	
			Milkfat	Protein
New South Wales	1,074.9	+2.0	4.20	3.43
Victoria	5,646.6	+0.4	4.35	3.47
Queensland	309.5	-1.9	4.18	3.41
South Australia	499.4	+2.2	4.14	3.41
Western Australia	361.9	-0.7	4.08	3.28
Tasmania	961.0	+1.2	4.85	3.75
Australia (Total)	8,853.3	+0.6	4.33*	3.47**

* +0.9 percent from prior year period

** -1.0 percent from prior year period

NEW ZEALAND: The emerging New Zealand milk production season is starting off strong. Much of the calving is wrapping up on the North Island, and the South Island is only a few weeks behind. Preliminary milk volumes are on target. Pasture growth rates are at normal levels, aided by plentiful rains through the winter months. Weather forecasts predict a drier and warmer spring. Dairy farmers expect this will aid in good pasture growth, assuming that adequate soil moisture can be maintained.

Parts of New Zealand remain under a level 4 lockdown due to Delta variant COVID-19 cases. The Auckland and Northland regions of the country will remain under the heaviest restrictions as the rest of the country moves to level 3 protocols. As essential workers, dairy farmers and food processing workers may travel between the regions with proper documentation but are required to maintain social distancing and other safety measures. Industry contacts do not expect much disruption to processing or farming operations, but the travel restrictions have made finding skilled workers more difficult, especially if those workers came from international workforces.

July 2021 New Zealand milk solids reported by DCANZ and NZX are 26.600 million kg, compared to 24.795 million kg in July 2020.

DCANZ calculates the year-to-date milk production through July 2021 is 9.279 million MT, compared to 8.787 million MT January through July 2020.

January - July 2021 bulk and packaged milk exports from New Zealand 153,000 MT, increased 19.3 percent from January - July 2020, according to CLAL data made available to USDA. The main export destinations January - July 2021, quantities, and percent change from January - July 2020, were China, 115,777 MT, +33.26 percent; Philippines, 8,507 MT, -31.94 percent; and Taiwan, 8,443 MT, +16.34 percent.

BUTTER/BUTTEROIL

Butter prices are unchanged this week. Industry contacts suggest demand is stable as buyers from northern Asian countries remain active. While still early in the season, contacts are optimistic regarding the developing butter markets. Cream availability is growing as milk production grows. Several New Zealand butter processors are increasing production at their plants to help meet the growing demand.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,600 - 4,850

SKIM MILK POWDER

Oceania skim milk powder prices are mostly steady, moving only slightly lower on the top of the price range. Market activity is still a little quiet as market participants wait to see if buyers return to the market in the same way they were present in the first half of the year. Industry contacts are cautiously optimistic for Oceania SMP. They believe supplies in the EU will stay tight through the end of the year, and SMP demand may pick up as the Oceania milk production grows into the new milk season.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,000 - 3,125

CHEESE

Oceania cheese prices are unchanged. Demand is well-balanced with supply. Industry contacts expect both supply and demand to grow as the Oceania milk production season takes shape. Export demand has been strong through the first half of the year, and market observers do not expect this to waver.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,025 - 4,300

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WHOLE MILK POWDER

Oceania whole milk powder prices moved slightly lower at the bottom of the price range but held steady at the top. Buyers are still waiting for the next bit of market information that could clarify the direction of the market. Analysts believe that New Zealand dairy futures indicate that WMP prices should hold at levels close to where they are at currently, a price point that is still well above prices at this time last year. However, industry contacts note that the milk season down under has only just begun, and it may be a few weeks before export market buyers make their Oceania WMP buying intentions known.

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

Price Range - 26% Butterfat; \$/MT: 3,500 - 3,725

CLAL data made available to USDA. The main export destinations January - July 2021, quantities, and percent change from January - July 2020, were China, 457,166 MT, +56.78 percent; United Arab Emirates, 57,640 MT, -8.55 percent; and Sri Lanka, 55,879 MT, +14.91 percent.

**Exchange rates for selected foreign currencies:
August 30, 2021**

.0102 Argentina Peso	.0136 India Rupee
.7297 Australian Dollar	.0091 Japan yen
.1929 Brazil Real	.0497 Mexican Peso
.7932 Canadian Dollar	.6999 New Zealand Dollar
.0013 Chile Peso	.2586 Poland Zloty
1.1799 Euro	.0235 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0497) = 20.1207$ Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

January - July butter exports from New Zealand 256,000 MT, decreased 2.9 percent from January - July 2020, according to CLAL data made available to USDA. The main export destinations January - July 2021, quantities, and percent change from January - July 2020, were China, 66,811 MT, +36.99 percent; Australia, 18,276 MT, -8.52 percent; and Philippines, 17,335 MT, -1.17 percent.

January - July 2021 SMP exports from New Zealand 194,000 MT, decreased 11.3 percent from January - July 2020, according to CLAL data made available to USDA. The main export destinations January - July 2021, quantities, and percent change from January - July 2020, were China, 72,499 MT, +23.70 percent; Indonesia, 19,985 MT, -7.31 percent; and Thailand, 15,222 MT, -2.35 percent.

January - July 2021 cheese exports from New Zealand 234,000 MT, increased 22.1 percent from January - July 2020, according to CLAL data made available to USDA. The main export destinations January - July 2021, quantities, and percent change from January - July 2020, were China, 61,459 MT, +62.27 percent; Japan, 37,835 MT, -2.41 percent; and Australia, 25,205 MT, -1.02 percent.

January - July 2021 WMP exports from New Zealand 1,001,000 MT, increased 14.3 percent from January - July 2020, according to

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

In the main dairy basins of Argentina, Uruguay, and Chile, milk output is moving up. Spring-like weather conditions and good quality pastures continue to improve. Market participants report milk supplies are meeting most dairy processing demands. Farm level milk prices continue to be at fairly good levels. The current milk pricing is helping ease some operating cost pressures. With the strength in the milk supply and consumer demands, UHT processing continues to work through strong production schedules. Whole milk powder and skim milk powder markets are displaying stable undertones. The foodservice sector is stable to firm. There are reports under Mexico's 2021 Quality Infrastructure National Program (QINP), Mexico is working to create NOMS for butter, cream, milk, yoghurt, cheese and milk powder to bring more legislative certainty to the Mexican dairy industry and more transparency to consumers.

SKIM MILK POWDER

Skim milk powder (SMP) F.O.B. prices are steady to slightly higher. Trading activities/buying demands have been fairly steady to flat for some market participants. There are some industry contacts noting trading activities are seasonally stable and at expected market numbers for a few operations. Some SMP manufacturers are scheduling additional SMP drying time, prompted by higher available condensed skim milk volumes. This reflects the seasonal increases in milk production. SMP stocks remain mostly in balance with spot and contractual needs. The SMP market undertone is mostly stable for the near term.

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

Price Range - 1.25% Butterfat; \$/MT: 2,800 - 3,050

WHOLE MILK POWDER

Whole milk powder (WMP) prices in South America are unchanged from last reporting period. There are some buyers/traders working through regular contract commitments, however, spot demands have softened a bit. Milk output continues to slightly increase off farms, creating a stable portion of milk supplies for WMP production, although UHT milk processing continues to receive strong/and or more milk loads than WMP production. WMP inventory levels are reportedly available for spot/contract demands. The whole milk powder market tone is stable.

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

Price Range - 26% Butterfat; \$/MT: 3,275 - 3,575