

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered July 20 - 31, 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 Future reports may be included or withdrawn depending on availability of information.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

Dairy industry contacts in Western Europe comment on feed costs being quite reasonable now. With recent rain helping bolster pastures, confidence is increasing in dairy production increases moving forward.

EU milk production during May 2020 was 0.4 percent higher than May 2019, according to Eurostat. January – May 2020 milk production was reported as 1.3 percent higher than January – May 2019.

Looking at some of the primary Western European milk producing countries January – May 2020 compared with January – May 2019, the percentage changes are Germany, +1.1 percent; France, +0.9 percent; Netherlands, +2.4 percent; Italy, +3.1 percent; and United Kingdom, +0.9 percent, according to CLAL data provided to USDA.

Cheese markets are stable in Western Europe. Retail cheese sales are very good. Orders are generally consistent, which is helpful to manufacturers. Export orders on the books are being satisfied. Many anticipated contracts for later in 2020 remain in negotiation. There is a divergence among cheese plants as to how aging stocks are viewed. Some plants report stocks are sufficient while other plants describe aging stocks as low.

EU cheese production during May 2020 was 2.2 percent lower than May 2019, according to Eurostat. In some of the primary Western European cheese producing countries January – May 2020 compared with January – March 2019, the percentage changes are Germany, +2.5 percent; France, -0.8 percent; Netherlands, -3.0 percent; Italy, -0.3 percent; and United Kingdom, +0.1 percent, according to CLAL data provided to USDA.

EU cheese exports January – May 2020, 525,811 MT, decreased 3.7 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were the UK, 138,047 MT, 31.9 percent; the United States, 38,165 MT, 8.8 percent; and Japan, 35,110 MT, 8.1 percent.

EASTERN OVERVIEW

Milk production in Poland during May 2020 was 1.8 percent higher than May 2019, according to Eurostat. January – May 2020 milk production was reported as 1.7 percent higher than January – May 2019. Production of some dairy commodities in Poland January – May 2020 compared with January – March 2019, are cheese, +4.4 percent; butter, 10.2 percent; SMP, -1.7 percent; and WMP, -0.1 percent, according to CLAL data provided to USDA.

Milk production in the Czech Republic during May 2020 was 3.7 percent higher than May 2019, according to Eurostat. January – May 2020 milk production was reported as 4.5 percent higher than January – May 2019. Production of some dairy commodities in the Czech Republic January – May 2020 compared with January – March 2019, are cheese, +8.7 percent; butter, 3.3 percent; SMP, +8.3 percent; and WMP, -9.1 percent, according to CLAL data provided to USDA.

BUTTER/BUTTEROIL

Butter prices are higher. Butteroil prices are mixed. Demand for packaged butter has increased in many larger Western European countries. Butter manufacturers in Germany report that retail packaged butter sales are quite strong for this time of year, reflecting that more people are staying home for summer vacation.

Block butter contracts are being filled for the internal market but new contracting for later this year is slow. Buyers are more inclined to close deals for lower price range bulk butter when available. Manufacturers are challenged to close new deals for higher priced bulk butter. Price expectations are cited as a sticking point. Export demand has slowed. A number of plants with contracted cream supplies are perfectly happy to sell unneeded cream as that brings a good return currently.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 3,825 - 4,050

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 4,650 - 4,975

Secondary Sourced Information:

EU butter production during May 2020 was 1.6 percent lower than May 2019, according to Eurostat. January – May 2020 butter production was reported as 1.3 percent higher than January – May 2019.

Looking at some of the primary Western European butter producing countries January – May 2020 compared with January – May 2019, the percentage changes are Germany, +2.4 percent; France, +0.7 percent; Netherlands, -4.7 percent; Italy, +0.6 percent; and United Kingdom, -1.0 percent, according to CLAL data provided to USDA.

EU butter exports January – May 2020, 122,858 MT, increased 38.7 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were the UK, 19,716 MT, 20.3 percent; The United States, 12,987 MT, 13.4 percent; and Saudi Arabia, 7,912 MT, 8.1 percent.

EU butteroil exports January – May 2020, 19,964 MT, increased 26.3 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were the UK, 4,774 MT, 28.6 percent; Philippines, 2,292 MT, 13.7 percent; and Saudi Arabia, 1,985 MT, 11.9 percent.

SKIM MILK POWDER

Skim milk powder prices in Western Europe are higher. To some extent this relates to prices expressed in U.S. dollars reflecting weaker currency conversion. Western European SMP markets are quiet. Not only are many sellers and buyers on summer holiday breaks, but little uncommitted SMP is available to sell for Q3, especially in Germany.

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On the buying side, most internal market buyers are covered for their Q3 needs. Finally, new export inquiries for Q3 are light. Q4 is a different situation. Many buyers are still working toward finalizing deals. Price expectations differ between sellers and buyers, so those discussions are expected to continue.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,400 - 2,600

Secondary Sourced Information:

EU SMP production during May 2020 was 1.2 percent lower than May 2019, according to Eurostat. January – May 2020 SMP production was reported as 0.2 percent lower than January – May 2019.

Looking at some of the primary Western European SMP producing countries January – May 2020 compared with January – March 2019, the percentage changes are Germany, +4.3 percent; France, +0.1 percent; and Netherlands, +20.1 percent, according to CLAL data provided to USDA.

EU SMP exports January – May 2020, 357,675 MT, decreased 16.5 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were Algeria, 52,700 MT, 18.8 percent; China, 31,978 MT, 11.4 percent; and Egypt, 19,206 MT, 6.9 percent.

DRY WHEY

Western Europe prices for dry whey are slightly higher. A weakening U.S. dollar is a factor in higher prices expressed in Dollars. Prices tend to be highest at some plants in Germany, lower in Netherlands. Dry whey markets are calm. More than adequate amounts of food grade dry whey are available. Contracts are being filled on time. There is spot market whey available for buyers who need whey. This leads to calmer transactions with less price friction. Contracting negotiations for Q4 are underway.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 800 - 1,050

Secondary Sourced Information:

EU whey powder exports January – May 2020, 277,675 MT, increased 8.3 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were China, 70,110 MT, 31.9 percent; Malaysia, 23,216 MT, 10.6 percent; and Indonesia, 22,510 MT, 10.3 percent.

WHOLE MILK POWDER

Whole milk powder prices in Western Europe are stronger. WMP manufacturers in Germany are close to sold out for Q3. This is reported from plants in many regions of the country. Similar reports come from plants in other countries in the top tier of Western European WMP producers, such as Netherlands and France. Export orders this year have been somewhat better than had been expected. Thus, spot markets are very quiet because there are hardly any free quantities available from manufacturers for current delivery. Buyers able to find small quantities available here or there often pay small surcharges.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,150 - 3,325

Secondary Sourced Information:

EU WMP production during May 2020 was 4.1 percent lower than May 2019, according to Eurostat. January – May 2020 WMP production was reported as 6.2 percent higher than January – May 2019.

Looking at some of the primary Western European WMP producing countries January – May 2020 compared with January – March 2019, the percentage changes are Germany, +2.6 percent; France, +13.5 percent; and Netherlands, +15.9 percent, according to CLAL data provided to USDA.

EU WMP exports January – May 2020, 136,117 MT, increased 8.3 percent from January – May 2019, according to Eucolait. The main export destinations for the first third of 2020, quantity, and percent of the total, were Oman, 16,516 MT, 15.4 percent; UK, 9,701 MT, 9 percent; and Nigeria, 6,729 MT, 6.3 percent.

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Australian sources report that current projected milk pay prices provide a solid platform for seasonal dairy profitability. An uncertainty being watched is rain. During June most of Australia recorded below average rainfall. Producers in some regions are already voicing concern about current conditions being too dry to sustain the summer and maintain profitability. Some July to September meteorological projections are said to point toward less favorable rain, due to conditions in the Indian Ocean. That could lead to higher production costs. So as is often the case, early season uncertainty is particularly stressful.

NEW ZEALAND: There has been some concern as to the outlook for the developing New Zealand dairy season ahead. Weather so far has been viewed as favorable to pasture growth and dairy production. Yet some observers are voicing uncertainty about the potential for not so good weather and how that would impact production and pricing. Another topic of discussion is whether macroeconomic effects of COVID-19 may lead to recessionary factors which could lead to weaker consumer demand. Some regional agricultural bankers are watching this closely. The uncertainty gets more complicated to assess in New Zealand because so much dairy production there is destined for export. Projecting the future in multiple other markets is more challenging than where a substantial amount of dairy production is consumed domestically close to home. Some New Zealanders question whether recent dairy product price volatility is related to sellers and buyers responding to these uncertainties as they see the future. So far though, early season production has been viewed favorably.

BUTTER/BUTTEROIL

Oceania butter prices are lower. Dairy managers in New Zealand believe that buyers recently misread butter availability. Yes, it is early in the season. However, recent buyers are able to make deals and get near term deliveries. Butter production and stocks are handling current demand. Exports were lower than had been anticipated. That contributed to weaker prices. Increasing expectations for seasonal butter production volumes also impact prices as more manufacturers and buyers come to believe stocks in coming months will be adequate. Late July milk production is increasing from seasonal lows, but still has a long way to go before butter churning appreciably engages. When that happens, confidence is higher for the volumes expected to result. Current demand is uneven.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 3,475 - 3,575

Secondary Sourced Information:

At GDT event 264 on July 21, the butter all contracts price, \$3,533, decreased 4.9 percent. The August contract, \$3,505, decreased 7.3 percent.

New Zealand butter exports January – June 2020, 116,768 MT, decreased 20.5 percent from January – June 2019, according to Eucolait. The main export destinations January - June 2020, quantities, and percents of the total, were China, 27,484 MT, 23.5 percent; Australia, 13,583 MT, 11.6 percent; and Saudi Arabia, 9,898 MT, 8.5 percent.

SKIM MILK POWDER

Oceania skim milk powder prices are steady to lower. SMP markets are slow this early in the new season. Many buyers lack enthusiasm as they are stocked. Pricing is at a premium to Western Europe. Not much drying to make SMP has begun. There are more profitable uses for the available milk. It is a quiet market.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,675 - 2,775

Secondary Sourced Information:

At GDT event 264 on July 21, the SMP all contracts price, \$2,680 decreased 0.5 percent. The August contract did not trade.

New Zealand SMP exports January – June 2020, 198,230 MT, increased 1.2 percent from January – June 2019, according to Eucolait. The main export destinations January - June 2020, quantities, and percents of the total, were China, 51,936 MT, 26.2 percent; Indonesia, 19,517 MT, 9.9 percent; and Philippines, 18,224 MT, 9.2 percent.

CHEESE

Lower interest in Oceania cheddar left prices steady to lower. Buyers are generally stocked for near term needs, which contributed to price weakness.

Even with weaker near term pricing, cheddar continues to provide good returns for manufacturers. Seasonal milk production increases may move toward various cheese plants as a result. Expectations for higher prices in coming months encourages manufacturers to aim for production increases.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port
Price Range - \$/MT: 3,700 - 3,800

Secondary Sourced Information:

At GDT event 264 on July 21, the cheddar all contracts price, \$3,803, increased 0.6 percent. The August contract, \$3,705, decreased 11.6 percent.

New Zealand cheese exports January – June 2020, 165,096 MT, decreased 6.3 percent from January – June 2019, according to Eucolait. The main export destinations January - June 2020, quantities, and percents of the total, were Japan, 33,382 MT, 20.2 percent; China, 30,947 MT, 18.8 percent; and Australia, 22,286 MT, 13.5 percent.

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WHOLE MILK POWDER

Oceania whole milk powder prices are mixed. Buying interest for near term delivery left some available product unsold. Export demand seeking WMP in September through November is strong. This is moving prices up for that period. Early season WMP production is making as much WMP as available milk permits. There is some competition from UHT plants, but WMP plants in many regions are favored destinations for milk. With early season production still low, and the arc of future production expected to be higher, buying interest week to week is the primary uncertainty for now.

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

Price Range - 26% Butterfat; \$/MT: 3,225 - 3,350

Secondary Sourced Information:

At GDT event 264 on July 21, the WMP all contracts price, \$3,218, increased 0.6 percent. The August contract, \$3,345, decreased 4.6 percent.

New Zealand WMP exports January – June 2020, 764,816 MT, decreased 4.7 percent from January – June 2019, according to Eucolait. The main export destinations January - June 2020, quantities, and percents of the total, were China, 252,718 MT, 33 percent; United Arab Emirates, 56,336 MT, 7.4 percent; and Algeria, 54,118 MT, 7.1 percent.

**Exchange rates for selected foreign currencies:
July 27, 2020**

.0139 Argentina Peso	.0134 India Rupee
.7151 Australian Dollar	.0095 Japan yen
.1941 Brazil Real	.0456 Mexican Peso
.7487 Canadian Dollar	.6685 New Zealand Dollar
.0013 Chile Peso	.2676 Poland Zloty
1.1753 Euro	.0235 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0456) = 21.9298$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Farm milk production has increased slightly in Brazil. The temperate climate has slightly improved the productive performance of dairy cows and grain development in various dairy basins. However, raw milk volumes are still less than enough to meet its strong demand among the national food processing industry. That being said, farm-gate milk prices have increased markedly in recent weeks. In the same fashion, spot values for raw milk continue ramping up in the domestic cash market. Cheese and UHT milk manufacturing remain active, driven by milk availability. With new cases of COVID-19 rising, cheese sales into the food-service and hospitality industries are sluggish. However, according to some industry stakeholders, cheese prices are likely to rise in the near term, as stocks in the retail sector are currently low, but consumer demand is expected to rebound very soon.

In Argentina and Uruguay, farm milk production is seasonally up. Available milk supplies are enough to meet most processing needs. In some urban and rural areas with low COVID-19 cases, restaurants and pizzerias are slowly reopening, which has been beneficial to the regional cheese industry. At the retail level, sales of dairy products have decreased significantly due to a general contraction in the economy caused by COVID-19. Furthermore, consumers were generally sufficiently supplied during the early days of COVID-19, resulting in less purchases at the grocery store. However, according to some contacts, with new cases of coronavirus raising, demands for UHT milk, cheese, and yogurt, are anticipated to firm in the short term.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,000 - 3,350

Secondary Sourced Information:

At the GDT Event 264 on July 21, whole milk powder (WMP) prices across all contract periods averaged \$3,218 per metric ton, up 0.6 percent from the last event.

SKIM MILK POWDER

In the Southern Cone of South America, skim milk powder (SMP) prices remained unchanged during the past two weeks. Processors are more focused on making WMP rather than SMP, which has resulted in lower SMP inventories. The general demand for SMP is still strong, inside and outside the continent. However, SMP offerings from manufacturers are very limited. The market undertone is unsettled as some contacts anticipate a drop in prices soon, while others are still confused about the current economic dynamics in this volatile niche market.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,650 - 2,750

Secondary Sourced Information:

At the GDT Event 264 on July 21, skim milk powder (SMP) prices across all contract periods averaged \$2,680 per metric ton, down 0.5 percent from the last event.

WHOLE MILK POWDER

Whole milk powder (WMP) export prices shifted up during the past two weeks. With the domestic demand for some dairy products dropping in some countries, such as Argentina, some manufacturers are capitalizing on the strong international demand for milk powders. Therefore, several processors are currently diverting more milk volumes into dryers. While these manufacturer sales strategies have worked with some clients with high immediate needs, other buyers have become less interested as the price increases. At the moment, WMP inventory levels are reported as steady to building.