

April 2022

Dairy 2022 Quarterly Recap



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Part I

Quarterly Issues

1.1 Weather

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Part. I

Quarterly Issues

Weather

- In the US, stormy conditions earlier in January in the Midwest disrupted cow comfort levels and supplies.
- Recent warmer conditions in the Pacific Northwest of the US are increasing cow comfort and milk production.
- Rains and colder temperatures in New Zealand subdued milk production.
- Heavy rainfall and flooding along Australia's northern coast affected dairy farms
- Dry and hot weather in South America in January created some concerns for milk production.

Grass Growth

- Average grass growth rate in UK dairy farms is 13kg DM/ha.
- Good weather expected in the UK and most parts of Central Europe should aid grass growth. The negative factor is a long-term cold weather forecast that may push grass growth below normal levels.

Price Trends

- Prices of European liquid milk edged up 5% QoQ to €/100kg.
- Prices of European butter gained 16% QoQ to €6483/mt.
- Prices of European SMP gained 21% QoQ to €3960/mt.
- US producer price index for dairy product manufacturing went up 16.7% YoY to 234 in February.
- The US All Milk price received by farmers was \$24.20 in January, up to \$6.70 YoY.
- Fonterra lifted its 2021-22 forecast Farmgate Milk Price range to NZ\$9.30 - \$9.90 per kgMS.
- GDT Price index fell 0.9% to \$5039 after 5 consecutive gains since January.

Part II

Quarterly Summary

1.1 Dairy

- Milk
- Butter
- Cheese
- Powders

Milk

Europe

Throughout the first quarter of the year, European milk collections have been tight in line with the seasonal trend. In France and Germany which initially saw an uptick amid a general downtick in collections, the pace of increase slowed. Provisional numbers from Tridge put EU collection at 8.6 million mt, 15 % down YoY.

UK

Milk supply in the UK entered the year having recorded lower production in Q4 of 2021. Weighed down by higher feed and energy costs, total Q4-2021 production was 3.57 billion liters, 2% less than the quantity produced in the same period in 2020. Input cost pressure among others has meant production in the first quarter of the year has been low. January 22 production was down to 1.23 billion liters from 1.25 In January 2021.

Oceania

Supply in New Zealand is down owing to the off-peak season. Total supply for January and February was a little over 4 million mt, down 7% from the same period the previous year. Total collections in February fell 8% YoY to 1.77 million mt, the lowest cow milk collected in 11 years. Tight fundamentals would persist until the end of the season.

USA

In the USA, milk production in key dairy states fell in January 2022. Total US fluid milk production at the end of January thus came at 8.64 million mt 2% down from the same period of the previous year. On the other hand, collections in Colorado, Idaho, and Utah have seen an uptake but reports coming out suggest production is below forecasted levels. Going forward, improvement in weather conditions may aid production numbers to be steady or higher.

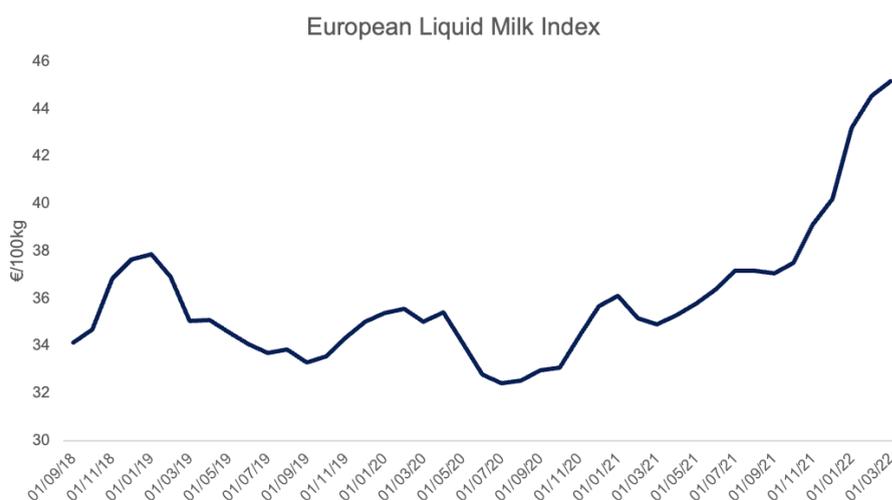


Figure 1.
Source: EEX

Outlook

Milk production in the UK and Europe is expected to recover going into the Spring flush. In the US, declining cow numbers and some weather adverse may affect milk production. With about 80 percent of New Zealand's seasonal milk already collected, making up the previously poor monthly collections is increasingly difficult. Dairy commodity prices would stay elevated until farmers turn grass into milk.

Butter

EU

Butter supply in Europe has been tight owing to limited milk and cream available. In Poland, another big dairy producer in the EU, manufacturers directed loads of milk into SMP rather than butter, helping to keep the latter tight. The ongoing war between Russia and Ukraine is impacting butter demand as some countries in Eastern Europe are stocking up on food and other groceries including dairy products to feed the refugee population. Retail demand is also robust with contracting on packaged butter seeing increased activity. European butter thus continues to be in bullish territory-spot is trading around €6483/mt, up 59% YoY, 7% MoM.

UK

UK butter held firm over the quarter on the back of tight milk and cream supplies. Manufacturers have been reluctant to churn cream to butter as the cream is attracting high prices. At current high cream prices, buyers are hesitant to buy forward, only contracting for immediate needs until prices come down.

Oceania

Milk production has been lower than expected and has kept butter tight in New Zealand. A similar story exists in Australia- adverse weather that affected milk production has caused availability issues for feedstock cream to make butter. Butter demand from Chinese and Southeast Asian buyers, which is showing no signs of slowing down, is keeping Kiwi butter on the upside. Adding to this are purchases from North America helping to keep prices on the GDT auction bullish.

USA

Cream availability in the USA remains stable in the first quarter of the year making it easier to churn cream to butter. Availability has, at times, been reported to be tight in certain states as demand edges up owing to the upcoming holidays. Butter demand from the retail and foodservice sector has picked up recently while states open post-covid. Grade AA butter at the beginning of the year was at \$2.7425 but as at going to press, they were trading at \$2.725.

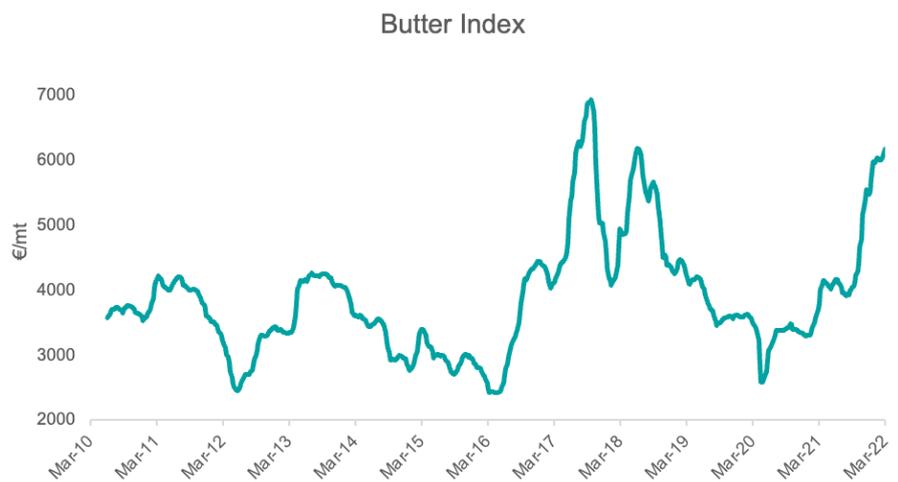


Figure 2.
Source: EEX

Outlook

In the US, butter availability has been steady to higher across many states but labor shortages in central states might hinder production schedules putting a bullish slant on butter prices. In the UK and EU, demand from retail would be the source of bullish sentiments. A potential rise in milk production as we enter the spring flush should loosen cream and butter markets.

Cheese

EU

European cheese production is reported to be sluggish owing to lower milk supplies. Heightened demand emanating from the foodservice sector, retailers, and bulk cheese buyers are keeping the market heated. Producers report not having much available for Q2 so are only selling to regular patrons. Prices among all cheese products kept a bullish momentum.

UK

UK cheese has traded up so far this year. Wholesale mild cheddar according to the UK's Agriculture and Horticulture Development Board (AHDB) was slightly higher (+£200) by the end of February to £3960/mt. Robust retail activity and a strong demand amid tight stocks are keeping prices above normal levels.

Oceania

Both NZ and Australia are seeing heightened demand for cheddar mostly coming from North Asia and Middle Eastern buyers. Ample supplies in Oceania have kept prices stable but bullish sentiments from the Western European market are expected to rattle markets 'down under' going forward.

USA

Good weather and the football season in the US, increased retail activity coupled with ample supplies are keeping the US cheese market balanced. Spot prices have been stable since manufacturers have intensified production activity. US cheese imports from the European market might be constrained in the coming weeks as data shows European cheese production has slowed since January.

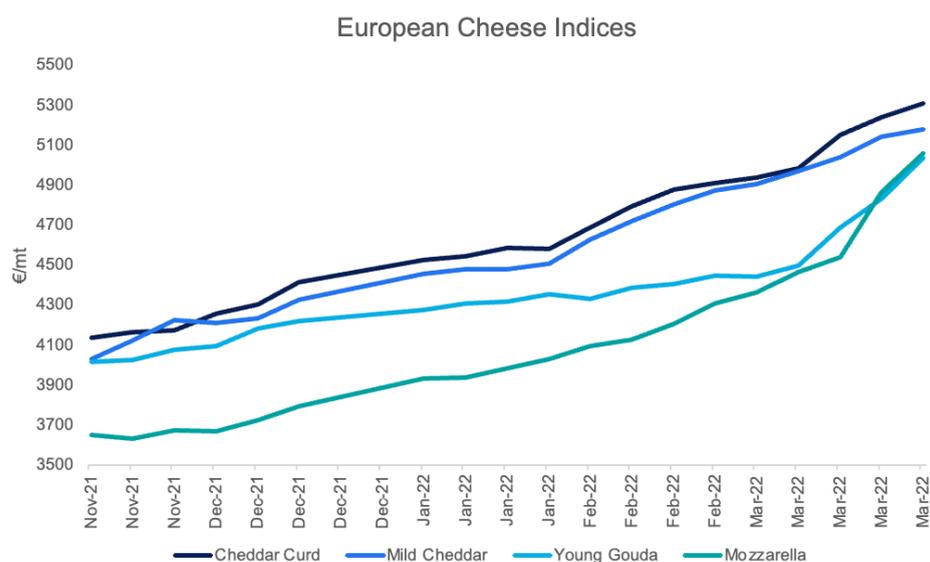


Figure 3.
Source: EEX

Outlook

Cheese demand in Europe and export destinations is reported to be strong and expected to remain at that level. Exports from Europe to the United States might be curtailed unless production is boosted to offset the existing shortfall in supplies. A recovery in the truck shortage situation is also needed to remedy the current difficulty moving cheese around the continent.

Powders

EU

The state of the skim milk powder market in Europe remains edgy on the back of limited availability. In the whole milk powder market, sustained high demand for whole milk powder is playing against limited availability and keeping prices high. Prices of SMP edged up 21% QoQ to finish at €3960/mt.

UK

UK wholesale SMP prices gained £120 to finish February at £3030/mt. Limited milk availability to turn to powder and higher energy cost is confining production to contracted orders.

Oceania

Oceanian powder prices remain high owing to supplies. Adding to that pressure is intense Western European buying of SMP from Oceania. Gains seen in powders on the GDT auction continue to put a bullish kick to prices. Oceania whole milk powder is trading at €4217/mt in March up 11% MoM, 22% YoY.

USA

The sentiments in the market for dry product is mixed. Availability has been scarce nationally but demand as well remains quiet. End-users in need of products are sending regular inquiries to suppliers, looking for available loads but struggling to get responses. Also, some reports suggest labor shortages continue to cause some drying challenges

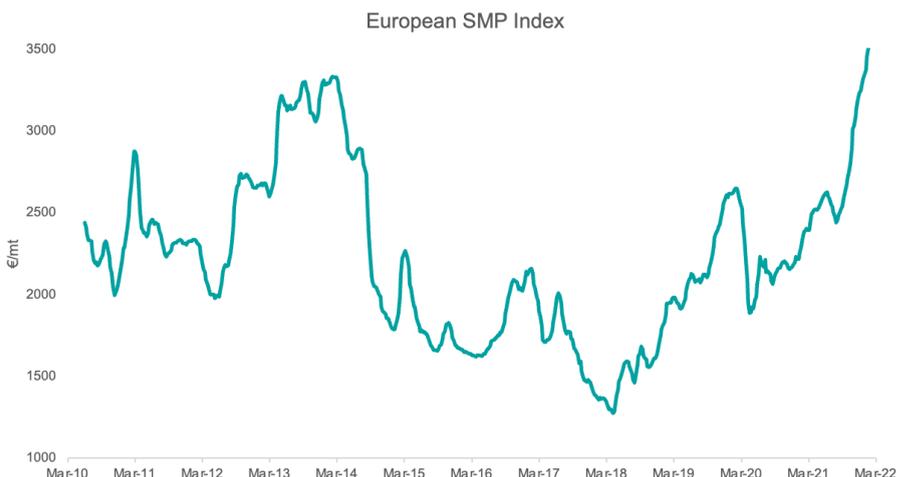


Figure 4.
Source: EEX

Outlook

Increased milk supplies in Europe as the Spring flush sets in should make milk available to dry into milk. In the US, prices are expected to be steady on lighter spot trading activity.

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About Us

Tridge is a Global Trade Ecosystem in the food and agriculture industry that combines professional network and data intelligence and makes trustworthy and sustainable cross-border trades possible. We create and provide a very unique and powerful global-scale platform for buyers and suppliers to be connected and do business with each other more confidently and seamlessly.

Our mission is to become a go-to place for the ultimate sourcing solutions by creating a safe and reliable trade community. For Buyers, Tridge consistently provides extensive market trend data around the globe, creating opportunities in both untapped and existing markets and connecting them with credible suppliers. For Suppliers, we identify and develop sales opportunities from the regions they could not reach ever before. We combine state-of-the-art technology to make this happen.

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